

# Deconstructing the best case scenario: lessons from water politics in La Paz–El Alto, Bolivia

Nina Laurie <sup>a,\*</sup>, Carlos Crespo <sup>b</sup>

<sup>a</sup> School of Geography, Politics and Sociology, Newcastle University, Newcastle upon Tyne, NE1 7RU, United Kingdom

<sup>b</sup> Centro de Estudios Superiores Universitarios (CESU), University Mayor San Simón, Cochabamba, Bolivia

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## Abstract

For nearly a decade the La Paz–El Alto concession in Bolivia was heralded by donor organizations, the state and the commercial water industry alike as an emblematic ‘pro-poor’ water concession under the private sector model. Managed by one of the largest water multinationals in the world (the French company Suez), the network was extended beyond the new connections required by the original ‘pro-poor’ contract, acclaimed as a pioneer of new pro-poor technologies and frequently disseminated internationally as an example of best practice. This paper analyses the La Paz–El Alto concession’s pro-poor image focusing on issues of social exclusion and network extension, contract negotiation, participation and transparency. It documents the rise of social protest about the concession and critiques the failure of neoliberal regulatory systems to promote accountability to the poor. In the context of the continued transnationalisation of the water industry the paper highlights the need for new mechanisms and delivery models to ensure greater national control over private companies and the development of a framework for international water governance.

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## 1. Introduction

In recent years Bolivia has come to play a central and emblematic role in global water debates. Home to both an iconic anti-privatisation movement based in the city of Cochabamba and one of the first large, city-wide private water concessions (La Paz–El Alto, granted in 1997) to be heralded as ‘pro-poor’ by donor organisations (Komives, 1999) water issues here are hotly contested under an increasingly international gaze. With the appointment earlier this year (January 2006) of Evo Morales to the presidency (a left-wing, peasant-indigenous leader and a strong supporter of re-nationalisation) the Bolivian case looks set

to establish a new era in water policymaking in the near future.

A year previously, after widespread social protest the government had ordered the early termination of the La Paz–El Alto contract following persistent calls for the French managing company (Suez) to withdraw for failing to deliver a pro-poor service. As a result, the pro-poor image of this concession, up until then one of the most widely held success stories of privatisation, has been brought into question. Its failure was underlined nationally and internationally in early 2006 with the naming of Abel Mamani the former leader of FEJUVE,<sup>1</sup> the urban-peasant neighbourhood organisation that spearheaded the anti-Suez campaign in El Alto, as the new Bolivian water minister. He subsequently participated in the IV World Water

\* Corresponding author.

E-mail addresses: [nina.laurie@ncl.ac.uk](mailto:nina.laurie@ncl.ac.uk) (N. Laurie), [crespoflores@yahoo.com](mailto:crespoflores@yahoo.com) (C. Crespo).

<sup>1</sup> Federación de Juntas Vecinales (FEJUVE) in El Alto.

Forum in Mexico (March 2006) in both official and NGO/ social movement forums and sessions.

Bolivia's current high profile on the international water stage, however, is not only the product of recent national political changes but rather, as we shall demonstrate in this paper, it needs to be understood as part of a wider set of processes involving the construction and contestation of private-sector led best practice models in the water sector. While an historical analysis of the pro-poor story of the La Paz–El Alto case is the main focus of this paper, its evolution and outcome is clearly linked to the first example of the ousting of an international water company in Cochabamba in April 2000<sup>2</sup> and connected to wider anti-globalisation movements<sup>3</sup> The events of 2000 had major repercussions for private sector involvement in water management globally. In Bolivia in particular it shaped debates over the management of the La Paz–El Alto concession and crucially, gave birth to a national critical mass of transnationally networked professionals, activists and NGOs focused on new visions for water (Laurie et al., 2006). Key figures in this network now populate Mamani's water ministry.

Events in Bolivia unfolded at a crucial time in global water policymaking. Linked to donors' post structural adjustment concerns with decreasing absolute poverty, improving access to water and sanitation became a key target of bi-lateral and multi-lateral organisations from the end of the 1990s.<sup>4</sup> Measurable, improved poverty indicators, such as new water and sewerage connections, have thus taken on great political importance in many poor countries, playing a central role in state nation-wide anti-poverty programmes. As the water industry became increasingly globalised, templates for privatisation were exported around the world as part of donors' attempts to meet anti-poverty targets. Under this new global water paradigm, particular understandings of best practice were further cultivated by the search for exemplary case studies to indicate how the private sector benefits the poor. Such processes of dissemination rendered certain iconic cases, like that of La Paz–El Alto, almost untouchable for a while as their mythologies of success were repeated transnationally in much the same way that drives towards modernisation canonised certain forms of economics in Latin America,

<sup>2</sup> For more details see Crespo (2003), Laurie et al. (2002) and Laurie (2005).

<sup>3</sup> Research for this paper is largely based on a comparative project on Bolivian water companies: "An examination of the changing contexts for developing pro-poor water initiatives via concessions" (Laurie and Crespo, 2003). The project used a mixed method approach combining qualitative and quantitative fieldwork and discourse analysis of a range of sources, including the Bolivian regulatory framework and two private water company contracts. The methodology prioritised fieldwork with poor users to ensure that user participation, fluid communication and social inclusion were given weighting in the pro-poor analysis equal to that of the legislative, regulatory and technical issues which have dominated analyses to date (see for example Komives, 1999; Nickson and Vargas, 2002).

<sup>4</sup> See for example the millennium development goals (<http://www.un.org/millenniumgoals>). Last accessed 2/8/06.

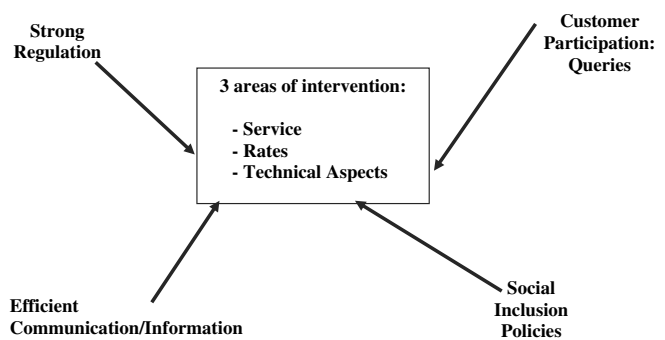


Fig. 1. A private sector led "pro-poor" approach – areas of intervention and support mechanisms.

revisited through market driven neoliberal reforms in the 1980s and 1990s.

In such private sector, pro-poor management models participation was largely seen as a form of demand management, as illustrated by Fig. 1, which indicates the areas of interventions under private-sector led, 'pro-poor' approaches. Here the emphasis is on controlling the service (provided through private consortiums comprising national and international investors); rates (established through consultation processes) and technological aspects (which can include developing pro-poor technologies and using community labour).

Proponents of these models have argued that, as private participation makes fresh capital available to fund efficient management and teams of specialised experts (PPIAF-WSP, 2000, p. 10), it is beneficial to the poor and should therefore be given priority status as part of the commitment to serve these groups (see Nickson, 2001a,b; *Water and Sanitation Program*, 2001). Under these models, interventions in service, rates and technical solutions are sustained by four key support mechanisms: strong regulation; customer service; social inclusion policies; and an efficient communication/information system. Nevertheless, on the other hand, those who counter the pro-poor justification of private sector participation argue that this model also saves money for the private company that is not necessarily passed onto the customers.

Shaping these private sector, pro-poor debates internationally, in Bolivia the World Bank played an active and important role in promoting La Paz–El Alto as best practice in delivering services to the poor. Initially helping draft the terms of the bidding process, later the Bank contributed to financial investment security in the Bolivian water market when the international private sector community became wary about its financial prospects post the Cochabamba water wars<sup>5</sup>. It also funded technical innovation in service delivery, publishing and distributing technical guides in partnership with the company. In particular, the Bank helped cement the international reputation of Aguas

<sup>5</sup> We shall elaborate upon the accountability implications of these interventions towards the end of the paper.

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