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| Privatization of Water in Bolivia |  |

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| Bolivia is South America’s poorest country and the site of one of the world’s most controversial water privatization programs.  In the 1990s, under World Bank guidance, the water systems of some of Bolivia’s poorest regions were put up for sale to private investors.  In the area of Cochabamba, a US-owned company, Bechtel, was awarded a long-term contract to manage and deliver water in that region.  The results of this [deal](http://worldsavvy.org/monitor/index.php?option=com_content&view=article&id=731&Itemid=1177) shed light on the complexities of water privatization and differences between economic theory and what happens in the real world.  Widespread privatization efforts grew in the late 20th Century with the backing of international finance institutions such as the World Bank and International Monetary Fund.  For decades, both institutions have called for the privatization of water services through stipulations in trade agreements and the conditions for loans to developing countries.  The intention was to push these countries to make fundamental economic and political changes away from heavy state-control of industries and toward free market systems.  Such free market systems were thought to better at producing economic growth, to the benefit all citizens in that country.  view of CochabambaIn Cochabamba, Bechtel promised to extend water[access](http://worldsavvy.org/monitor/index.php?option=com_content&view=article&id=731&Itemid=1177) to many previously unserved communities.  For the most part, Bechtel delivered on this promise.  But another effect of their involvement was less welcome to local populations:  prices for water shot up.  The company took over local wells, water pumps, and the public system infrastructure that was already in place, and added to the existing infrastructure to reach new communities.  The costs for these improvements and additions were passed on to customers, sometimes doubling the cost many people had previously been paying when water systems were controlled by the government.  Many were unable to pay such high rates, and even though water was now available to them, they couldn’t access it because they couldn’t afford it.  In 2000, riots broke out in Cochabamba as protestors (mainly students, sweatshop employees, and street vendors) became increasingly upset that a private, foreign-owned conglomerate was raising water prices.  Hundreds filled the streets in violent protest.  The violence shook the confidence of the local government and international investors.  Bechtel was forced out, resulting in not only chaos in water delivery in the area, but also in a serious blow to foreign investment in the country.  Although responsibility for managing water in Cochabamba returned to the public utility, Semapa, water privatization initiatives continued in other regions of the country.  The water giant, Suez Company, picked up a contract to provide water in the El Alto area of the Bolivian capital, La Paz.  Like their fellow countrymen in Cochabamba, residents of El Alto took to the streets in 2005 to protest high water rates, forcing the government to cancel the Suez contract.  In the wake of the ouster, tens of thousands of households were left with no water while the local government scrambled to resume water delivery.  The Bolivian revolt has often been called a “consumer rebellion” against the principle of water privatization.  In this instance, protests were largely fueled by high prices and the population’s opposition to the anti-democratic nature of private foreign companies controlling their local water systems.  Proponents of water privatization continue to advocate for their cause even while events like the riots in Bolivia take place.  They believe that when a government is unable to efficiently manage the treatment, delivery, and finance of water, a private option is necessary and beneficial to consumers.  There is evidence that privatization may work when the cost of water is subsidized for poorer populations.  In these cases, special voucher programs are implemented whereby the government or aid organizations subsidize water purchases for citizens unable to afford them.  While the debate over water privatization continues, Bolivia’s example reveals the complexity inherent in applying private market solutions to problems in the public realm – a challenge that is only expected to grow as water stress spreads globally.  Vocabulary:  *Privatization*:  the process of converting a government-operated business to one that is privately owned  *Stipulation*:  a restriction that is insisted upon as a condition for an agreement  *Conglomerate*:  a corporation consisting of several companies in different businesses  *Subsidize*:  a grant paid by a government that benefits the public  Discussion Questions:  1.  Which international institutions influenced privatization throughout the world in the late 20th Century?  Why did these institutions seek to privatize water services?  2.  What immediate effects did Bechtel’s takeover of the water service have on the people of Cochabamba?  What was their reaction?  3.  What are the pros and cons of water privatization in developing countries based on this article?  Which system do you think Bolivia should follow based on this evidence?  4.  Research the effects that privatization has on water conversation.  Does privatization have a positive or negative impact on water conservation?  Provide examples.  5.  Research examples of water privatization in other countries.  Compare the situation in Bolivia to another country where the government privatized its water industry.  What are the major similarities and differences and which situation was better for its citizens?  6.  Do you think water privatization is a better policy than government-run public utilities in developing countries around the world?  Which option would you choose and why? |