

SOCIAL RESISTENCE IN EL ALTO - BOLIVIA

- Aguas del Illimani: a concession aimed at the poor¹ -

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On 24th July 1997 the concession contract was signed for drinking water and sewage services between Aguas del Illimani (AISA) and the Bolivian government through the Water Regulating Body (now the Basic-Service Regulating body, SISAB). The aim was to expand drinking water and sanitation services in the different districts of the cities Al Alto and La Paz. After 7 years of service provision, El Alto's Federation of Neighbourhood Councils (FEJUVE)² held an indefinite strike on 10th January 2005 –after six months of negotiations and having exhausted all other possibilities to resolve the conflict-, calling for the “termination of the concession contract”. On 12th January the Bolivian government issued a Supreme Decree that set in motion “actions to terminate the concession contract with AISA” -a subsidiary of the Suez transnational.

The AISA concession process was non-transparent and violated Bolivia's legal regulations and frameworks. Participation in the process was denied to actors and stakeholders interested in the issue, who were excluded from the tender and strategic decisions. Instead, all of the decisions were taken centrally by the Bolivian government. During the tender process there was talk of how privatisation would attract private capital to increase access to the service. Carlos Yeregui³ told the press, on 27th June 1997, that the company would “invest 80 million dollars in the first 5 years and 350 million dollars in the 30 years of the concession”. When the contract was signed, many of the terms in the Bidding Conditions were modified, being tailored to AISA's offer. After the privatisation had been in place for some years, an utterly positive assessment was made by the government, international cooperation and the private sector of the La Paz – El Alto concession due to its supposed “pro poor” approach.

However, the perception of users and social organisations was different, particularly in El Alto. In February 2003 the AISA offices in the city were set on fire by the multitude. This can be explained by the very low opinion of the service held by users and social organisations, who repeatedly called for AISA to leave Bolivia.

RESISTENCE TO AGUAS DEL ILLIMANI

A fundamental aspect behind the El Alto process was the strong organisational capacity of the FEJUVE. This was based on a pyramidal district structure with operations that were decentralised and linked through a central matrix. This allowed the organisation to take decisions and plan/coordinate collective action,

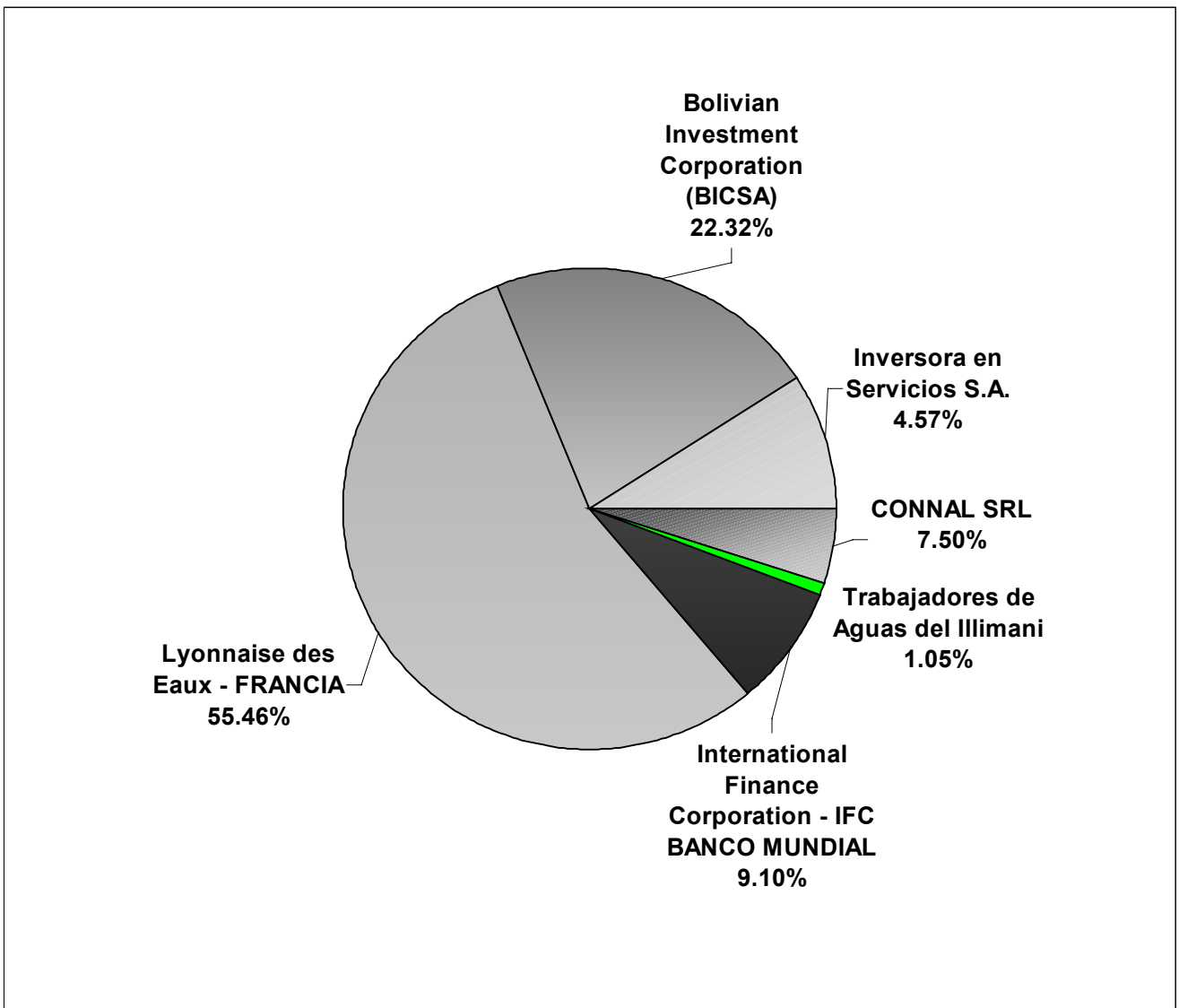
¹ A reference to the advertising spin by Suez and Multilateral Cooperation.

² FEJUVE: umbrella organisation involving more than 600 neighbourhood councils in El Alto (population of 800,000).

³ Suez – Environment attaché

as was shown in the Gas War (2003) when the strike in El Alto was complete, using neighbours' participation in the districts for its implementation. Furthermore, it is worth pointing out the legitimacy that the FEJUVE earned, becoming El Alto's representative body -mainly due to its autonomy in relation to the political parties and system of patronage by the dominant powers in El Alto. The role it played in October 2003 was vital to Sánchez de Lozada's fall, as it not only had won the respect of the city but of the whole country's social movements. The El Alto FEJUVE's leadership in the 2nd Water War was demonstrated once again by the support provided by other social organisations who acted as a bridge for actions and reinforced its capacity for action.

**DIAGRAM 1
WHO ARE AGUAS DEL ILLIMANI – SUEZ?**



Source: Financial statement 2004 – audited AISA, 04/29/05

Aguas del Illimani is a firm whose main partner is the French company Suez (55.46%). The others are Inversora en Servicios S.A. (Argentinean capital, with 4.57%), Banco Mercantil's financial group BICSA (22.32%, Bolivian) and

CONNAL/Consultora Nacional (7.50%, also Bolivian), company employees (1.05%) and the World Bank by means of its private-sector lending body, the IFC (9.10%).

But let's analyse the concrete aspects of the concession contract and its results:

- a. Double payment when the contract ends: Firstly the contract stipulates that the tariff calculation takes into account operating and maintenance costs, depreciation, investments and returns; secondly the same contract states that on termination the value of the net fixed assets must be repaid.
- b. The contract guarantees a fixed return of 13% (capital cost rate).
- c. Stipulated in the contract were 71,752 piped-water connections for El Alto, of which only 51,168 were carried out. AISA wrote and published in Bolivia and internationally that in El Alto it had provided access for 98.85% of the population re. drinking water and 78.94% re. sewage⁴.
- d. The investments are soft credits: AISA said that it invested approximately 52 million dollars during the first five years: 30 less than it had announced before obtaining the concession. Furthermore, most of these investments involved soft credits⁵ of \$40 million (USD)⁶: \$15 million from the World Bank through the IFC; \$15 millions from the Inter-American Development Bank (IADB) and \$10 million from the Corporación Andina de Fomento (CAF). In other words privatisation failed to bring in fresh private-sector money, as had been promised, with international cooperation providing the investment instead.
- e. Raising of connection fees: Aguas del Illimani asked for a 25% rise in consumption fees and, after a non-transparent process, agreed with the regulatory body to a 12.5% increase paid for through replacement mechanisms such as the raising of connection fees. This way connection costs rose from \$335 to \$445 for drinking water and sanitation.

AISA`S RUNNING WAS ENDORSED BY THE REGULATING BODY FOR BASIC SERVICES (SISAB)

During the negotiation process between the Bolivian government and the FEJUVE it was made clear that the running of AISA was endorsed by the 'superintendencia': the sector's regulatory body. In December 2001 the first five years of concession ended and, according to the terms of contract, the new conditions for the 2002-2006 period should have been determined. The review process was performed by the regulating body and AISA. One of the points agreed on was to install 15 thousand new piped-water and sewage connections

⁴ E-magazine, Conociendo Nuestra Familia, 2005 AISA.

⁵ These are low-interest loans given by international cooperation to help poor countries through private companies.

⁶ Financial statement 2004 – AISA audited– 04/29/05

in La Paz and El Alto that were outside the “served area” (the area in which SAMAPA provided service before its privatisation), thus giving a service to new users. On 25th June 2003 a new agreement was signed that changed the number of connections from 15,000 to 8,000 for the second five-year period. On 2nd March 2004 further modifications were made in a “five-year review closing report”, where the connections were reduced from 8,000 to zero for the second five-year period. These operations by the SISAB and AISA left 208,000 El Alto inhabitants without any chance of access to drinking water.

TYING COOPERATION TO THE INTRODUCTION OF A MIXED PUBLIC-PRIVATE CORPORATION

After the January events, the La Paz and El Alto local governments initially considered the possibility of going back to a public service. However the opportunity was squandered due to the pressure applied by international cooperation, which made the continuity of new loans conditional on the establishing of a mixed “public-private” corporation. This was demonstrated in a press statement by the German Embassy, on 3rd March 2005, indicating that continued cooperation depended on: 1) the existence of “an amicable solution to the conflict with Aguas el Illimani, which avoided any compensation payments; and 2) the creation of a mixed company. The statement stated textually that without these conditions it would be impossible for German cooperation to provide financial aid to resolve El Alto’s water and sanitation problems. Such a position was also reflected by the World Bank⁷ and the IADB: the former offering to donate to Bolivia resources for feasibility studies on a mixed economy for the cities of La Paz and El Alto; the second tying a loan of \$34 million for the urban renewal of La Paz to the creation of a mixed company for both cities.

THE PRESENT AND FUTURE: WHAT AFTER AISA?

The big challenge for the El Alto FEJUVE today is the introduction of new institutional architecture to supply drinking water, sewage and drainage systems not just for El Alto but also La Paz. The current ‘management model’ has widespread public support in El Alto, as it took its inspiration from a ‘new company model’ resulting from a long consultation period in different city districts and neighbourhoods.

The new company’s design had an important precedent: after the 12th January 2005 Supreme Decree, the Bolivian government issued a second Decree⁸ with the aim of establishing an inter-institutional commission. The end goal was to design the new company’s management, operation and financing model according to the following basic conditions:

⁷ Oscar Salinas, assessor to President Eduardo Rodríguez, and expressed in a meeting on 06/10/05.

⁸ Supreme Decree N. 28101, issued on 22/04/05.

- a) All new investment in piped water and sanitation by the new company is to be considered public-municipal property [...].
- b) Provisions to be administered in accordance with the criteria of solidarity and seeking access to water and sanitation for all inhabitants of El Alto and La Paz [...].
- c) The management of the new company and service should ensure the greatest transparency and participation by civil society, thus ensuring effective social control [...].

What were the implications of the decree:

- All future investment was designated to be public-municipal property. Public 'ownership' of investment was guaranteed regardless of the company model –public, mixed or private.
- The new company should introduce social-benefit criteria, such as solidarity, seeking universal services and participation by civil society in order to exercise social control inside the company.

PUBLIC-SOCIAL WATER COMPANY: CREATION OF A PROPOSAL BY AND FOR NEIGHBOURS

a. The aims of the new company are:

- To guarantee efficient and sustainable drinking-water and sanitation provision.
- To increase access to drinking water and sanitation in areas currently lacking service.

b. Principles of the new company

i. Principle of participation and social control

- The new company must favour social participation in determining policies, decision-making and monitoring: it must be the social organisations that define the direction taken by the company and control the implementation of its mandate.
- ***All representatives and employees of the 'new company' can be removed*** at any time during their mandate if there is evidence of incompetence or corruption while performing duties and if they violate any of its principles.

ii. Principle of Management Transparency

- The management of the company must be performed in a way that is transparent and open to the general public.
- All public decisions made by employees and representatives of the 'new company' must be ***compulsorily and immediately published and accessible using all of the available technical means without any***

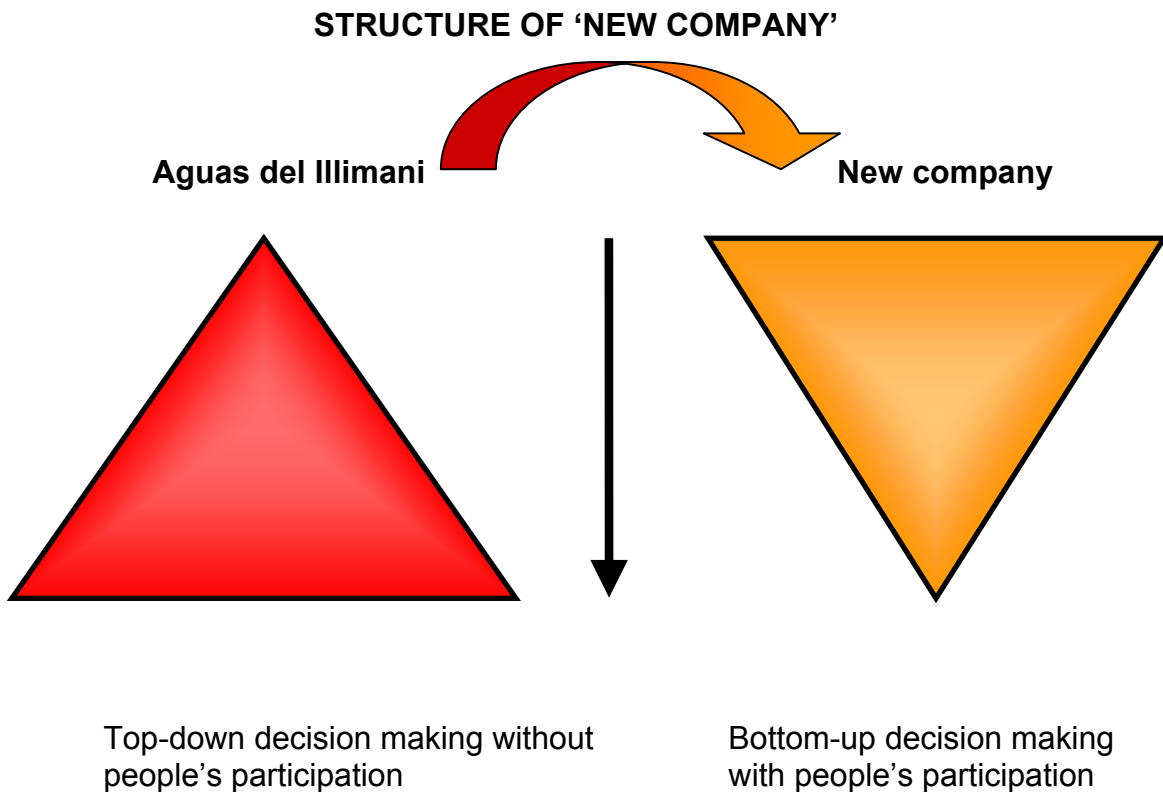
request being made for such. Unrestricted access must be guaranteed to all information of a legal, accounting, administrative, cartographic, statistical, communication, technical or other nature.

iii. Principle of Efficiency and Sustainability

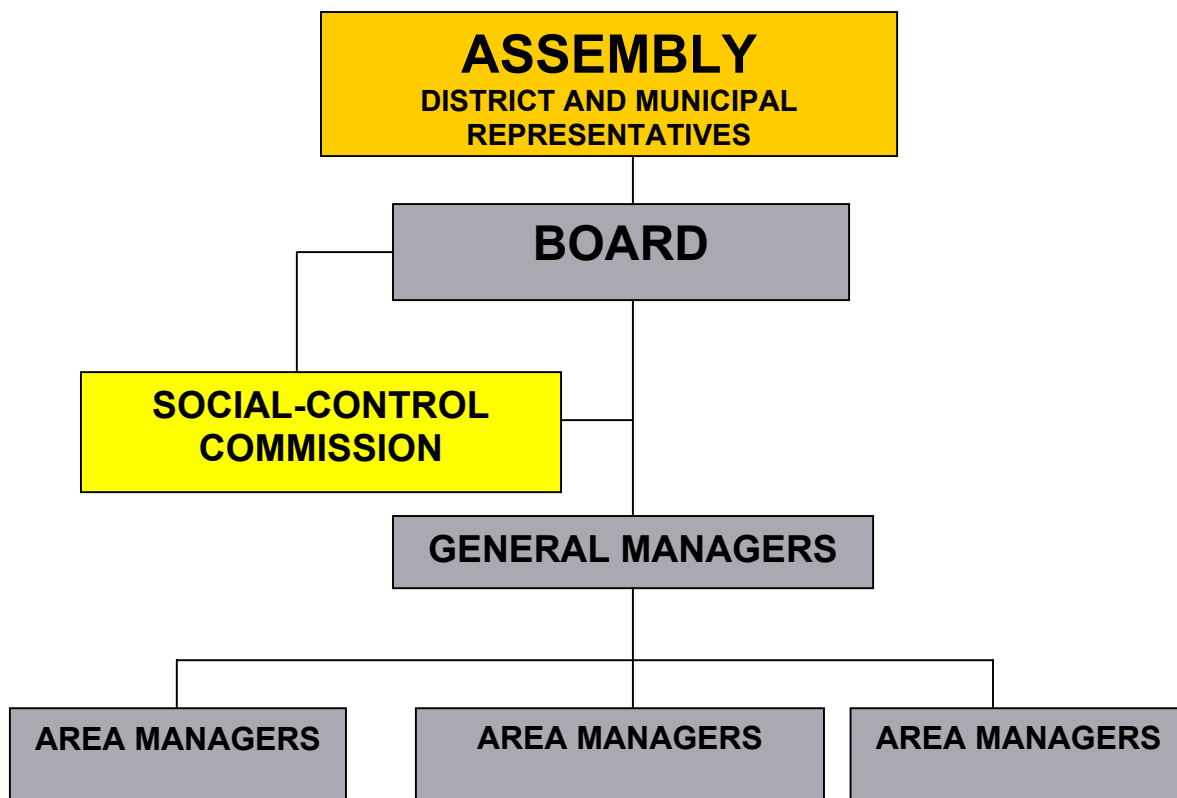
- The new institution should be managed efficiently, seeking the best possible use of financial, human and natural resources, and ensuring long term sustainability.

iv. Principle of Equity

- The new company must take care that its institutional policies and practices maintain equity of treatment of users, so that everyone is guaranteed access to basic services.



PUBLIC – SOCIAL COMPANY



General Assembly		
The “General Assembly” is the highest authority administering the water service in La Paz and El Alto. Its members act as spokespeople in their districts and are involved in local water issues.		
Powers	To approve the new co.’s statutes and regulations	
	To determine general management policies	
	To approve reports on running, strategic planning and the annual operational plan	
	To appoint the board	
Type of election	By ‘direct vote’ in district or macro-district assembly	
Length of mandate	Two years	
Meetings	Annual	
Composition (50 representatives)	Representatives from La Paz macro districts	20
	Representatives from El Alto districts	20
	LP + EA municipal govern. representatives	8
	Central government representatives (Vice-Minister of Basic Sanitation)	2
	Total	50

Board

The board designs and plans the new company’s strategies -as determined in

the general assembly	
Powers	To appoint general and area managers
	To plan and present to the assembly the financial and annual operations plans
	To approve loans, contracts, agreements and main tenders
	To approve accounting statements
	To coordinate with district representatives
Type of election	a) representation or b) merit contest or c) representation and merit contest
Length of mandate	4 years
Meetings	Bi-monthly general
Composition	5 members

Control and Monitoring Commission (CCS)		
Guarantees collective control and the avoidance of corruption as takes place today with some representatives in the municipal-government control committees		
Powers (monitoring)	To participate with the right to speak in general or board assemblies	
	To know and issue a binding decision in tendering	
	To oversee contract quality and compliance, to present observations and proposals to the board	
Length of mandate	Indefinite	
Meetings	Fortnightly and extraordinary	
Composition (6 members)	La Paz FEJUVE Representatives	2
	El Alto FEJUVE Representatives	2
	Human rights	1
	Ombudsman	1
	Total	6

General Management	
This is the executive and technical body. It is appointed by the board and is monitored by the social-control committee.	
Powers (executive)	To manage the company
	To plan and produce the budget, investment plans and tariff studies
	Legal representation
Type of election	Merit contest
Length of mandate	4 years

El Alto - Bolivia, November 2005