



COCHABAMBA WATER WARS

Jake Gardner | Energy Efficiency Circuit Rider

Since June, a number of US cities have seen prolonged protests focused on police brutality and systematic race relations. While the current protests are story much better suited for a different publication, the domination of my news and social media feeds by protest news has reminded me of a story from 20 years ago. The difference being, that the protests in 2000 were spawned by water rates.

In the mid 1980's the country of Bolivia encountered a series of economic setbacks while transitioning away from a military dictatorship. While facing a full economic meltdown and runaway inflation rates, Bolivia was in dire need of foreign investment. Unable to attract investors, Bolivia reached out to the World Bank for assistance. The World Bank, an international lending entity, withheld financial support until the Bolivian government privatized a number of their state-owned services, including: telephone, railroads, oil, airlines, and even water.

In the late 1990's the winning bid came from a sole bidder, the multi-national water consortium, Aguas del Tunari. Comprised of British, Spanish, and Bolivian investors, Aguas del Tunari's winning bid granted them exclusive rights to the city's water system for 40 years and allowed them an annual rate of return on investment 15 percent.

In order to ensure the legality of privatizing the Cochabamba water system, the Bolivian government passed Law 2029. The broad law led many to believe that Aguas del Tunari would have a monopoly over all water resources. The law had the support of only 3% of Bolivian citizens, as many feared the law was so far reaching, that the water consortium would even be able to charge for rainwater collected from roofs. The passing of this law led to protests by poor and rural citizens.

To supply water to all of Cochabamba's citizens, Aguas del Tunari had to perform extensive upgrades to the infrastructure and

was even tasked with building a dam to secure an adequate water supply. The expensive projects were to be funded by an increase in water rates. In January of 2000, water rates were increased, on average, by 35%. The new water rate averaged out to a \$20 increase, per customer. This did not seem like a large amount to the multinational consortium, but they had failed to consider that their average customer only earned about \$100 per month. In response to public backlash at the large increase, a manager of the consortium said, "if people didn't pay their water bills their water would be turned off". As the rate hike took place, many middle-class citizens and business owners joined the poor in their protests.

The protests in Cochabamba grew massive.

Thousands marched on the city's central plaza and general strike shut the city's economy down for four days. An agreement to rollback the water rate increases was reached, but the protests continued to grow and expand. Eventually protestors had barricaded most major highways in Bolivia and as the protests dragged on for months the number of violent clashes between protesters and the Bolivian government grew.

The protests culminated in April of 2000 when video of a Bolivian soldier firing a rifle into a group of protesters caused >>>



Bolivia Water War

In Cochabamba, the fourth largest city in Bolivia, the water system was in terrible need of upgrades. The state-owned system was inefficient and due to increased population, water scarcity, and 40 percent water loss was unable to keep up with the demand of its customers. The system also had an insufficient rate structure that did not cover the costs of operation and charged poor neighborhoods more than wealthy neighborhoods for water. To secure World Bank funding, the water system was forced to privatize and was auctioned off.

an eruption of anger and a wave of violence. The events that unfolded were later called the “Cochabamba Water War”. The Bolivian government was no longer able to ensure the safety of the water consortium’s management team and they were forced to flee the country. The Bolivian government then repealed law 2029 and returned the Cochabamba water system to state ownership.

This abridged version of a piece of international water rate history isn’t meant to incite fear of rate increases and is only meant to highlight a small piece of interesting water history. This account of the “Cochabamba Water War” has been stripped down and ignores many of the political and economic issues in Bolivia that led to the water war.

With 20 years of hindsight, it is easy to point out that water rates in Cochabamba had been too low for too long. The low rates starved the utility of the cash needed to grow/ improve services and was heading towards a large rate increase whether it was privately or publicly owned.

There is an old saying that, “the only way to eat a whale is one bite at time”. Raising utility rates is no different. It is never easy to tell your customers that their water/wastewater service is going to cost more, but delaying rate hikes can put you in a situation where you have to ask customers to swallow a whale all at once. As we strive to manage sustainable utility systems, small consistent rate raises will be much easier for your customers to budget for and swallow when it comes time to pay their bill. 💧💧💧



Cochabamba Water Revolt