

A DEMOCRACY CENTER BRIEFING PAPER

**WATER IN COCHABAMBA
AFTER THE WATER REVOLT**

A LEGEND WITH MIXED RESULTS

EXCERPTED FROM THE FORTHCOMING BOOK:

***DIGNITY AND DEFIANCE: STORIES FROM
BOLIVIA'S CHALLENGE TO GLOBALIZATION***
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I. INTRODUCTION

In the opening months of the year 2000, the people of Cochabamba, Bolivia took to the streets by the thousands. They were protesting the takeover of their city water system by a subsidiary of the U.S. corporate giant, Bechtel, and demanding the repeal of a new national water law that threatened to hand Bechtel control over rural water systems. On three separate occasions the people of Cochabamba and their rural neighbors shut down the city with general strikes and road blockades. Bolivia's president, a former dictator, responded with armed troops and a suspension of constitutional rights. More than 100 people were wounded. A 17-year-old boy, Victor Hugo Daza, was killed.

On April 10, 2000, Bechtel officials finally fled the city, the water system was returned to public control, and the water law was repealed. The global legend of the great Cochabamba Water Revolt was born – a powerful modern day tale of a corporate Goliath slain by a humble David of the Andes. In the years since, the story of the Water Revolt has been featured in so many international articles, books, and films that reporting about those events has become a phenomenon in itself. At the time of the Revolt, The Democracy Center was the only ongoing source of reporting to audiences abroad. The Center's coverage, which shared honors for top story of the year from Project Censored, became the basis of much of the reporting since.

But what happened in Cochabamba after David slew Goliath? What did the Water Revolt mean for the people and their thirst for clean, affordable water. In this paper, The Democracy Center takes an unvarnished look at the track record since April 2000. The paper is an excerpt from a chapter on the Water Revolt, in the Center's forthcoming book: *Dignity and Defiance – Stories from Bolivia's Challenge to Globalization* (University of California Press, 2008). The analysis here is based on an extensive review of water company data dealing with water service, expansion, and tariffs and also draws on a wide variety of interviews with leaders of the water revolt, global water experts, academics who have studied the Cochabamba company, and water users.

The clearest victory was on the issue that first sparked the Revolt – the resistance by irrigators and farmers against having the national government and potentially a foreign corporation take control of their rural water systems. Irrigators won and have strengthened new water laws assuring that water will be treated as a common good rather than as a commodity to be sold. It has been in the city however, and in the management of the public water company taken back from Bechtel, that the results of the Revolt have been much less than romantic.

II. THE PEOPLE TAKE OVER – BUT NOT REALLY

In the immediate aftermath of the Water Revolt, leaders of *La Coordinadora* – the broad coalition of farmers, factory workers, environmentalists, and others who led the protests – joined with the city government and the water company union to take over management of the public company (named, again, SEMAPA). An interim board of directors was named and a water engineer who had been part of the professional team assisting *La Coordinadora*, Jorge Alvarado, was appointed chief executive officer.

In its first few months, SEMAPA enjoyed a wave of public goodwill. It rolled back rates to their pre-Bechtel levels and water customers quickly began paying their overdue water bills, refilling the company coffers that Bechtel's representatives had drained during their brief tenure. Bechtel's company left behind, among other things, an unpaid \$90,000 electric bill. *Coordinadora* leaders also rode a wave of public popularity and received a stream of offers of technical assistance from public sector water managers across the U.S. and Canada. Public companies under privatization pressures there knew that SEMAPA's success or failure would have a significant impact on the global water privatization debate and they wanted Cochabamba's public company to succeed.

Behind the scenes in Cochabamba, however, the management put in place after Bechtel left town suffered problems from the start. *Coordinadora* leaders were deeply suspicious of the role of Cochabamba's mayor, Manfred Reyes Villa, in the company, given his part in approving the privatization. Leaders of the union representing SEMAPA workers, while mouthing the rhetoric of public service, seemed most interested in protecting their ability to add friends and relatives to the company's payrolls. "In reality the company wasn't retaken at all," said Oscar Olivera, one of the *Coordinadora's* most visible leaders.

The *Coordinadora* leaders who had organized on the streets tried to dive in to the company's practical challenges – management issues, rate structures, expansion projects, and dealings with foreign lenders. With glazed eyes and declining interest in the details, the leaders from the streets decided that the *Coordinadora* needed to turn those details over to a "technical support team." Organized in late 2000, the team included an academic, a former SEMAPA manager, and a pair of community organizers. They fanned back out to the rural communities and urban neighborhoods that had been the backbone of the Revolt, assessing the challenges faced by the company and evaluating proposals for reform. Their goal was to set an agenda that could make SEMAPA genuinely representative of the people it was supposed to serve, and free of the corruption and mismanagement that had plagued it before.

The technical team proposed that company managers begin working directly with neighborhood committees to tap into community labor and skills and into local development funds to help get water to neighborhoods that lacked it.ⁱ "We did workshops with the employees and with communities across Cochabamba," recalled Carmen Peredo of the Association of Irrigators, a member of the team. "But the director [Alvarado] didn't want the changes that came out of them."ⁱⁱ She also blames a lack of support from those who led the Revolt. "The proposals were there but the *Coordinadora* didn't fight for them."

The one major reform that the *Coordinadora* did take up and did win, partially at least, was having a portion of the company's board of directors elected directly from the community. But when the first elections were held in April 2002 to select those community members, less than 4% of eligible voters went to the polls. In a city where, just two years earlier, people had taken to the streets by the thousands and risked their lives to take back their water, there was virtually no public interest in the nuts and bolts of running the water company.

Soon afterwards, the *Coordinadora* technical team disbanded, and *Coordinadora* leaders shifted their sights beyond SEMAPA. Some focused on working directly with neighborhoods on water development projects. Some ran and won election to Congress. Others took up new national battles such as the demand for taking back control of the nation's oil and gas. Over time, the water company's management and performance began to draw all the same complaints as it did before privatization – inefficiency, corruption, and the padding of the payroll by the union representing SEMAPA workers.

III. UNSOLVED PROBLEMS

The work of a water company, as one technical expert said, "is not rocket science." Water systems, be they public or private, need to find sources of water, buy pumps, lay pipes, connect users, and come up with a sustainable financing scheme to pay for it. SEMAPA's record in accomplishing those tasks is, once again, a mixed bag.

Cochabamba still faces the same intrinsic water challenges it always has. The city has continued to grow rapidly since April 2000 and Mother Nature hasn't added any new sources of water to help expand service. SEMAPA's area of responsibility encompasses just over 500,000 people, half of whom still have no water or sewage service hooked up to their home.ⁱⁱⁱ Most of those families live in the city's southern outskirts, the center of the mass immigration into the Cochabamba valley. Critics of SEMAPA (and of the Water Revolt) are quick to seize on that ongoing gap in service, but as usual with statistics, there is more to be said. The story of water in Cochabamba is most centrally about how fast the system can expand.

In the seven years since the Water Revolt, SEMAPA has more than tripled the size of its service area.^{iv} That expansion is based on a policy that, as a public company, it has a responsibility to provide service to all residents of Cochabamba, not just those fortunate enough to live in areas where infrastructure is already in place. This policy of inclusion stands in contrast, for example, with the privatized water system in La Paz and El Alto, where a French-owned company, Suez, all but abandoned the growing and impoverished outskirts (see box, *Public vs. Private*).

But the number of new hook-ups also doesn't tell the whole story. Most days the new tanks and pipes laid in the city's south deliver no water at all. "Their dream was to have water every day, 24 hours a day," says *Coordinadora* activist Gissel Gonzales of the families in the city's south. "Seven years after the Water Revolt they still have water three days a week for two hours per day."^v

Water experts who know SEMAPA well say that the company has failed to address its two biggest problems. In a valley still deeply thirsty for water, SEMAPA loses about 55% of the water it has to leaks in the pipes and to clandestine hook-ups. And despite a steady flow of financial support from international donors and lenders, including the Japanese government and the Inter-American Development Bank (IDB), the company still doesn't have a sustainable financing plan in place.

Public vs. Private Cochabamba and La Paz

At the heart of the Water Revolt lies an important policy question: are people better off with a water system operated by a public company or a private one? A comparison between two Bolivian cities offers an interesting case. Since 2000, Cochabamba has operated under a public water company, SEMAPA, while the cities of La Paz and El Alto operated, until 2007, under a firm run by a large private water corporation, Suez of France.

In 2003 Suez's Bolivian water company (*Agua del Illimani*) boasted that it had achieved "100% coverage" for its water service in La Paz and El Alto.^{vi} By contrast, SEMAPA reported in 2004 that, in Cochabamba, its water service coverage still hovered at a meager 46% and had remained virtually unchanged in the four years since its takeover from Bechtel.^{vii} On the face of it, private vs. public seemed like no contest at all. But the real story lies beneath those numbers.

First, the two companies have radically different definitions of what it means to be "covered" in terms of water service. In Cochabamba, SEMAPA defines coverage to mean you have a water hook-up to your house. In La Paz and El Alto, Suez claimed coverage if you had a water pipe running down your street, whether you were actually hooked up to that pipe or not. And with hook-ups under Suez costing more than three and a half months of minimum wage salary, many families can't afford them.

Second, the companies in La Paz/El Alto, and Cochabamba also have radically different notions of who they are obligated to serve. Both areas are marked by established urban centers with developed infrastructure, surrounded by outskirts where water infrastructure has to be built from scratch. When Suez negotiated its contract with the Bolivian government in 1997 (another privatization demanded by the World Bank in exchange for loans) it essentially took a map of the region, drew a line around the areas where water pipes were already in place, and established that as its "service area." It excluded the communities, most notably in rapidly growing El Alto, where infrastructure was absent and would be costly to provide. It was the water equivalent of a health insurance company carefully excluding people who might get sick. In contrast, in Cochabamba since the departure of Bechtel, SEMAPA has repeatedly expanded its service area, tripling its geographic obligations and increasing by 14% the number of families it needs to serve.^{viii}

Between 1997 and 2004, Suez, in a region surrounded by glacier melt and other abundant local water sources, claims to have increased the number of homes connected to water service by 50% (78,000 connections).^{ix} SEMAPA, operating in a region where water has to be brought in from elsewhere, increased the number of homes connected by 16% (9,000 Connections) during roughly half as many years.^x In January 2005, citing Suez's policy of excluding more than 200,000 residents from its service area, angry residents of El Alto led Bolivia's second Water Revolt, resulting in a decision by the government to nullify the French company's contract and organize a new public utility to takeover.

One water expert familiar with SEMAPA's internal workings blames the problems on mismanagement. "It is an organization that is completely dysfunctional. They don't generate enough income to cover their costs and they are letting the system deteriorate."

And the people paying the cost, the expert said, are the valley's most impoverished families. "[With the resources SEMAPA has been given] you ought to be able to provide water 24 hours per day and the poor should actually pay less."^{xi} Luis Sánchez, who was a key leader in the Water Revolt and later served as the elected SEMAPA board representative for the city's southern neighborhoods, put it more bluntly. "[SEMAPA] is still a space for robbing money."^{xii}

In good part because of SEMAPA's failures, many outlying neighborhoods in the valley have stepped up their efforts to solve their water problems themselves, with the *Coordinadora* playing an active part. Gonzales explained the experience of one neighborhood, Villa Pagador:

The community organized and dug a well 393 feet deep. That water is then pumped 7.5 miles to a tank that serves 200 families. They decide themselves how much they will pay. If a pump breaks they decide together how much each family will pay to help fix it. But 1,600 more people still lack water service. They need a bigger tank, more pipes. They need sewers.

This community approach to getting water is being repeated in many communities in the valley, often in cooperation with SEMAPA, with the company buying the pipe, for example, while the community provides the labor. Other communities leave SEMAPA out of the picture on purpose, arguing that by administering the water themselves they save having to pay the high administrative costs that SEMAPA would add if it controlled the water. Some communities are negotiating hybrid arrangements with SEMAPA, in which the public company gets water to the neighborhood and the neighborhood administers its distribution to residents.

This ad-hoc system is not without problems, to be certain. It still subjects fragile groundwater supplies to overuse and it can lose out on some of the efficiencies that a larger system can offer. It also only addresses the problem of access to water, and not the parallel problem of sewage removal. But in many parts of Cochabamba, seven years after the Water Revolt, the spirit of public participation in water issues is most present in these projects. They are an example of the kind of collaboration between communities and the water company that many had hoped for when the Water Revolt was fought.

IV. A RECIPE FOR REPAIR

What will it take for the people of Cochabamba to realize, in a practical way, their dream of clean and affordable water for all the families that live in this high valley?

"It gives me some shame to talk about SEMAPA," said Carmen Peredo of the irrigators. "We have a historic responsibility to fix the company." That recognition has been slow to

echo through the organizations that helped lead the Water Revolt. They know that public admissions of SEMAPA's many faults will be turned by their adversaries into claims that the Water Revolt itself was a mistake, that Cochabamba would be better off if Bechtel had stayed. The best way to defend the Water Revolt's legacy is to make sure SEMAPA, as a public company, is a success.

That work needs to begin with a clear analysis of SEMAPA's problems and a concrete set of proposals to address them. The *Coordinadora* and other citizens in Cochabamba have worked on these issues since the Revolt, but that work has focused almost exclusively on process issues and almost never on the concrete aspects of company operations. Water activists in Cochabamba focus on how to build "social control" of SEMAPA – by having a board genuinely elected by communities, making its members and SEMAPA staff hold forums in neighborhoods, and engaging in joint planning with neighborhoods.

Social control of a public company is clearly important, but looking at process issues without looking at actual operational issues – such as the leak problem and SEMAPA's finances – has left the operational issues a mess. Not only do water activists in the valley lack clear positions on these matters, when the company has tried to undertake practical solutions, water activists have sometimes made it more difficult. For example, in 2006, when SEMAPA was pushed by the IDB to increase rates (unchanged in six years) just to account for inflation, activists attacked the proposal bitterly. But if costs are increasing and rates aren't keeping pace, how is the company supposed to keep up with the demand for expansion? Wading into the details of running a water company isn't romantic, but it is essential.

Luis Sánchez, the *Coordinadora* leader who later went on to serve in Bolivia's National Water Ministry, says that the only way to deal with the entrenched mismanagement that continues to plague SEMAPA is to combine pressure from the community with expert regulation by the national government. "We need intervention from above and below."

The "from below" part in Cochabamba has already begun. Neighborhood groups have marched to SEMAPA's headquarters the way they once marched to Bechtel's, demanding action. Pressure from the community led to a change in leadership of the union, when evidence surfaced of payroll padding and other corruption. The company's elected board members were scoured publicly when it was revealed that they were paying themselves expensive attendance bonuses for meetings that never even took place.

The national government, through the Water Ministry, has made some overtures toward regulation from above, but with little effect. The other source of pressure from above, one that has actually been a positive influence on efficiency at SEMAPA, is its chief lender, the IDB. But Bolivians shouldn't wait for pressure from Washington to make their water company work better, any more than they accepted pressure from Washington to make it private. The road to having an efficient public company that can provide water every day is still a long and winding one in Cochabamba.

V. CONCLUSION

In the end, Cochabamba's famous Water Revolt was really three separate battles. The first was fought and won in the streets of Cochabamba in 2000. It became an inspiration to so many because some of the most humble people in the world risked their lives to take on one of the most powerful corporations in the world, and they won. The second battle was the fight to block Bechtel from taking \$50 million from the people who ousted it, in a legal case filed in a closed-door World Bank trade court. That battle was won by building alliances that stretched from Sri Lanka to San Francisco that forced Bechtel to drop the case, in January 2006.

The third battle, the far less romantic one, is the one taking place in Cochabamba today. It is the struggle to match the dream of the Water Revolt with the reality of a solid public water system that serves everyone.

In many ways building a water system is much like building a house – there are really two tasks involved. In the case of a house, the first task is picking the plot of land on which you want to build and the second is building the house. For the people of Cochabamba the 'land' choice was deciding whether they wanted to build their water system as a private one or a public one, and that decision they made clearly in the streets in 2000. The second and unfinished task is building an efficient public company. The fact that this work remains unfinished is not evidence that Cochabambinos made the wrong choice, to run their own water system instead of leaving it in the hands of a foreign corporation a hemisphere away. It does, however, require a serious commitment to finish the job

"The thought that the people could simply recover the water company was an illusion," said Jenny Frías Alonzo, a resident of Cochabamba's low-income south and an activist in the Revolt. "I don't think that the Water Revolt ended [in April 2000] but began then. Now the people are conscious that this is a process that continues."^{xiii}

Author's Note: A wide array of materials about the Cochabamba Water Revolt, including dispatches from the street at the time, is available on The Democracy Center Web site: www.democracyctr.org.

ⁱ Oscar Olivera, "Cochabamba," South End Press, Cambridge, MA 2004 p. 63.

ⁱⁱ Interview with the author, Cochabamba, October 1, 2006.

ⁱⁱⁱ SEMAPA Report, "Informe de Gestión-Gerencia Comercial," Cochabamba, 2004, p. 4.

^{iv} Informe Gestión 2004, Gerencia Comercial Comparativo por Gestiones, SEMAPA, Cochabamba, Bolivia, p. 43.

^v Interview with the author, Cochabamba September 19, 2006.

^{vi} CRESPO F., Carlos, FERNÁNDEZ, Omar, 2004, Informe Final: Estado, Movimientos Sociales y Recursos Hídricos. Presión Social y Negociación Luego de la Guerra del Agua de Cochabamba (Programa Conflictos y Colaboración, Universidad de la Paz Costa Rica, CESU-UMSS, IDRC), 275
http://idrinfo.idrc.ca/archive/corpdocs/121552/5-CESU_2.pdf

^{vii} "Informe de Gestión-Gerencia Comercial," SEMAPA, Cochabamba, 2004 p. 43.

^{viii} *ibid.*

^{ix} "Aguas del Illimani le informa," special newsletter from *Aguas del Illimani*, La Paz, Bolivia, 2004.

^x Informe Gestión 2004, Gerencia Comercial Comparativo por Gestiones, SEMAPA, Cochabamba, Bolivia, p. 4

^{xi} Off-the-record interview with the author, June 2006.

^{xii} Interview with the author, September 10, 2006, La Paz.

^{xiii} Interview with The Democracy Center, October 12, 2006, Cochabamba.