Deep Sources of Rebellion

*Indigenous protests against water supply privatization in Bolivia explained from the perspective of environmental justice*

Final thesis for Master’s programme in International Organization and International Relations
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Amsterdam, October 31, 2009
I drink water, therefore I exist, therefore I vote. ¹

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Introduction

In recent years, the world has seen an increasing amount of discussion and conflict concerning the appropriate administration of water supplies in various countries. A variety of strategies have been tried out, the results of which have been mixed and vary from place to place. Privatization or the takeover of water supply facilities by private businesses is one of the strategies that have brought highly debated results. Two cases of privatization of municipal water supplies in Bolivia that have received a large amount of attention will be the subject of this thesis. First, like many cities around the world, the city of Cochabamba experienced the sale of its municipal water supply to an international consortium of companies called *Aguas del Tunari* in September 1999. Just like in many other places as well, this move drew mixed reactions and controversy from those involved, although in this case protests would grow to exceptional levels.

Cochabamba is a large city of half a million inhabitants located in an agricultural valley between the *Llanos* lowlands in the east and the Andean highland plateau (*el Altiplano*) in the west of the country. The city’s *Servicio Municipal de Agua y Alcantarillado* (SEMAPA, the publicly owned Municipal Drinking Water and Sewerage Service company) had been experiencing increasing problems of efficiency and sustainability. While the population of Cochabamba had been growing explosively since the 1980s, SEMAPA’s coverage lagged behind at around 60 percent. Against this background, the proclamation of the new national Water Law in November 1999 bothered the Cochabambinos even more. The law legalized privatization in the water sector, granted special privileges to large companies and reduced the position of local water systems in general.

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4 Cochabamba is the third largest city in Bolivia. See Annex 1 for a map of Bolivia.
5 The population more than doubled in 25 years, to half a million in 2001. See Jim Shultz and Melissa Draper, *Dignity and defiance* (London, 2008), 11.
6 Ley No. 2029 de Prestación de Servicios de Agua Potable y Alcantarillado Sanitario. See Rocio Bustamante, ‘The water war: resistance against privatisation of water in Cochabamba, Bolivia’, 37
7 Rocio Bustamante, ‘The water war: resistance against privatisation of water in Cochabamba, Bolivia’, 40
The residents of Cochabamba were deeply dissatisfied with the privatization of their water company and made this clear by taking to the streets in protest marches that started out small. But after the consortium took actual control of the city’s water and acted on the provisions in its contract by sending out its first water bills to customers in January 2000, the protest rapidly escalated.\(^8\) Thousands of people occupied the streets, claiming that the water was theirs.\(^9\) The first big protest took place on January 11 and lasted three days. Instead of a change to new water regulations, they decided to demand the total cancellation of the contract as well as the return of Cochabamba’s water to public control under SEMAPA. A public consultation among 60,000 Cochabambinos further affirmed the widespread distrust of the consortium.\(^10\)

Cochabamba residents meanwhile stopped paying their water bills and kept rallying together in loud protest. In the following two months the *Coordenadora* completely shut down the city on three occasions with general multiple-day strikes and road blockades by the irrigators. Each time, the government mobilized increasing numbers of policemen to push back the protesters and finally called in the military, who used tear gas and carried guns.\(^11\) In the early days of April, as many social groups sympathized with the demands of the Cochabamba protesters, Bolivia became the scene of unprecedented waves of violence between protesters and soldiers that led the government to declare a state of siege on April 8.\(^12\) Two days later, the Bolivian government capitulated to the public pressure by revoking the contract with the consortium.\(^13\) The consortium officials fled the city on that day, and SEMAPA was re-installed.\(^14\) By the time the state of siege was lifted on April 20, the clashes between protesters and troops had claimed one deadly victim, as well as more than a hundred

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\(^8\) See Annex 2 for a timeline of the protest’s major events.
\(^10\) Jim Shultz and Melissa Draper, *Dignity and defiance*, 22.
\(^11\) Benjamin Kohl, ‘Challenges to Neoliberal Hegemony in Bolivia’, *Antipode*, 38 (2), 304-326, at, 317
\(^12\) Ibidem, 317
\(^13\) Ibidem, 318.
\(^14\) Jim Shultz and Melissa Draper, *Dignity and defiance*, 9.
wounded.\textsuperscript{15} The episode of the successful revolt became famous internationally as the \textit{Guerra de Agua}, or Water War.\textsuperscript{16}

Although Cochabamba’s water supply was returned to public hands and the water law was changed, trouble in Bolivia’s water sector was not over yet, as resistance against other privatizations persisted. A plan for the export of water to Chile in 2002 involving a foreign investor again drew protest from a wide variety of social groups, but did not result in major actions.\textsuperscript{17} Then the town of El Alto, the largest and poorest suburb of Bolivia’s capital La Paz, became the scene of another revolt over water in 2005.\textsuperscript{18} This is the second example of water privatization discussed here. Even earlier than in Cochabamba, on 24 July 1997, a contract for the concession of potable water and sewer services had been signed between Aguas del Illimani (AISA, a consortium led by French company Suez) and the Bolivian government, to expand potable water and sanitary sewer services in El Alto and La Paz.

After several years of accepting private water governance, the citizens of El Alto also rose up to demand the nullification of the contract with Suez. In February 2003, demonstrators torched AISA’s offices in El Alto. The protest stemmed from discontent with the company among consumers and grassroots organisations, which had repeatedly asked that AISA withdraw from Bolivia. Seven years after the company began providing services, and after six months of negotiation and exhausting all possibilities for resolving the conflict, the Federation of Neighbourhood Boards (\textit{Federación de Juntas Vecinales}, FEJUVE) of the city of El Alto called an indefinite strike on 10 January 2005, demanding that the concession contract be rescinded. On 12 January 2005, the Bolivian government issued a supreme decree that began actions for the termination of the concession contract with AISA.\textsuperscript{19}

The question that comes up from this history of mass protest, is why the resistance to the water companies got to such an extreme level on the particular issue of

\textsuperscript{15} Th. Perreault, ‘From the Guerra del Agua to the Guerra del Gas’, \textit{Antipode} 38 (1) January 2006, 150-172, 150.
\textsuperscript{16} Jim Shultz and Melissa Draper, \textit{Dignity and defiance}, 9.
\textsuperscript{17} Th. Perreault, ‘State restructuring and the scale politics of rural water governance in Bolivia’, \textit{Environment and Planning A} 37, 2005, 263-284, at 263.
\textsuperscript{18} Susan Spronk, ‘Roots of resistance to urban water privatization in Bolivia’, 12.
water. Understandably, the change of management of water resources will have impact on the daily distribution and cost of water. It is a daily necessity for everyone to have access to clean drinking water. Currently, around half of Bolivia’s population earns less than two dollars a day.\(^{20}\) Any rise in the cost of a daily necessity like water will then be a considerable problem, and might draw a negative reaction from consumers to that rise. That is certainly part of the immediate cause for the protests in Cochabamba, where price hikes hit poor citizens considerably. However, given the large, even nation-wide scale of the protests, it will be interesting to explore further possible roots of the resistance. Because similar privatizations in other countries did not result in such violent protests and have even been successful, it can be supposed that the situation in Bolivia involved multiple factors.\(^{21}\) The aim of this thesis is therefore to explore in what way the privatization of water supplies affected the population and to analyze the reasons for Bolivian citizens to openly revolt against it. Both the short-term, direct causes and the long-term, structural causes for the strong reactions against the foreign companies will be analyzed. This will give a comprehensive insight into the situation in which privatization took place in Bolivia.

**Framework of research**

In order to reach this goal, the theory of ‘environmental justice’, as laid out in particular by David Schlosberg will be used as the basis for a theoretical framework that will guide the research.\(^{22}\) The concept of environmental injustice, which has developed in recent decades, concerns the unfair distribution of environmental good and bads.\(^{23}\) The central argument of environmental justice advocates is that the costs of development are borne by those of difference, usually those who are economically and racially different from the mainstream. These already marginalized groups experience further disadvantage through unequal distribution of environmental risks, such as pollution, as well as natural resources

\(^{22}\) Professor and director of Environmental Politics studies at Northern Arizona University in the US
like gas and water.\textsuperscript{24} The theory provides that environmental justice demands a focus on three interlinking and overlapping dimensions, namely justice with regard to recognition, procedure and distribution in environmental governance.\textsuperscript{25} Since water is part of the natural resources that are the topic of environmental governance, it is appropriate to analyze the change of water administration in this way. Taking into account the peculiarities of water as a resource, this will result in a framework of water justice.\textsuperscript{26}

The theory of environmental justice, especially that of Schlosberg, is relevant to the topic of this research because it will be able to offer a new, multi-angle view on the water protests. As Spronk and Webber point out in their article on what they call ‘struggles against accumulation’ in Bolivia, there is need for a focus on political economy in analyses of social movement struggles in Bolivia.\textsuperscript{27} Existing studies of the water revolts in Bolivia have tended to focus on the strategies of the social movements, emphasizing questions related to the subjective self-understanding and self-representation of movement actors during these outbursts of protest.\textsuperscript{28} Through the lens of environmental justice, it is possible to consider various aspects water governance in Bolivia and how these were affected by neoliberal policies. It will give an outline of the context in which the social movements emerged and framed their demands of change.

More specifically, since the residents of El Alto and Cochabamba are predominantly indigenous, it will be interesting to focus on how indigenous groups in particular were affected by water privatization.\textsuperscript{29} In fact, the majority of Bolivians are indigenous and they constitute the poorest part of the population.\textsuperscript{30} Of the total population, around 31 percent considers themself Quechua, 25 percent is Aymara and the

\begin{footnotesize}
\begin{enumerate}
\item \textsuperscript{25} David Schlosberg, ‘Reconceiving environmental justice’, \textit{Environmental Politics} 13 (3) Autumn 2004, 517 – 540, at 518.
\item \textsuperscript{26} Ibidem, 27.
\item \textsuperscript{27} Susan Spronk and Jeffery R. Webber, ‘Struggles against Accumulation by Dispossession in Bolivia’, \textit{Latin American Perspectives}, 34 (2) 2007, 31-47, at 33.
\item \textsuperscript{28} See Assies, ‘David versus Goliath in Cochabamba’, \textit{Latin American Perspectives} 130 (30) May 2003, 14-36, at 15.
\item \textsuperscript{29} \textit{Multinational Monitor} (January 2006), 7.
\item \textsuperscript{30} Bolivia has the highest percentage of indigenous population of Latin America, estimated between 60 and 65 percent. See D. Yashar, \textit{Contesting Citizenship in Latin America} (New York, 2005), 20-21.
\end{enumerate}
\end{footnotesize}
rest is made up of smaller groups such as the Guarani.\(^{31}\) Although cultures vary slightly among the groups and although they have also mixed with other population groups to some extent, indigenous people in Bolivia share the fact that they maintain a distinct world view. They are culturally different from the rest of the population, which is made up of whites and mixed groups.\(^{32}\) This makes the application of environmental justice theory even more appropriate and important. An assumption that follows from the theory must then be that indigenous communities were most significantly affected by the water privatizations. In an attempt to examine this assumption, the main research question of this thesis will then be the following:

*To what extent did the privatizations of water supplies in Cochabamba and El Alto affect the situation of environmental justice of indigenous communities, and what was the role of IFIs in this process?*

The different components of this topic will be analyzed in separate chapters, each guided by an appropriate sub-question. The conclusion will give a complete answer to the research question, based on the analyses in each chapter. The first chapter discusses the concept of environmental justice and outline Schlosberg’s theory. It will draw up the framework of analysis for the questions that lead the last three chapters.

In chapter two, the background of water privatization policy in Bolivia and the way in which it became part of the government’s strategy will be analyzed. This will provide insight into the particularities of developments in the country. Historically, the International Financial Institutions (IFIs) that provide international assistance and loans, have had a considerable influence on Bolivian national policy in general. The population has protested against the negative effects of this influence in various sectors, one of which is the water sector.\(^{33}\) It will therefore also be necessary to look at the developments in international ideas on water governance.\(^{34}\) The questions to be answered in this chapter are *how did privatization become part of national strategies in Bolivia and to what extent did the IFIs play a role in this, specifically in the water sector in Cochabamba and El Alto?*

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\(^{32}\) D. Yashar, *Contesting Citizenship in Latin America*, 154

\(^{33}\) Susan Spronk and Jeffery R. Webber, ‘Struggles against Accumulation by Dispossession in Bolivia’, 32.

\(^{34}\) The concerning IFIs are the World Bank and the Inter-American Development Bank (IDB).
The last three chapters will outline the major challenges that the new water policies have presented to indigenous people. The theory of David Schlosberg about environmental justice will be applied to the situation of water governance in Bolivia before privatization. This subsequently allows analysis of the impact of water privatization upon each dimension. The first specific research questions that follows from the recognitional dimension of environmental justice will be: to what extent did indigenous groups in Bolivia receive recognition as a separate and distinct population group, in the area of water governance? This question will be answered in chapter three. Next, regarding procedural environmental justice, the question is whether indigenous local communities have been able to participate fairly in policymaking in the field of water governance. An answer to this question will be sought in chapter four. Lastly, an analysis is needed of whether indigenous groups actually received an equal share of costs and benefits of water distribution before and after privatization. This will be done in chapter five. The variety of available measures that will lead to fair environmental recognition, participation and distribution in practice will be outlined in chapter one on the theory of environmental justice.

Explanation for the focus of this thesis
There have been a number of similar protests on distribution of natural resources in Bolivia in the last decade, mostly expressing criticism upon neoliberal strategies applied in the governance of these resources. Water, gas, oil and agricultural land tenure have all been at the center of public uprisings at various levels, and have generally been explained in the frame of resistance against neoliberalism.35 For example, in October 2003, during the highly publicized Gas War, large crowds of citizens all over the country rose up to protest the export of natural gas to the US through Chilean ports and demand more equal distribution of gas revenues. The harsh reactions of the military and ensuing violent clashes with protesters in 2003 ultimately forced the president to resign.36

36 Th. Perreault, ‘From the Guerra del Agua to the Guerra del Gas’, 150-151.
The number of people involved in the Gas War was larger than in the more locally oriented Water War. However, in comparison to previous cases of protest, the water revolts mobilized a significantly large part of the public nationwide, on an issue that is administered at municipal level essentially. Moreover, the revolt in Cochabamba was the first significant case of protest that made protesters from all societal groups organize a joint resistance. The experience of cooperation laid the foundations for the organization of the subsequent Gas War. In comparison to the Gas War, the Water Wars are also more interesting to examine in the framework of Environmental justice because of the essential human necessity of water. Because of this significance, and for reasons of limitation of research scope, this thesis will deal only with issues concerning water governance.

The analysis of environmental justice in water governance is also important for providing lessons on international development strategies. Currently, an ever increasing amount of discussion is taking place on sustainability of development and water governance specifically within the international community, especially in the spheres of the International Financial Institutions such as the World Bank and International Monetary Fund. The number of conferences and publications on this issue has augmented significantly since the 1987 Brundlandt Report of the World Commission on Environment and Development discussed the concept sustainable development. The discussion has been fueled and enhanced by protests and resistance around the world, such as the Water War, that criticize and express divergent views of what is sustainable and what is not. Contemporary thoughts on sustainability emphasize the interrelationship between social and environmental issues. Whereas water was historically considered a predominantly environmental issue, concerning the diminishing availability of clean water supplies, it is now more and more regarded as a social issue as well because it is a determining factor in human quality of life. The concern voiced by environmental

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38 Adams, Green Development, 3.
justice academics about social aspects of environmental governance reflects this connection, which makes it an appropriate framework of analysis.

Among all the possible angles of research on water issues, this thesis will focus on the local and national level of water resources by looking into the case of Bolivia’s water protests. There will not be a major focus of attention on the situation of physical scarcity or abundance of water supply in Bolivia or on the different uses of water, such as for drinking or irrigation. Instead, analysis will concentrate on the aspect of access to water and its distribution. In Bolivia, more than one in twenty children die before the age of five because of lack of clean water, and water-related diseases are commonplace. Moreover, Bolivia is the most impoverished nation in South America, with a foreign debt of $6.6 billion in 2000. It cannot afford the extension of water service to all citizens on its own but needs major investments in infrastructure from outside. It is therefore important to draw lessons from the history of Bolivian water governance for future policy guidance. The results of the research in this thesis can make a contribution to this learning process.

41 Jim Shultz and Melissa Draper, *Dignity and defiance*, 10.
43 Jim Shultz and Melissa Draper, *Dignity and defiance*, 11.
1. Theoretical framework

As outlined in the introduction, the developments in Bolivia regarding the water and gas protests will be analyzed using Schlosberg’s theory of environmental justice. This theory, as well as its antonym ‘environmental injustice’ and the related concept of environmental inequality, is a relatively new field of social and human rights studies and is still a contested concept that deserves further research. Therefore, the first part of this chapter will outline its origin, namely in the history of the social rights movement in the US. In the second part, a few definitions and principles of environmental justice will be discussed. These two parts serve to introduce the third part which will draw the outline of Schlosberg’s theory. The concepts of ‘justice’ and ‘environment’ will be explained by going through the theories that political and social scientists have historically applied to them. Finally, the theoretical framework of environmental justice will be operationalized by formulating questions that can be applied to the situations of water governance in Bolivia with regard to each dimension.

1.1 History of Environmental Justice

First of all, a fundamental distinction needs to be highlighted, between ‘environmental justice’ and ‘Environmental Justice Movement’ (EJM). The first applies to the theoretical concept, and the framework of thought addressing the connection between social issues and the environment. The second (while sometimes also shortened to ‘environmental justice’) usually refers to the social movement that has emerged to denounce and protest cases of environmental injustice, and which is focused on the US. The social movement of Environmental Justice that has developed in the US will now be discussed shortly in this first paragraph because it gives an understanding of the roots of the theory of environmental justice.

The concept of this type of social-environmental injustice first came up in the US in the 1970s, where it was used by social groups in relation to specific cases of dumping of toxic waste near black or poor neighborhoods. In 1982, in Warren County in

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southern North Carolina, one of the first scientific studies was conducted that provided evidence that three out of four hazardous waste landfills in that region were located in predominantly African-American communities, although African-Americans made up only 20 percent of the population of the entire region.\textsuperscript{46} After initial attempts at peaceful opposition through lobbying and court action, in the end major street protests erupted against this ‘NIMBY’ conflict\textsuperscript{47} and led to several hundred people being arrested. The case received nation-wide attention in the US. The protests shared tactics and rhetoric with the African-American Civil Rights movement which focused on injustices in housing, education and employment.\textsuperscript{48}

Following this connection, EJM leaders and researchers Robert Bullard and Benjamin Chavis even went as far as to denounce community-based struggles against toxics and facility siting as struggles against ‘environmental racism’. They defined it as ‘racial discrimination in the deliberated targeting of ethnic and minority communities for exposure to toxic and hazardous waste sites and facilities, coupled with the systematic exclusion of minorities in environmental policy making, enforcement, and remediation’. In 1987 Chavis statistically proved this by showing the direct correlation between race and the location of toxic waste.\textsuperscript{49} Minorities were easier targets for environmental racism, both at municipal and state level, they argued, since they were less likely to organize and protest than same class white residents, possibly out of fear of losing their jobs by doing so.\textsuperscript{50}

After the first case in the south of the US, more of these cases were brought to public attention elsewhere, sometimes again violently. The basic claim that underlied these protests was that the poor, peoples of colour and indigenous peoples are disproportionately at risk from environmental hazards.\textsuperscript{51} A grassroots movement emerged

\begin{itemize}
\item \textsuperscript{46} Andrew Szasz and Michael Meuser, ‘Environmental inequalities: literature review and proposals for new directions in research and theory’, 99.
\item \textsuperscript{47} NIMBY: Not In My Back Yard. See R.D. Bullard, ‘Environmental Justice in the 21\textsuperscript{st} century’.
\item \textsuperscript{48} David Camacho, \textit{Environmental injustices, political struggles: race, class and the environment} (Durham, 1998), 32.
\item \textsuperscript{49} David Schlosberg, \textit{Defining Environmental Justice: theories, movements, and nature} (Oxford 2007), 50.
\item \textsuperscript{50} Andrew Szasz and Michael Meuser, ‘Environmental inequalities: literature review and proposals for new directions in research and theory’, 100.
\end{itemize}
that started advocating for more environmental justice everywhere in the US from the 1980s onwards. Instances of environmental injustice also became the topic of scholarly research. Academics started to formulate theories about the concept of environmental justice, expanding and refining it, and thereby giving authority to the EJM’s claims. Its new, central argument was that the unequal distribution of environmental risks was a result of unequal distributions of social and political power. The intentionality of that environmental harm remained a debated issue, but in any case this argument set the EJ Movement apart from previously accepted thoughts about environmental risk spreading.

In traditional political economy, distribution of environmental harms was argued to be a result of the logic of capitalism. Demands for environmental justice were explained as examples of class struggle. Environmental inequalities were viewed as a necessary and inevitable aspect of social inequalities, historically and internationally in modern societies. Environmental Justice activists, however, emphasized class, race, colour, gender and culture as explanatory factors of environmental risk.

In the early years, various environmental issues such as choosing the location of hazardous industries, all types of pollution such as of river waters for example and dumping of toxic waste have typically formed the central concerns of the EJM in the US. The First National People of Color Environmental Leadership Summit held in Washington DC in 1991 was therefore a most important event in the Movement's history. The Summit broadened the movement beyond its early anti-toxics focus to include issues of public health, worker safety, land use, transportation, housing, resource allocation, and community empowerment.

More recently, even the slow reaction to the devastation left by hurricane Katrina in New Orleans in 2005 was described as a case of environmental injustice. Claims have been made that resolving the environmental damage and pollution resulting from the hurricane did not receive priority from national government because it

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53 Ibidem., 478
54 Andrew Szasz and Michael Meuser, ‘Environmental inequalities: literature review and proposals for new directions in research and theory’, 116
56 R.D. Bullard, 'Environmental Justice in the 21st century'.

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happened in an area inhabited mostly by black people, who formed the biggest group of victims from the storm.\textsuperscript{57} This exemplifies the broad focus of the EJ Movement in the US.

It is important to distinguish environmental justice concerns from environmentalist concerns, that focus only on the harm that humans do to the earth. The starting point for environmental justice is human life, and the social justice associated with that. An example of how environmental justice and environmentalists sometimes have conflicting although related arguments, is conservation of nature and biodiversity. Both can go hand in hand with development of human communities living in conservation parks. But there have also been cases where communities were expelled or restricted from the areas where they live because conservation was considered more important.\textsuperscript{58}

1.2 The academic field of environmental justice

As pointed out, the activism by the EJM in many places was followed by the rise of a distinct field of research, crossing the boundaries between social and environmental fields of study. Academics started to explore their definitions of what a perfect situation of environmental justice would entail, as well as what the main causes for environmental injustice are. They also explored different concepts of justice.\textsuperscript{59} Nowadays, the inequitable burden of various environmental problems that minority groups, such as women, racial groups, less educated groups and even developing countries as a whole have to bear is not the only thing environmental justice refers to anymore.\textsuperscript{60} Several environmental justice authors have further explored the concept to include a more positive view: the essential equality or justness of distribution of environmental benefits, such as natural resources and environmental services like clean air.\textsuperscript{61} The focus on equal distribution of environmental burdens reflects a more negative concept of justice while

\textsuperscript{58} Krista Harper and S. Ravi Rajan, ‘International environmental justice: building the natural assets of the world’s poor’, \textit{Amherst PERI working paper series 87}, 2.
\textsuperscript{60} Krista Harper and S. Ravi Rajan, ‘International environmental justice: building the natural assets of the world’s poor’, IEJ, 2.
\textsuperscript{61} Ibidem., 6.
the second view, including environmental amenities, reflects a more positive concept. In
the following section on definitions of environmental justice, the distinction between
negative and positive environmental justice will be further elaborated.

Closely related to environmental justice theorizing is ecological justice or
ecojustice, which argues that justice should also be given to the environment or non-
human nature itself. Proponents and theorists of environmental justice have different
arguments about the extent to which it is just about the human ‘right’ to a benign
environment, and so an exclusively social issue, or also about justice to the environment
at large. Just like with the rationality behind the ‘sustainability’ concept (as laid out by
the Brundtlandt report), there is discussion about the rights attributed to all elements of
nature, resulting in the moral obligation for humans to ensure the future existence of the
earth’s biodiversity for future generations. The more radical theory of ecological justice
will also be touched upon in this thesis, because it is important in the case of
environmental justice to indigenous peoples, as will be explained in the chapter about
recognition.

Even after many years of academic research there is still some discussion about
the exact definition of environmental justice, and the possibility of ever reaching this
situation. For example, a definition by the Central European University in Hungary is
the following:

A condition of environmental justice exists when environmental risks and hazards
and investments and benefits are equally distributed with a lack of discrimination,
whether direct or indirect, at any jurisdictional level; and when access to environmental
investments, benefits, and natural resources are equally distributed; and when access to
information, participation in decision making, and access to justice in environment-
related matters are enjoyed by all.

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62 John Byrne, Cecilia Martinez and Leigh Glover, ‘A brief on environmental justice’, 13
63 C. Stephens et al, ‘Environmental justice’, Economic and Social Research Council special briefing
7 November 2001, 5.
64 The following exploration of definitions of environmental justice was also discussed by the author in the
publication Revolutionary Politics: Bolivia’s New Natural Resource Policy, a joint publication resulting
from a course at the Centre for Documentation and Research on Latin America, to be found at
http://www.cedla.uva.nl/60_publications/PDF_files_publications/Revolutionary_Politics.pdf
65 Central European University, Hungary, Environmental Justice Program 2009,
http://www.cepl.ceu.hu/ejp)
This definition shows both a negative and positive concept of justice, discussing equal distribution of risks and hazards, and equal access to benefits and resources. It can be questioned, however, whether this condition of environmental justice, meaning pure equality of distribution of environmental risks and benefits, will ever be attainable. This makes the European definition an interesting goal for the future, but less easy to work with. The US Environmental Protection Agency, focusing more on the equal involvement of stakeholders in the decision making process, has a more positive view, stating that

*Environmental Justice is the fair treatment and meaningful involvement of all people regardless of race, color, national origin, or income with respect to the development, implementation, and enforcement of environmental laws, regulations, and policies. [...] It will be achieved when everyone enjoys the same degree of protection from environmental and health hazards and equal access to the decision-making process to have a healthy environment in which to live, learn, and work.*

While focusing mostly on negative justice, this definition focuses more attention on the effective prevention of environmental problems for communities and individuals by means of policy, and is therefore more workable. The recently created *Environmental Justice* journal adds to this that “environmental justice is an effort to analyze and overcome the power structures that have traditionally thwarted environmental reforms”. But, as EJ theorist David Pellow notes, if all environmental laws, regulations, and policies were to be implemented and enforced equally, the world would still see environmental inequality or racism because the social, political, economic, and cultural forces that produce this problem would not necessarily have been addressed.

Another definition that addresses part of that objection is the following by Bunyan Bryant. According to him, environmental justice refers to ‘places where people can interact with confidence that the environment is safe, nurturing, and productive. Environmental justice is served when people can realize their highest potential’.

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67 D. Pellow, ‘We Didn’t Get the First 500 Years Right, So Let’s Work on the Next 500 Years’, *Environmental Justice* 2 (1) 2009, 3-6, at 3.
68 Director of the Environmental Justice Initiative at the University of Michigan School of Natural Resources and Environment
Environmental injustice is then seen as a process that takes away the ability of individuals and their communities to fully function, because of poor health, destruction of economic and cultural livelihoods, and general and widespread environmental threats. The overall emphasis of groups that use environmental justice as an organizing theme is on individual and community functioning. This includes the basics of health and safety, the preservation of local economies, and the preservation of local and traditional cultures and practices. Environmental justice movements work to preserve the processes necessary to maintain, and sustain, everyday life and culture in effected communities. This definition comes closest to the theory that Schlosberg developed, as will be seen in the next section of this chapter.

Elements of these definitions were all reflected early on in the demands made by the previously mentioned First National People of Colour Environmental Leadership Summit. Over 650 international leaders of black, indigenous and other coloured groups such as latinos and asians participated in this four-day conference in September 1991, in which strategies and plans for addressing environmental problems were discussed and developed. They adopted a list of seventeen ‘Principles of Environmental Justice’, developed as a guide for organizing, networking, and relating to government and NGOs. Dorceta Taylor, an environmental sociologist who tried to frame environmental justice demands, examined these seventeen principles and identified twenty-five different issues, including not only protection from contamination and polluting industries, but also environmental policy based on mutual respect and demands for numerous rights and capabilities. These included capabilities to equal participation, self-determination, ethical and sustainable land use, a healthy community and work environment, and social and environmental education. It is important to notice that these original principles explicitly include indigenous issues. They focus in particular on treaty responsibilities and the relationship between culture and nature. Equity was only one among many concerns expressed in this initial attempt by the Conference to operationalize the concept of

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environmental justice. The concept of capabilities also appeared in these principles already, although Schlosberg explores it in more depth in the context of environmental justice theory.

The definitions listed above give an overview of the diversity of theoretical thought about environmental justice. They show how the theory has extended further into issues of recognition and participation in decision-making processes than the narrow focus on distribution that the movement started out with.\(^7\) In general, the EJ movement laid the groundwork for academic theory about environmental justice, and has continued to provide incentives for further theorizing. The diverse definitions also show, however, how difficult it is to capture reality and abstract it into a coherent theory. Issues of social justice and environmental well-being intersect in many forms and places, resulting in a patchwork of local case studies that need to be captured by theory. Schlosberg has argued that diversity is a distinctive feature of environmental justice activism in the US. He has pointed out that there is no single movement, only a number of related ones.\(^8\) This plurality of reality is reflected in the fact that no single uniform theory of environmental justice has been formed, that is able to make a coherent explanation of it.

However, importantly, what environmental justice theorists have contributed is the formation of a new application of the justice theory beyond a focus on environmental equality, to include issues of social fairness.\(^9\) Although united under a single banner, the discourse of groups and movements has remained heterogeneous, employing multiple conceptions of justice at the same time. Moreover, instead of the traditional focus on justice and rights to individuals, they claim justice for groups and communities as a whole as well. In conclusion, the value of the wide environmental justice concept lies in the fact that it puts the focus on various aspects of socio-environmental justice. It emphasizes the suggestion that addressing all the adverse conditions of the least powerful people should be a priority for policymakers.

\(^7\) David Schlosberg, ‘Reconceiving environmental justice’, 518.  
1.3 International environmental justice

As outlined, the environmental justice movement (EJM) has transformed the scope, character, and tactics of environmentalism in the United States, and has caused a paradigm shift in the study and practice of environmental politics, according to scholars like Taylor.\textsuperscript{76} The wide public attention for EJ cases in the US and the dominance of the theoretic field by US scholars, however, does not mean that the problem of environmental inequality is uncommon or new to the rest of the world. Although they are not always specifically known as struggles for environmental justice, groups of disadvantaged citizens across the world have taken issue with their backward position regarding environmental governance. These cases can be analyzed as issues of global environmental justice on the one hand, involving world regions and global populations. On the other hand, there are cases of international environmental justice, which concern individual countries and specific groups of population. This thesis is just one attempt to expand the scope of environmental justice outside of traditional US case studies.

Just like the Warren County protests were key to the birth of the North-American EJM, there have been similar important moments for the cause of global environmental justice. In a two-month period in 1984, both the Union Carbide chemical plant in Bhopal, India, and the PEMEX liquid propane gas plant in Mexico City blew up, killing thousands of people and injuring about a million nearby residents.\textsuperscript{77} And a few years later, the first reports were released that documented the illegal dumping of toxic waste from the US and European countries in various African countries.\textsuperscript{78} Both individual countries in Africa and the Organization of African Unity started to protest what they called this form of ‘garbage imperialism’, underscoring the political nature of these environmental justice issues and setting precedents for the formation of environmental justice movements outside of the US.\textsuperscript{79}

Cases such as these are potential evidence that the new global world order leads to the systematic shift of environmental burdens such as climate change and biodiversity

\textsuperscript{78} Richard Schroeder et al., ‘Third world environmental justice’, 548.
\textsuperscript{79} Richard Schroeder et al., ‘Third world environmental justice’, 548.
reduction from rich to poor countries. Environmentally damaging industries such as garbage processing and chemical plants are increasingly located in low-income countries such as India, resulting in dangers like the Bhopal explosion mentioned earlier. The existence of a so-called ‘garbage imperialism’ is being refuted by the fact that there are still many polluting industries and waste-sites in developed countries as well. While this alleged existence of a global divide into a rich, waste-producing Western region and developing regions as processing fields of that waste is an interesting case study for environmental justice, it will not be addressed in this thesis.

On the international level then, situations of environmental (in)justice are expectedly even more diverse than only in the US. It follows that there are some similarities and differences between environmental justice in the US and outside of the US. The most important similarities are to be found in the basic premises of environmental justice activism and theory. Both in the US and outside, it is argued, the poor and marginalized people in countries are the ones who suffer the most from environmental burdens and who benefit least from environmental amenities. Although everyone suffers the effects of pollution, global warming, and resource exploitation, poor people are especially vulnerable since they live closer to the margin of survival and are less able to afford protection from environmental ills. At the same time, poor communities are said to face disproportionately heavy burdens from environmental degradation. Increasingly, low-income urban and rural communities around the world are organizing to fight for more equitable access to natural resources and environmental quality, including clean air and water. This means there are numerous international issues of environmentalism that can be explained within an environmental justice context because of their connection to social justice as well.

However, some major differences also appear. At a theoretical level, although the basic concept of environmental injustice is applicable everywhere and across times, environmental justice scholars have been confronted with circumstances that require them to reconsider some of their core analytical constructs: across scales, within spaces

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82 Ibidem.
defined by differing concepts of territorality, and in the context of a complex and shifting network of global interconnections. First of all, while most environmental justice scholarship and activism in the US centers on the unfair distribution of environmental burdens, the Third World has instead seen a proliferation of projects premised on the distribution of environmental benefits, mentioned earlier. In recent years, the environmental justice concept has been applied to amenity-related issues in urban areas including the location of parks, access to transportation infrastructure, availability of clean air and water, and retention or expansion of greenspace. In rural areas, it is the poor who are most dependent on natural resources from fisheries, forests, rivers and rangelands, and at the same time least able to consume enough of them. Even if exposure to environmental hazards were the same across the entire population, the poor would be at greater risk because of their inferior access to the profits from environmental resources in their territories such as oil, minerals and logging.

Secondly, environmental justice movements in developing countries for example are said to be less explicitly focused on race as a distinguishing factor of environmental inequality, and more on income and geographical location. In the US, the EJ movement has tried to expose the high incidence of waste disposal sites particularly in black and native communities. However, debates about healthy living and working spaces in South Africa, for example, have also been framed in terms of racial inequality and remaining features of apartheid. This arguably depends on the ability to clearly define racial groups in a society. In the examples of the US and South Africa distinction can be made relatively easy between black, white and native people. In Latin America on the other hand, racial categories are more ambiguous and the boundaries are harder to

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84 Robin Leichenko and William Solecki, ‘Consumption, Inequity, and Environmental Justice: The Making of New Metropolitan Landscapes in Developing Countries’, *Society & Natural Resources* 21 (7) 2008, 611-624, at 612.
86 Robin Leichenko and William Solecki, at 615.
87 Robin Leichenko and William Solecki, at 616.
Except for Brazil, there is no legacy of struggle against slavery and segregation of black populations like the civil rights movement that was the origin of environmental justice activism in the US. Instead, discussions about the history of discrimination in Latin America are more concerned with indigenous people, who are generally not considered a coherent racial group across the continent or within countries either.

Thirdly, as far as waste management problems are concerned, one critical issue distinguishing Third World environmental justice politics is the relative absence of environmental regulation. Poorer neighborhoods in North America may be negatively affected by the lack of effective regulation and lack of implementation, but such protections are generally absent altogether in the Third World. This is a major factor in the relocation of hazardous industrial plants to the Third World in the first place. Lacking legal protections, affected groups have little choice but to protest these problems on the streets instead of in courts.

Last but not least, environmental activism and discourse in developing countries have not developed as much as in the US. A major constraint on environmental justice movements and scholars in developing countries that is much stronger than in the US is the lack of basic environmental, public health, demographic, corporate and legal information. Statistic data is often much less readily available or even non-existent. Secondly, the movements have less support from philanthropic organizations than their counterparts in the United States. Grass-roots U.S. groups can secure assistance from larger environmental organizations, foundations, government agencies, and regional and national networks. In contrast, formal networks and philanthropic support are only just beginning to develop in Latin America and other developing regions.


1.4. Schlosberg’s framework of environmental justice

An interesting theory of environmental justice that combines elements from the foregoing definitions and perspectives, is the one from David Schlosberg, who has done a lot of research on both practice and theory. Schlosberg’s theory may be partly influenced by a US perspective, its broad focus makes it useful for application on a developing country. He has been exploring how the international environmental justice movement has helped expand the notion of justice through social practice. He discusses various notions of justice, such as the one set out by J. Rawls in his 1972 book ‘Theory of Justice’. Rawls’s theory of justice was that all social goods, such as liberty, are to be distributed equally in a just situation. Also, he argued that when an unequal distribution of these goods advantages the least well off, then that alternative distribution may be more just. Schlosberg takes Rawls’ concept of justice and criticized its limited understanding, which according to him in practice focused solely on fairness of distribution. In terms of environmental justice, this is most often understood as the distribution of costs and benefits from developments that impact on environmental assets.

Only a few theorists have extended this analysis to move beyond a focus on distributive justice towards an approach that embraces a so-called ‘politics of difference’. Schlosberg is one of these who argue that the EJ movement nowadays actually defines justice in a broader sense, as it emphasizes the importance of recognition of the diversity of participants and experiences in affected communities. This valuation of plurality gives recognition to different sorts of knowledges and may open up environmental decision making processes to non-mainstream involvement. For instance, within a framework that appreciates plurality it is possible to value the traditional ecological knowledge that indigenous communities possess for their country.

Schlosberg also notices that environmental justice communities have started to argue for participation in the development of environmental policy. Thereby it challenges

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99 David Schlosberg, Defining Environmental Justice: theories, movements, and nature, 12.
100 David Schlosberg, ‘Reconceiving environmental justice’, 518.
102 Ibidem., 27.
103 David Schlosberg, ‘Networks and mobile arrangements: organizational innovation in the US environmental justice movement’, Environmental Politics 8 (1) 3, 1999, 122.
both mainstream environmental organizing and reformist efforts on the part of government.\textsuperscript{104} Large mainstream environmental groups are seen as too distant, paternalistic, and unrepresentative; and governmental reforms are often criticized for not only failing to address questions of the distribution of hazards, but also for not involving communities in the policy process.\textsuperscript{105} These features of the movement contribute to fixing one of the key shortcomings of liberal justice theory such as that of Rawls, which normatively examines fair processes for the distribution of goods and benefits. Including difference in the theoretical approach to environmental justice overcomes the narrow focus associated with notions of liberal distributive justice theorizing.

Schlosberg’s idea is therefore to incorporate liberal notions of justice as well as to adopt a threedimensional conception of it. He divides the concept into three interlinking and overlapping circles of concern: the recognitional, procedural and the distributional justice.\textsuperscript{106} He states that if the first two ‘circles of concern’ are not in existence in a natural resource management process, then inequitable distribution of that resource is a likely outcome. Environmental decision making is always political but is also always based in material realities. For example, in the case of water justice, it is necessary to ‘recognize difference when engaging communities, have participatory practices in decision making processes, and finally, prioritize equitable distribution of water resources’, as pointed out by Jess McLean, who investigated water justice in Australia.\textsuperscript{107}

Recognition of difference in culture living habits and traditional knowledge between groups making up a nation’s population, is therefore a first and necessary step to reaching environmental justice.\textsuperscript{108} Recognition is key, as Schlosberg points out that a lack of recognition, demonstrated by various forms of insults, degradation, and devaluation at both the individual and cultural level, inflicts damage to both oppressed communities and the image of those communities in the larger cultural and political realms.\textsuperscript{109} The basis of recognition is mutual respect and acknowledgement of diversity and plurality. It can be

\textsuperscript{105} Ibidem., 427.
\textsuperscript{106} David Schlosberg, ‘Reconceiving environmental justice’, 521.
\textsuperscript{108} David Schlosberg, ‘Reconceiving environmental justice’, 519.
\textsuperscript{109} David Schlosberg, ‘Reconceiving environmental justice’, 519.
attained through legal entitlements to own and govern territory, but this is not always possible. Since justice is done by observing equal rights, recognition can be found in the existence of environmental human rights, as well as interpretations of broader human rights.\textsuperscript{110}

With regard to recognition, some of the questions that come up in relation to indigenous groups and water governance is how their environmental rights under international and Bolivian law are formulated and implemented by government programs relating to water resources. Also, for the central hypothesis of environmental justice, is it important to compare the situation of indigenous groups’ special recognition to that of other social, economical and racial groups, where possible.\textsuperscript{111} This has to be examined in order to estimate how the level of indigenous recognition played a part in the Bolivian mobilizations. Another important aspect is whether indigenous claims to land have been acknowledged, for example by the institution of legal indigenous territories, and implemented.\textsuperscript{112} Knowing the rights of indigenous groups in Bolivia, it can be examined how their recognition was affected by neoliberal privatisation projects of water.

Schlosberg secondly notes that the environmental justice movement emphasizes the importance of participation in the political processes that create and manage environmental policy. It is interrelated with recognition: if you are not recognised, you do not participate.\textsuperscript{113} Participatory processes in consultations, feedback mechanisms, public review processes, and the national democratic system in general are all crucial according to the EJ movement.\textsuperscript{114} The second dimension therefore refers to the procedure of deciding not only on environmental policy but also other policies on a country level, such as economic policy. At a lower level of government, the questions of how and where to begin an industrial project, changing the way it is going and possibly ending it, have to be jointly discussed by all stakeholders.

The most important thing in this dimension is meaningful participation: all parties that have a stake in a certain region or resource, have to be consulted and have influence

\begin{footnotesize}
\begin{enumerate}
\item Jess McLean, 'Water injustices and potential remedies in indigenous rural contexts: a water justice analysis', 26.
\item David Schlosberg and David Carruthers, ‘Indigenous Struggles, Environmental Justice, and Community Capabilities’, 1.
\item David Schlosberg, ‘Reconceiving environmental justice’, 519.
\item Ibidem, 522.
\end{enumerate}
\end{footnotesize}
on the decision making process. Environmental justice calls for policy-making procedures that encourage active community participation, institutionalise public participation, recognise community knowledge, and utilise cross-cultural formats and exchanges to enable the participation of as much diversity as exists in a community.\footnote{Ibidem.} Following Schlosberg and applying this dimension to Bolivia, the question is to what extent indigenous groups had the chance to participate and influence the decision making process on water privatisation.\footnote{David Schlosberg and David Carruthers, ‘Indigenous Struggles, Environmental Justice, and Community Capabilities’, 3.} Were they able to influence the political process of municipal decision making in significant ways, through consultations and giving feedback?

Schlosberg’s third circle focuses on the traditional notion of fair and equitable \textit{distribution} of goods and bads flowing from economic activities.\footnote{David Schlosberg, ‘Reconceiving environmental justice’, 520.} In the case of Bolivia, it is interesting to analyze to what extent the positive and negative impacts of neoliberal industrialization in the water sector were distributed equally to indigenous groups. Did the benefits and costs of the water provision reach all groups of society equally? Taking the analysis of Jess McLean as an example, distribution of drinkwater resources as in the case of Bolivia is considered here to be determined by two factors. The actual physical access to water is considered to be the benefit flowing from water provision.\footnote{Jess McLean, ‘Water injustices and potential remedies in indigenous rural contexts: a water justice analysis’, 28.} It is defined as the existence of infrastructure that connects households to the water system. Water pipes and wells directly deliver the benefit of water usage. To determine the extent to which water is distributed in this aspect, the number of connections that the private companies brought to Cochabamba and El Alto have to be considered. The second factor in distribution, the cost of water supply, is a factor that directly influences how much water a household can afford, thereby affecting the distribution of water among stakeholders in a territory.\footnote{Jess McLean, ‘Water injustices and potential remedies in indigenous rural contexts: a water justice analysis’, 29.} It is defined as the cost of water per measure unit, as well as the cost of hooking up to the system. Therefore, it will be necessary to make an analysis of how the costs of water changed as a result of the
privatizations, and relate this to the average income in the regions. This will give an overall view of the distribution of water supply in Cochabamba and El Alto and thereby completes the analysis of the protests there from an environmental justice perspective.

Schlosberg’s threedimensional framework of environmental justice is already one of the most comprehensive theoretical frameworks that have been presented to date about the subject. However, in his most recent work, Schlosberg adds a new and most important dimension, which is about capabilities, both of individuals and communities. He draws upon philosophical writings by Martha Nussbaum and Amartya Sen about capabilities as defining the essence of how people are able to function in life. The central argument of Nussbaum and Sen’s capability approach is that we should judge just arrangements not simply in distributive terms, but also more particularly in how those distributions affect our well-being and how we function. The focus is not only on the distribution of goods, but also more particularly on how those goods are transformed into the flourishing of individuals and communities.

Capabilities theory examines what is needed to transform primary goods, when available, into a fully functioning life and what it is that interrupts that process. One key reason why a capabilities approach fits in a definition of environmental justice is that it includes such a wide range of concerns, beyond distribution, including recognition and participation. Although it is hard to measure, it is interesting to examine how indigenous groups’ capabilities may have been affected. A question in that regard would be if the consequences of the privatization of water services can be viewed as inhibition to their ways of life. This over-arching, fundamental situation of environmental justice will be addressed in the final conclusion, drawing upon the analysis on the three dimensions.

123 Ibidem., 4-5.
2. Neoliberalism in water governance

This chapter will present an account of how privatization was implemented and consolidated into Bolivian state policies, starting from 1985 to 2003. First, the international political-economic theory of neoliberalism will be explained. Privatization is an important element of neoliberal policies. Subsequently, the ways through which these ideas were propagated in Latin America will be outlined, along with the specific implementation by Bolivian governments in power in that period. The chapter will analyze the role of both the international financial institutions and Latin American economists in the spread of neoliberal ideas. Finally the chapter’s focus will narrow down to an analysis of the neoliberal policy of the IFIs towards water governance and how this was implemented in Bolivia.

2.1 Economic policies leading up to Latin American debt crisis

Since the 1950s economic policy in Latin America was characterized by protectionism, a strategy propagated by the influential United Nations Economic Commission for Latin America (ECLA).124 Raul Prebisch, its secretary-general at the time, argued that prices of goods manufactured by the developed nations at the centre of the world economy would always rise faster than those of the raw materials exported by the Third World countries on the periphery. For years, ECLA therefore encouraged Latin countries to escape this vicious cycle by manufacturing products at home to substitute for imports and by resisting foreign ownership of local factories and businesses. The state had to assume the principal responsibility for promoting the process of economic development, by regulating the private sector, price controls and subsidies.125 The claims about commodity prices proved to be correct in later years, but local industries were not encouraged to become competitive by the import substitution policies. Foreign capital stayed out, local manufacturers did not modernize, and local prices and wages remained out of line with world levels. Subsidies of basic goods and services were used as ways to compensate the

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124 From 1984 named ECLAC including the Caribbean states. Headquartered in Santiago de Chile, this regional commission of the UN constitutes of 44 Latin American and Caribbean states as members, with a few Western countries as observers. Since 1948, its mission is to encourage economic and social development in the region, through research, policy coordination and cooperation.

growing poor urban population for low wages and the disproportionate power of the rich.\textsuperscript{126}

Taking advantage of the worldwide boom in production and international trade, Latin America did experience positive macroeconomic development, reaching five percent GDP growth on average per year between 1950 and the mid-1970s.\textsuperscript{127} At the end of the 1970s, the years of heavy borrowing to support import substitution actually resulted in modest but healthy rates of GNP per capita growth. However, the high cost fueled inflation and the subsidies distorted the socio-economic system. The region still saw large populations living in or close to severe poverty.\textsuperscript{128} Cutting the subsidies was almost impossible for governments without provoking massive civic protest and risking their political lives.\textsuperscript{129} The protectionist nature of Latin America’s economic policy survived inside and outside criticism for many years. It still maintains a lingering effect on the economic system, visible in the domination of the region’s largest businesses by a few powerful elite families, frequent allegations of corruption and strong labor unions. Attempts at reduction of price controls and import barriers have repeatedly been met with opposition by business elites.\textsuperscript{130}

In the early 1980s however, the price of this strategy had to be paid, resulting in what came to be known as the international debt crisis in Latin America, accompanied by a worldwide recession. Mexico was the first to announce in 1982 that it had exhausted its hard currency reserves and therefore could no longer meet its external debt obligations, causing a panic within the international lending agencies as it threatened the stability of the entire banking system.\textsuperscript{131} Subsequently, most governments found themselves unable to finance the huge foreign loans that had been easily offered to them in the 1970s by the international financial community when the banks were overflowing with oil dollars.

With little income from export earnings, most countries could not service their debts

\textsuperscript{127} Henry Veltmeyer, ‘The Quest for Another Development’, 14.
\textsuperscript{129} Tina Rosenberg, ‘Latin America’s Magical Liberalism’, 219
\textsuperscript{130} Tina Rosenberg, ‘Latin America’s Magical Liberalism’, 221.
\textsuperscript{131} Henry Veltmeyer, ‘The Quest for Another Development’, 15.
without taking new loans.\textsuperscript{132} But this time, the international lending institutions such as the World Bank, the International Monetary Fund (IMF) and the Inter-American Development Bank together decided to put stricter conditions on new loans and loan renewals, thereby applying pressure to change the way things were going.\textsuperscript{133} Through so-called ‘stabilization’ and ‘structural adjustment’ policies (SAPs), the international financial institutions (IFIs) pushed governments in Latin America (and in other areas of the global South) to adopt economic strategies focused on liberalization and to build liberal democracies. The IFIs were following the direction of the US administration, because the US contributed the largest share of the Banks’ budget and therefore held the most decision power over the Banks’ policies in the Board of Governors.\textsuperscript{134} The newly propagated strategies became known as neoliberalism, a contemporary version of traditional liberal theory.

2.2 The international theory of neoliberalism
Adam Smith was one of the first liberal authors, in the eighteenth century, to argue against the principle that national interest is best served when state power is concentrated and used to create wealth, thereby producing more power. Liberalism opposes this focus in states’ policies on economic self-sufficiency and political autonomy on behalf of a nation’s security and independence as propagated by (neo-)mercantilists. Most importantly, it is a theory of power, whether political or economic. Authors like Adam Smith, John Stuart Mill and David Ricardo were suspicious of any concentration of power, opposing every type of monopolies in both business and politics, as this would lead to coercion and limitations on individual freedom. Efficiency and freedom are highly valued qualities for traditional liberals.\textsuperscript{135}

Liberalism since then concentrated on the role of the state in creating the institutional environment that fosters individual action and full exercise of individual rights, divided into a political sphere and an economic sphere. In the political area, liberal

\textsuperscript{134} T. Rosenberg, ‘Latin America’s Magical Liberalism’, 219.
\textsuperscript{135} David N. Balaam and Michael Veseth, \textit{Introduction to International Political Economy} (New Jersey, 2005), 64.
theorists argued that liberal democracy was the appropriate state formation to reach such a situation of freedom. Other liberalists focused upon the economic policies necessary to ensure individual freedom and happiness, both in the national and international arena. Such liberal policies would typically mean the reduction of state involvement in national production processes, as they were set up historically. They would restrict the role of the state to national defense, coining money and the building of a legal framework that gives all people equal and fair individual rights. Market forces of supply and demand should be let free to create a fair distribution of prosperity through individual initiative and private ownership.

The ideas that were later grouped under the name neoliberalism started to come up in the 1970s and focused especially on the international economic circumstances leading to the creation of wealth. In an increasingly interdependent international economic situation, international trade was seen as mutually advantageous. Therefore neoliberals generally oppose most state restrictions on free international markets, although various strands of liberalism, such as traditional and Keynesian theory, have different opinions on how much state intervention is still permitted. All liberals put emphasis on reducing the tariffs viewed by mercantilists as tools for concentrating wealth and distilling power, because they arguably reduce the wealth-increasing efficiency of the market. US president Ronald Reagan and British Prime Minister Margaret Thatcher were two of the most influential advocates of neoliberalism in the 1980s. They implemented neoliberal reforms in their countries, which considerably changed the economic structures and society.

136 David N. Balaam and Michael Veseth, 51.
137 Ibidem, 47-52.
138 Ibidem, 64.
139 Traditional liberalism, analyzed and advocated by economists such as Ricardo and Smith, emphasized the positive influences of the complete free exercise of the market’s ‘invisible hand’, rejecting concentration of economic power in either state or monopoly hands. See David N. Balaam and Michael Veseth, 61-63.
140 John Maynard Keynes (1883-1946) developed a strand of liberalism which combined market influences with a relatively large part of constructive state action to correct market failures. The state’s role would be to moderate inflation, control unemployment and encourage economic growth, while free trade would be dominate in the international economic system. See David N. Balaam and Michael Veseth, 57.
141 David N. Balaam and Michael Veseth, 52.
142 Ibidem., 64.
The success of these policies in attaining economic growth set an example to other countries and gave rise to a renewal of liberal policies around the world. These had been largely absent during the period of the Bretton-Woods system and before (1930-1970s). During this time states had been attributed a considerable macroeconomic role within nations, while leaving international markets largely free, as advocated by John Maynard Keynes. In addition to the US government and the IFIs, a growing number of Latin American public officials involved in economic policy now embraced neoliberalism. Whereas in the preceding decades Latin Americans did not consider economics to be a proper, separate field of specialization, from the 1970s onwards some young economists in various Latin American administrations held degrees from US universities, and started spreading and applying the new ideas of neoliberalism. A famous example is that of the ‘Chicago Boys’, US-educated Chilean economists that helped the military dictatorship of General Augusto Pinochet to pilot neoliberalism as a national economic policy in Chile during the 1970s. They introduced a combination of economic and social reforms that drastically reduced Chile’s public sector, social welfare and income redistribution policies of the preceding decades. After a decade of adjustment, Chile experienced an economic boom with growth rates of 7 per cent per year. Although the reforms were brutally implemented by a bloody dictatorship and actually made income inequality worse, Chile is still considered one of the most advanced economies in Latin America in terms of growth.

Chile’s policy example was later repeated in other countries in the region, in many places accompanied by military dictatorships as well, like in Argentina and Uruguay. Under the pressure of the US government and the IFIs, neoliberalism became the rule in government’s policies. There was no space for input from or debate with the government officials from the concerning countries, who were told what reforms to implement. However, although general neoliberal guidelines became clear, the exact

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143 Ibidem, 58.
147 Ibidem, 224.
policy instruments to be included in a neoliberal strategy remained under discussion, at least in political circles.\textsuperscript{149}

2.3 The Washington Consensus

From the start of the debt crisis and throughout the 1980s, US policymakers got engaged in an intense debate about the efforts by Latin American countries to reform economic policy in order to avoid such problems in the future. The crisis resulted in a dramatic change in the priorities of the international lending agencies. From a concern for poverty alleviation and addressing basic needs for the poor, all attention went to securing the capacity and willingness of debtor countries to service their debts.\textsuperscript{150}

In 1989, in a background paper for a conference at the Institute for International Economics, economist John Williamson wrote about the potential reform agenda for Latin America. He listed ten policy reforms that according to him everyone in Washington DC thought were needed in the region as of that time and labelled them the ‘Washington Consensus’.\textsuperscript{151} By Washington, he thought of political forces such as the US Congress and the Reagan administration, and of the technocrats at the IFIs, Federal Reserve Board and several think tanks. Williamson stressed that the ten points were not policy objectives in themselves, but instruments in pursuit of the basic economic objectives of growth, low inflation, a healthy balance of payments and an equitable income distribution.\textsuperscript{152} These issues were important to the US as well because they would contribute to making the region more stable and increase opportunities for trade, as well as ensure the continuity of debt repayments to the US.\textsuperscript{153}

The economic policies that Washington institutions commonly pressed on the rest of the world could be summarized as prudent macroeconomic policies, outward orientation of the economy, and free-market capitalism.\textsuperscript{154}

\textsuperscript{149} Adam Szirmai, \textit{The dynamics of socio-economic development: an introduction} (Cambridge, 2005), 563-568.

\textsuperscript{150} Henry Veltmeyer, ‘The Quest for Another Development’, 16.


\textsuperscript{153} Ibidem.

\textsuperscript{154} See attachment 1 for a concise explanation of each of Williamson’s 10 topics.
Stiglitz, described it as ‘market fundamentalism’, given its single focus on free market economy.\footnote{David N. Balaam and Michael Veseth, 64.} The ten specific Washington Consensus reforms included in Williamson’s conference paper can be found on the left hand side of Table 1. Privatization, freeing of foreign trade and reduction of public expenditure were considered to be the most important policy instruments. To ensure that the debtor countries would be able to service their external debt, it was required to expand exports and reduce imports, leading to a positive balance on the trade account.\footnote{Henry Veltmeyer, ‘The Quest for Another Development’, 16.} The growth that was expected after these measures were taken was expected to trickle down as economies became more competitive and efficient. However, Williamson noted that it was not at all clear that the policy reforms advocated by Washington institutions would adequately address all of the critical problems of Latin America, or that it would restore growth after stabilization. Most importantly, Williamson stressed that progress on the reforms would be hindered by the high levels of corruption in the region. He also pointed to the need to address the transitional problem of inflation stabilization, which would be addressed at least by fiscal discipline. The consensus on the need to supplement it by price and wage freezes, a fixed exchange rate or price liberalization was missing.\footnote{J. Williamson, ‘What Washington means by policy reform’.}

The reforms were regarded to be the best strategies to be followed in the general interest of the countries the Consensus was targeting. But even though it was possible to formulate a general consensus, different views on priorities and strategies were still also maintained in Washington. Interestingly enough to the topic discussed in this thesis, in his paper Williamson expressed his own belief in the continuation of public ownership over certain cases, among which water supply. However, he also stated that his view was not typical among the principles generally held in Washington.\footnote{J. Williamson, ‘What Washington means by policy reform’.} The ongoing discussion and new, improved ideas that came up later as experience grew (following protests such as those in Bolivia) resulted in a new, augmented Washington Consensus, which is listed on the right hand side of Table 1.
Table 1. The Washington Consensus

<table>
<thead>
<tr>
<th>The Original Washington Consensus:</th>
<th>The Augmented Washington Consensus:</th>
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</thead>
<tbody>
<tr>
<td>- Fiscal discipline</td>
<td>- The original list plus:</td>
</tr>
<tr>
<td>- Reorientation of public spending</td>
<td>- Legal and political reform</td>
</tr>
<tr>
<td>- Tax reform</td>
<td>- Regulatory institutions</td>
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<tr>
<td>- Financial liberalization</td>
<td>- Anti-corruption efforts</td>
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<tr>
<td>- Unified and competitive exchange rates</td>
<td>- Financial codes and standards</td>
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<td>- Trade liberalization</td>
<td>- “Prudent” capital account opening</td>
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<td>- Openness to foreign direct investment</td>
<td>- Non-intermediate exchange rate regimes</td>
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<td>- Privatization</td>
<td>- Social safety nets</td>
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<td>- Deregulation</td>
<td>- Poverty reduction</td>
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<td>- Secure property rights</td>
<td>- World Trade Organization membership</td>
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<td></td>
<td>- Labor market flexibility</td>
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2.4 Contested policies

The authorities in Latin America were not very eager to accept this pressure to reform from the side of Washington, given their history of policies that were completely opposite. Since independence, they had resisted the interference of the rich and powerful North-American institutions, which they accused of pushing an agenda without concern for the political realities of the South.159 The US itself could not be regarded as the best example to propagate the reforms either, given its record on subsidizing its industries and its consistently high budget deficit, even after Reagan’s reforms.160 Although neoliberal ideas grew to be more accepted among some US-educated Latin American policymakers, mostly from the elite, the majority of the governments in Latin America only accepted the austerity reforms because they were so badly necessary to fix their high inflation and increase economic growth.161 With national debts soaring to a total of about 350 billion

dollars in 1982, there was no other way than to accept the IMF’s loan conditions and pass reforms.162

Refusal to accept the conditions came at a high price, as experienced by Peru. When Alan Garcia came to power in 1985 he announced that he would pay the banks only ten per cent of the country’s export earning on its massive thirteen billion dollar debt. The IMF then decided to put Peru on its debtor blacklist, the only Latin American country to be denounced that way. Ineligible for new loans, Peru was hit by the worst economic decline in decades, with inflation rising up to two million per cent.163 In order to stave off the complete collapse of their economies, most of the Latin American governments were forced to devalue their currencies, refinance their foreign debts, drastically reduce government expenditures, and restructure their economies drastically. During the 1980s and early 1990s they liberalized their trade and financial regulations as well as privatized their government-owned enterprises and many of their public services.164

It is also important to note that the neoliberal strategies initially introduced by military or authoritarian regimes in Latin America were continued by the democratically elected civilian governments replaced them in the late 1980s. This means that even leftist political parties have increasingly accepted the reforms as a necessary strategy. Neoliberalism became a ‘hegemonic ideology’, meaning that its discourse was widely accepted and its directions used by the majority of the ruling classes.165 However, while political elites rather easily accepted neoliberalism, popular classes were less enthusiastic about it, because the support they used to receive from the state was gradually dismantled. On top of that, after privatization, the revenues of former state enterprises were no longer redistributed to the poor but taken abroad by international companies and local elites. The direct result of the strategies were price hikes and job losses, a social cost that was not easily forgotten by promises of more prosperity in the longer term future.166 Increasingly, popular movements started to protest against the effects of neoliberalism in

Latin America. The protests in Bolivia which are the focus of this thesis are an important example of the new activism of the poor. Before this will be analyzed from the perspective of environmental justice however, Bolivia’s history with neoliberalism will have to be outlined. This will be done in the next few paragraphs.

2.5 Neoliberalism adopted

The economy of Bolivia has been dominated since colonization by its wealth in natural resources, in particular tin and gas.\textsuperscript{167} Fluctuations in world prices of these goods had a large influence on national income. Starting in the 1960s, gas grew to be the major source of state revenue, which was redistributed through mostly socialist programs, even in times of dictatorship from 1962 to 1982.\textsuperscript{168} From early on, the exploitation of the natural resources was largely in the hands of foreign companies. Bargaining power with these companies was little because the trade they brought, especially with the US, was too important for Bolivia’s economy.\textsuperscript{169} In the early 1980s, the economy declined as a result of the global debt crisis, suffering from high inflation and a very large public sector which led to an increasingly unsustainable foreign debt load.\textsuperscript{170}

After the restoration of democracy a leftist coalition government was elected in 1982. Former president Paz Estenssoro of the Movimiento Nacionalista Revolucionario (MNR, Nationalist Revolutionary Movement) came to office in 1985 under extremely difficult circumstances, inheriting an unmanageable debt load. In an attempt to redistribute the social wealth after decades of hardship and repression, the government adopted an expansive wage policy. The economic situation quickly spiraled out of control when the price of commodities, particularly tin, crashed in the mid-1980s. The low level of capital formation, and the consequent government inability to collect revenue while being held to unsustainable social expenditures, led to hyperinflation. In 1985 inflation rose to a staggering 8000 percent, making the peso boliviano close to worthless.\textsuperscript{171}

\textsuperscript{167} This is a concise outline of Bolivia’s economic history before neoliberal policies were adopted. See Annex 3 for a more extended background from colonialism to the 1980s.
\textsuperscript{168} José de Mesa, Teresa Gisbert and Carlos Mesa Gisbert, \textit{Historia de Bolivia} (La Paz, 1999), 537.
\textsuperscript{170} Benjamin Kohl, ‘Challenges to Neoliberal Hegemony in Bolivia’, 310.
Poverty soared, wages dropped and the government was unable to pay its debt to the IMF.\textsuperscript{172}

The response to the crisis was a shock therapy program as suggested by Harvard economist Jeffrey Sachs, who was then advisor to the IMF. A priority of his strategy was to enable Bolivia to continue making debt payments to the IMF. In order to be elected for debt restructuring, the government had no choice but to accept the SAP proposed by the IMF.\textsuperscript{173} In August 1985, planning minister Gonzalo Sanchez de Lozada, who was raised and educated in the US, introduced Decree 21060. The decree’s measures aimed at reducing the fiscal deficit by removing all public subsidies (including on bread, gasoline, electricity and transportation), freezing public sector wages and cutting expenditures in health and education.\textsuperscript{174} It reformed the monetary system by allowing the currency to float against the dollar. It also set up to rationalize the bureaucracy by firing thousands of public employees, liberalize the market, promote exports and reform the tax system.\textsuperscript{175} The New Economic Policy (NEP) was a combination of both immediate stabilization measures and structural reforms. Under the NEP, the government closed down the majority of its mines, reducing the workforce from 30,000 in 1985 to around 7,000 in 1987. The government also dismissed another 31,000 public service workers, out of more than 200,000.\textsuperscript{176} The CBF was dismantled as part of the effort to reduce state involvement in the economy.

The IMF decided to give Bolivia US$ 57 million in credit after this move. The shock therapy quite rapidly succeeded in controlling the hyperinflation, which was brought down to sixteen percent in 1991.\textsuperscript{177} After another year of decline, the economy rebounded with growth rates of 2.5 percent from 1987 to 1990. Its initial success was due to the strong support of the business sector, the absolute weariness of the Bolivian population after years of political instability and economic chaos, a military committed to restoring order, and the weakening of the labor movement.\textsuperscript{178}

\textsuperscript{172} Benjamin Dangl, \textit{The price of fire: resource wars and social movements in Bolivia}, (Oakland, 2007), 30.
\textsuperscript{173} Susan Spronk, ‘Roots of Resistance to Urban water privatization in Bolivia’, 10.
\textsuperscript{174} Henry Veltmeyer, ‘The Quest for Another Development’, 74.
\textsuperscript{176} Susan Spronk, ‘Roots of Resistance to Urban water privatization in Bolivia’, 10.
\textsuperscript{177} T. Rosenberg, ‘Latin America’s Magical Liberalism’, 221.
\textsuperscript{178} Benjamin Kohl, ‘Challenges to Neoliberal Hegemony in Bolivia’, 310.
However, other than addressing inflation and restoring growth, the effects of the austerity measures were not so positive and did not adequately address structural problems in the economy. Apart from the layoffs of miners, as cheap imports flooded the Bolivian market due to the liberalization of trade, many factories were forced to close down. Around 35,000 jobs were lost in the process, leading to a surge in urban unemployment from six to twelve percent between 1985 and 1988.\textsuperscript{179} Thousands of workers ended up in the informal economic sector as street vendors. The coca trade flourished as state control had been withdrawn upon the World Bank’s suggestion, contributing up to an estimated twenty-five percent of GDP at certain moments. This completely undermined the previous anti-drug efforts the US and Bolivia had been working on together.\textsuperscript{180}

To counter the devastating social impact, the World Bank in 1988 introduced a Social Emergency Fund (SEF), that spent US$ 239.5 million over four years on hundreds of small projects in economic infrastructure, social infrastructure and social assistance such as school feeding programs, and productive support such as credit groups. Thousands of short-term, minimally paid jobs were created, many of them administered by a rapidly growing number of NGOs.\textsuperscript{181} It led critics to argue that the projects served as a tool to stabilize poverty and facilitate neoliberalism. A significant sector of the critical left-leaning middle class were able to find jobs within the growing and relatively well-financed development sector. After four years, when it became apparent that long-term job growth was not on the way, the program was renamed the Social Investment Fund (SIF). Not only has it become a permanent fixture in Bolivia, but the World Bank deemed it so successful that it has become a standard component of SAPs implemented throughout Latin America and Africa.\textsuperscript{182}

Under these circumstances, in 1989 Jaime Paz Zamora of the centrist Movimiento de la Izquierda Revolucionaria (MIR, Movement of the Revolutionary Left Party) became president of a new coalition government that lasted until 1993. He continued the economic policies begun under Paz Estenssoro. Economic stability was reflected in low

\textsuperscript{179} Benjamin Kohl, ‘Challenges to Neoliberal Hegemony in Bolivia’, 311.
\textsuperscript{181} Benjamin Kohl, ‘Challenges to Neoliberal Hegemony in Bolivia’, 311.
\textsuperscript{182} Ibidem, 311-312.
inflation and annual GDP growth of about four percent.\textsuperscript{183} The underlying economic situation, however, remained unchanged. The country was dependent on commodity exports, with oil and gas increasing in importance next to drugs. Around 70\% of new jobs were in the informal economy. As ineffective and regressive tax policies provided insufficient revenue for the government to direct national development, international assistance played an increasingly important role, increasing the leverage of the IFIs.\textsuperscript{184}

2.6 Neoliberalism consolidated

As Benjamin Kohl, who has written multiple papers on the topic of neoliberalism in Latin America, points out, there have been roughly three consecutive stages in neoliberalism in Bolivia. Neoliberal restructuring began in 1985 with the structural adjustment program (SAP) that was just discussed. The second phase, the consolidation of neoliberalism, began with the adoption of the Plan de Todos (Plan for All) after Sanchez de Lozada’s first time election as president (1993–1997).\textsuperscript{185} The third phase started with the Cochabamba protest discussed in this thesis and involved the gradual rise of protest against neoliberal policies, which were further implemented in this decade. From this moment on, the Bolivian government’s ability to control the public’s rejection of neoliberalism dropped significantly.\textsuperscript{186}

The Plan de Todos attempted to found a completely new productive economic basis for the country by privatizing the largest state-owned firms, rewriting the constitution, and decentralizing increasing local administrations.\textsuperscript{187} The most essential part of the Plan was the process called ‘capitalization’, aimed at redefining the functioning of the public sector. Under capitalization, an intentional branding meant to avoid the negative connotations associated with privatization, Bolivia’s strategic state industries such as railways (ENFE), the telecommunication (ENTEL), electricity (ENDE), airline (LAB), mining, and oil and gas companies were converted into a new

\textsuperscript{183} Ibidem, 312.
\textsuperscript{184} Ibidem, 312.
\textsuperscript{185} Ibidem, 305.
\textsuperscript{186} Ibidem.
\textsuperscript{187} Ibidem.
type of joint ventures with foreign corporations.\textsuperscript{188} These companies together had provided for sixty percent of Bolivia’s revenues.\textsuperscript{189}

Especially the privatization of the hydrocarbons sector, which had grown into the largest contribution to GDP, was a key component of the IFIs’ plan for Bolivia.\textsuperscript{190} Fifty percent of the state companies’ shares were sold to private investors and fifty percent would be administered by privately managed pension funds, which were in desperate need of financial resources. Capitalization was therefore regarded by its neoliberal proponents as an innovative strategy because it did not amount to complete privatization. State control over the companies would remain, while profiting from investments (of the same value as the shares transferred) as promised in return by foreign companies in the contracts.\textsuperscript{191} The objective was to attract international investment with new capital, technology and management systems and to increase efficiency which was badly needed. An economic growth of eleven percent and the creation of many thousand jobs was expected as a result, in addition to maintaining credit with the IFIs and investor confidence in the economy.\textsuperscript{192}

2.7 Water privatization

Under influence of the Washington Consensus, the World Bank’s approach to water policy drastically shifted in the early 1990s from a model that promoted state involvement in infrastructure development, to a model that portrays the state as an impediment to progress, development and the public interest. While the Bank had previously viewed infrastructure services as public goods warranting state provision, it began to advocate treating these services as private goods. The World Bank’s 1993 Water Resources Management Document elaborated this shift in policy goals to reflect the newly accepted free market approach. It also incorporated concerns from environmental groups and various NGOs that were pushing the Bank to adopt more environmentally

\textsuperscript{188} Gordon, ‘Bolivia and the Political economy of natural gas’, 19.
\textsuperscript{189} Benjamin Kohl, ‘Challenges to Neoliberal Hegemony in Bolivia’, 314.
\textsuperscript{190} Susan Spronk and Jeffery R. Webber, ‘Struggles against Accumulation by Dispossession in Bolivia’, at 34.
\textsuperscript{191} Benjamin Kohl, ‘Challenges to Neoliberal Hegemony in Bolivia’, 314.
\textsuperscript{192} Ibidem, 314.
sustainable policies and to be more responsive to local community input.\textsuperscript{193}

The new approach to managing water resources, which guided the Bank in its loan conditionality programs, included treating water as an economic good and decentralizing management and delivery structures. It also stressed a greater reliance on pricing, fuller participation by stakeholders, and a more comprehensive policy framework that considers social, economic, and environmental aspects of water management. This introduced the principle of cost recovery within tariff systems, along with the need for privatization and foreign investment.\textsuperscript{194} Proponents argued that commodification was the only way to improve the efficiency of the public water and sanitation utilities, increase distribution, lower costs and to make them more attractive to private investors.\textsuperscript{195}

In line with these policies, the World Bank supported the privatization of water supply in Bolivia with a 4.5 million dollar loan in the mid-1990s. As outlined in the introduction, in 1997 the municipal water utilities in La Paz-El Alto were transferred to transnational corporation Aguas del Illimani (AISA).\textsuperscript{196} The majority shareholder was the French company Suez-Lyonnaise de Eaux, while the rest of the shares were held by Bolivian and Argentine companies and the International Financial Corporation (IFC) of the World Bank.\textsuperscript{197} The consortium was awarded a 30-year concession to operate and expand the urban water supply system. The company would invest US$80 million over the next five years and US$350 million over the 30 years of the concession. It was a remarkable contract to a certain extent because it was specifically focused on social considerations, specifying the number of new connections that were to be installed in the first five years. Failure to meet these expansion targets was to be penalized by the state. The expansion of the water networks was a particularly important goal in El Alto, which had grown into a slum of over 650,000 people by 2001, more than doubled since 1985.\textsuperscript{198} Because of this slum growth, the contract committed the company to make over 70,000

\textsuperscript{195} Madeline Baer, ‘Water Privatization and Civil Society in Bolivia’, 5-6
\textsuperscript{196} Susan Spronk, ‘Roots of Resistance to Urban water privatization in Bolivia’, 11.
\textsuperscript{197} Ibidem, 18.
\textsuperscript{198} Ibidem, 12.
new connections in both La Paz and El Alto by 2002, aiming to raise the level of provision to 100%. 199

In 1996, the World Bank announced its $14 million plan to support the improvement of Cochabamba’s water services, however on condition of its privatization. 200 The following year the Bank officials also notified Lozada that it would not renew a $600 million loan to Bolivia unless the public water system in Cochabamba, the country’s third largest city, was sold off. 201 In October 1999 Bolivia therefore passed a new law allowing privatization of water supplies. Shortly after, in September 2000, the municipal government of Cochabamba granted a 40-year concession to the Aguas de Tunari consortium for a badly needed water development project in the Cochabamba valley. The city’s population had grown enormously because of migration, and the municipal government had not been able to keep up with local demand from domestic users and from peasant farmers reliant on customary use of irrigation water. 202 Many communities had dug their own wells and established local water cooperatives. The contract and corresponding new law allowed the consortium to raise local water users’ rates, and to make illegal any private water collection schemes. 203

The consortium that was granted the contract after bidding was led by International Water Limited, jointly owned by the American construction company Bechtel Corporation and the Italian energy company Edison. Other partners were Spanish and Bolivian enterprises. The contract also involved the Misicuni project, which would bring hydropower and water to Cochabamba by constructing a dam on the Misicuni river. 204 This project had long been postponed and its cost estimates were quite high, which would consequently have to be redeemed through price increases of water. Due to

failures of previous administrations, considerable debt had to be taken on under the terms of the concession, further increasing costs.\textsuperscript{205}

The expectations in terms of efficiency and expansion of water provision were high in both the El Alto and Cochabamba privatization processes. This is reflected by the fact that in both cases, a fixed high level of profit for each of the consortia was specifically stated in the contracts. In both cities, improvements in the provision of water were highly necessary because of the recent growth in population. Also, in both cases, the concession contracts left a range of questions open with regard to how financing of the new development of water should be arranged.\textsuperscript{206} Although in practice there have been more instances of water supply privatization in Bolivia, these two privatizations are the subject of the next few chapters, where the impact they had on indigenous people’s environmental justice will be analyzed and compared where possible.

2.8 The first results of neoliberalism

Although it did satisfy the demands of the IFIs and attracted many transnational companies, the other expectations proved to be too high. Capitalization led to increased investment, for example in the construction of oil pipelines.\textsuperscript{207} But the state lost a major source of income from the public sector, and efficiency was not significantly increased. It did not generate the expected general stimulus to the economy. Shortly after capitalization, the national railway was shut down, leaving many rural residents without means of transport to services and markets.\textsuperscript{208} The expected creation of thousands of new jobs turned into a massive layoff of 14,000 people. Growth remained low around one percent yearly.\textsuperscript{209} The IMF demanded that the reduction of budget income out of the public sector be made up by cuts in social spending and increases in taxes, for example on energy consumption. Budget borrowing also increased from 3.3 to 8.6 percent of GDP, adding further to Bolivia’s dependency on the IFIs for new loans.\textsuperscript{210}

\textsuperscript{205} Miguel Solanes and Andrei Jouravlev, ‘Revisiting privatization, foreign investment, international arbitration, and water’, CEPAL Serie Recursos Naturales e Infraestructura 129, (Santiago, 2007), 19.
\textsuperscript{206} T. Kluge and U. Scheele, ‘Private sector participation in water supply and sanitation’, 215.
\textsuperscript{207} Benjamin Kohl, ‘Challenges to Neoliberal Hegemony in Bolivia’, 314.
\textsuperscript{208} Susan Spronk, ‘Roots of Resistance to Urban water privatization in Bolivia’, 11.
\textsuperscript{209} T. Rosenberg, ‘Latin America’s Magical Liberalism’, 221.
\textsuperscript{210} Susan Spronk and Jeffery R. Webber, ‘Struggles against accumulation by dispossession in Bolivia’, 35.
Through the capitalization of the important hydrocarbons sector, a major loss was felt in particular. Because revenues only increased slowly, the pension funds were forced to sell an increasing number of their shares of YPFB to be able to make their pension payments. This effectively turned the majority of control over oil and gas resources over to transnational companies, without full compensation to the state for assets transmitted to the private sector.211 The Hydrocarbons Law of 1996, which accompanied the Law of Capitalization, furthermore transferred oil and gas reserves worth an estimated 108 billion dollar to private corporations, free of charge. The industry was divided into activities of exploration and exploitation (production) on the one hand and transportation on the other, with the goal of facilitating the involvement of more foreign firms. The law also reduced royalties to the government over revenues from the largest gas fields from 50 to 18 percent.212 The state now had significantly less resources for social redistribution.

Most of the cost of capitalization and government budget reduction therefore came down in the area of social welfare. The traditional left accused the government of handing over the country's wealth to transnational corporations and called it unconstitutional. The right also opposed the sale of enterprises it considered strategic.213 Many economists of both the left and the right criticized the assumptions of capitalization and argued that it would lead to the loss of jobs while hindering the government's ability to direct economic development over the long term. Protest primarily consisted of daily marches and demonstrations in La Paz, as each firm was sold.214 However, throughout much of the 1980s and 1990s, opposition to the Plan by civil society remained fragmented. Protests against these proposals typically followed sectoral lines, with specific unions or social groups protesting the individual laws that directly affected them. In the Bolivian Congress, Sanchez de Lozada had been able to forge a broad coalition that gave him the opportunity to implement policies without much debate.215

212 S. Paz Patiño, Territorios indígenas y empresas petroleras (La Paz, 2005), 19.
214 Ibidem, 899.
215 Benjamin Kohl, ‘Challenges to Neoliberal Hegemony in Bolivia’, 316.
In line with the political dimension of neoliberalism that involved democratization, some measure of accountability and public involvement was also implemented, which further reduced resistance. The Sistema de Regulación Sectorial (SIRESE), an independent regulatory system, was created and given the task of overseeing relations among the private sector, consumers, and the state, in sectors that were previously controlled by state entities. The Superintendencia de Servicios Básicos, (SISAB, Superintendency of Basic Services), which regulated water amongst other services, was also created within this system. A related financial regulatory framework was also established, the Sistema de Regulación Financiero (SIREFI), and given the specific responsibility for overseeing the financial sector.\(^{216}\)

Decentralization was another important factor in the Plan de Todos. Under the Law of Popular Participation (LPP, Law 1551 of April 20, 1994), a larger part of national revenues were referred to municipal governments, who received increased powers in distribution of health, education assistance and local irrigation systems, among other areas. It was intended to increase popular participation and stimulate democratic procedures by allowing participatory planning and fiscal oversight by local organizations representing the poor and excluded communities. Local elections in the 250 newly created municipalities, most of which were rural, turned into a major stage for empowerment and formulation of new local ideas, which sometimes contradicted national policy.\(^{217}\) Although the participation law eventually became quite popular, initially it was bitterly opposed by peasant and labor unions that saw it as a mechanism to decentralize the responsibility to reduce poverty, undermine traditional political organizations, and shift tax burdens to rural municipalities.\(^{218}\) The law contributed to a major transformation of the role of the state in fostering national development.

Taken together, the neoliberal policies of the subsequent governments in Bolivia created a totally different role of the state from what it had been in the 1950s. From a unified, modern, and centrally led nation, it changed into a multicultural, decentralized and postmodern state whose government only remotely managed its natural resources.


\(^{217}\) Municipalities in Bolivia generally consist of a town and the rural region surrounding it. See Th. Perreault, ‘State restructuring and the scale politics of rural water governance in Bolivia’, 273.

\(^{218}\) Ibidem, 316.
The multicultural aspect of Bolivia was enhanced by the efforts towards local empowerment.\textsuperscript{219} This was further played out in the growing significance of previously suppressed indigenous groups, which will be analyzed in the third chapter on environmental justice in water governance.

**Conclusion**

In answer to the question set out in the introduction to this chapter, the conclusion is that the IFIs and the US had a major influence on the change of policy direction towards neoliberalism in Bolivia. Some national policy makers themselves, like Sanchez de Lozada, were increasingly convinced of the benefits of privatization and trade liberalization themselves. They found a strong ally in the IFIs. Furthermore, as national debt spiraled out of control, the SAPs made sure there was no other path to follow. The ideas propagated by the IFIs and US government were increasingly accepted by subsequent governments as the only way out of the difficult situation of the Bolivian economy. Neoliberal reforms of privatization were specifically pushed in the water sector, out of an urgent need for improving service and because the IFIs actively supported them. Foreign investors were attracted to invest and manage the water supply systems in Cochabamba and El Alto.

From the foregoing account of the implementation and consolidation of neoliberalism in Bolivia, the most important aspect to be considered is the thoroughness of the project. Bolivia’s approach of structural adjustment was characterized as the most thorough application of neoliberalism by any Latin American country, because of combining market liberalization at the same time as political democratization. Starting from a situation of having a very large public sector and national debt inherited from military dictatorships, a radical change was made towards privatization and reduction of the role of the State. Trade was liberalized without much restriction left to protect domestic industries and international investors were given a free pass. Neoliberalism turned into the hegemonic ideology of Bolivia under influence of the technocrats in the governments, who did not debate or share much information about their policies with the

\textsuperscript{219} Ibidem, 316.
public. The population accepted the reforms more or less as a necessary evil in the first two phases of neoliberalism, although protests started to rise in frequency and intensity.

In the meantime, Bolivia remains the poorest country in South America, and living standards for the large majority of the population have not improved. The reforms have produced per-capita growth of one percent or less a year and very little foreign investment. The cuts in public sector jobs brought a sharp rise in unemployment and a significant increase of jobs in the informal sector, contributing further to unequal distribution of income. This can be regarded as a contributing, indirect factor to environmental justice because it exacerbated the socio-economic position of already marginalized groups. In this worsened position, they would be less capable of resisting further environmental injustices and enforce a fair distribution of environmental resources. The increasing resistance of Bolivians to various aspects of the neoliberal reforms is therefore an important background to the protests against neoliberal policies in the water sector of the country, which will be analyzed in the next few chapters. In the following, the focus will mostly be on privatization as a prominent element of the neoliberal policies of Bolivia, although the measures of deregulation and decentralization are also important with regard to environmental justice in the water sector.

3. Recognition of indigenous groups and water rights

The issue of recognition is an important element of Schlosberg’s theory. Its basis lies in the legal recognition of existence of differences in a population, be it nationally or even internationally. Legal recognition is important because the law is the result of generally accepted norms, normative reasoning and behaviour.\textsuperscript{220} Also, the legal rights of these groups on various issues must be specified by law or constitution. They can then be used as guidelines for further policy and be legally enforced in case of breach.\textsuperscript{221} In this paragraph therefore, first the level of recognition for variation in the population of Bolivia will be analyzed. This will be done at both the international and national level.


\textsuperscript{221} J. Montgomery Roper, ‘Bolivian legal reforms and local indigenous organizations’, \textit{Latin American Perspectives} 128 (30) 1, 2003, 139-161, at 140.
Then the right to water will be analyzed, both at the level of human rights of individuals and at the level of indigenous peoples as a group.

3.1 Recognition of indigenous peoples at the international level

Recognition of special groups among the earth’s population poses a challenge for some of the Western traditions that have dominated international law and morality. In the Western modern nation-state, first of all, a high level of cultural homogeneity is a basic commonality, whereby diverse cultural groups in a country have been forged into one national culture. Secondly, human rights are considered to be of universal value and applicability. Although there is no intrinsic contradiction between these traditions and cultural diversity, recognition of diversity does challenge the notion of equal rights for all, as well as nation building and citizenship.\(^{222}\) The idea of a particular community gaining control over parts of land that possibly contain large amounts of profitable natural resources then becomes difficult, for example. Another issue is the choice between which cultures will be acknowledged as having the right to participate in policy processes and which will not, which promotes arbitrary selection of groups.\(^{223}\)

Even for these forces of homogenization, internationally, there has been increasing attention and recognition for existence of difference between peoples and for the existence of so-called ‘indigenous’ or ‘native’ peoples. Starting from the 1970s, the level of indigenous activism rose significantly at all levels, including cases brought before the UN Human Rights Commission, national and regional courts, the mobilization of hundreds of NGOs and other organizations, some of which were granted observer status at the UN.\(^{224}\) That organization in 1994 opened the International Decade of the World’s Indigenous Peoples, during which extensive discussion and events helped to give the issues and problems of indigenous groups a permanent place on the agenda.\(^{225}\) Its main achievement has been the adoption of the Declaration on the Rights of Indigenous Peoples in September 2007 by the UN General Assembly which outlines their distinct

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223 Ibidem., 7.
224 Pamela Martin and Franke Wilmer, 5.
225 Pamela Martin and Franke Wilmer, 6.
legal status and rights, after twenty years of consideration in the UN system.\(^\text{226}\) As the first country in the world, Bolivia adopted the Declaration on the Rights of Indigenous Peoples as national law. National Law 3760, which is an exact copy of the UN Declaration, was passed in November 2007.\(^\text{227}\)

The most important instrument at this level is Convention 169 of the International Labour Organization (ILO) of 1989, which lays down a variety of indigenous rights.\(^\text{228}\) It was ratified by the Bolivian government in the same year.\(^\text{229}\) As of 2009, this Convention had been ratified by 20 ILO member states, most of which Latin American countries that have large percentages of indigenous population.\(^\text{230}\) Foremost, it defined indigenous peoples as the descendants of the original inhabitants of a country, either before colonization, conquest or any other establishment of state frontiers by outsiders. Recognizing that in many countries indigenous peoples cannot enjoy equal rights to the fullest and that their laws, customs and values have been degraded, it aimed to help those peoples to take control of their institutions and forms of life.\(^\text{231}\) In extension to the first Convention of 1957, it tried to give protection to the economic development and sustainability of the identities, languages and religions of natives, while considering the framework of the states they live in. The first Convention held governments to undertake measures not only to protect but also to progressively integrate their indigenous populations into the wider society, without regard to whether they wanted that or not.\(^\text{232}\) The main importance of the newest document was the fact that it gave a separate status to indigenous peoples as a different entity within the state, without facilitating secession or self-governance necessarily. Although there is a wide diversity of demands made by the various communities in the world, this is not something indigenous tribes generally seek by advocating autonomy.\(^\text{233}\)

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\(^{229}\) Unrepresented Nations and Peoples Organization, [http://www.unpo.org/content/view/9746/236/](http://www.unpo.org/content/view/9746/236/).


\(^{231}\) Ibidem.


Rather, territory and culture are important factors for indigenous communities, as well as having appropriate means of subsistence. While territorial demands are typically rooted in historical significance and claims of cultural necessity, it is also important to view claims to land within a broader context of the diverse livelihood strategies of indigenous peoples and organizations. Although access to territory and natural resources is an important objective, livelihood strategies extend beyond the pursuit of access to land to demands for agricultural credit, technical assistance, and inputs such as seeds and fertilizers. Indigenous livelihoods in Latin America can no longer be characterized as exclusively or even primarily agrarian. Increasingly, these peoples undertake a variety of off-farm income-earning practices, including daily wage labor and seasonal migration. They have thereby adapted to contemporary conditions set by forces of increased state formation and globalization.

Taking some of these changed indigenous circumstances into account, in 2001, the UNDP drew up a document that identified five characteristics of indigenous peoples, as employed by the UN, World Bank and ILO.

1. continuity of internal culture
2. living within or remaining attached to geographically distinct ancestral territories
3. maintaining distinct social, economic, and political institutions within territories
4. aspiring to remain distinct culturally, geographically and institutionally rather than assimilate into national society
5. self-identify as indigenous or tribal.

Although sometimes contested by critics who argue that they are merely inventions of traditions, these characteristics reflect the distinct territorial, cultural and socio-political features that indigenous groups claim recognition for.

Also, more specific efforts have been taken to address the position of indigenous groups in the modern, globalized world, and their interaction with global actors that have entered their territories. In general, indigenous peoples’s issues were only taken into account.

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234 Pamela Martin and Franke Wilmer, 3.
236 Pamela Martin and Franke Wilmer, 7-8.
account on a global level after the failure or lack of previous protective policies, demonstrated by frequent protests that took place such as those outlined in this thesis.\textsuperscript{238} For example, in the UN Working Group on Indigenous Populations (WGIP) of 2003, work was started on the drafting of guidelines for the activities of transnational corporations affecting indigenous people’s customs and lands. This working group, that also prepared the UN Declaration on the Rights of Indigenous Peoples, went furthest in terms of exploring possibilities for ‘permanent sovereignty over natural resources’. The discussants defined this as ‘… legal, governmental control or management authority over natural resources, in particular as an aspect of the exercise of the right of self-determination.’\textsuperscript{239} As most other international declarations and conventions on indigenous people’s status it shied away from formulating self-determination. But most importantly, the WGIP substantiated the argument of the existence of an indigenous right to permanent sovereignty by referencing to the growing body of official international norms.\textsuperscript{240}

3.2 Indigenous peoples in IFI policies

Over the years, the IFIs that were the main instigators of the neoliberal policies discussed in chapter two also learned the importance of drawing up their own specific policies on indigenous peoples, after many policy failures.\textsuperscript{241} The organizations recognized that indigenous peoples need to be provided with the enabling conditions, technical skills and financial resources to participate actively in the planning and implementation of their own development. These insights are a major change and move beyond the objective of ‘do no harm’ of earlier general development policies in the 1970s and 1980s. After the first formal Operational Manual on the subject in 1982 put focus on addressing indigenous people’s needs in World Bank projects, in 1991 a formal IP policy (OD 4.20) was approved. This one highlighted the need for the ‘informed participation’ in

\begin{flushleft}
238 Pamela Martin and Franke Wilmer, 5-6.
239 Ibidem, 6-7.
240 Ibidem, 7.
241 Shelton H. Davis, J. Uquillas and Melanie Eltz, 1.
\end{flushleft}
development decisionmaking rather than only on strengthening indigenous communities’ role in national governments.242

The special position of indigenous peoples in the world regarding their circumstances, heritage, identities, land and resources are now recognized by the World Bank. A review of indigenous development projects by the World Bank in 1997 revealed that 75% of unsuccessful projects were due to problems related to the legal framework necessary for development.243 Insecurity over land and natural resources also contributed often to the failure of projects, which led the Bank to put more focus on that. A factor that significantly enhanced the success of a project turned out to be the presence of indigenous organizations both at the local and multicommunity level in the development process and management of development initiatives.244 Further practical experience helped to evolve the special policies on indigenous peoples.

The IDB, which historically addressed indigenous development projects from the principle of assimilation and integration into a nation’s dominant society and economy, is now also more focused on the preservation of the culture and identity of indigenous communities while applying poverty reduction strategies. For a long period, no general recognition was given to the special needs and conditions of indigenous development. Until the mid-1980s, the IDB only gave support to relatively small specific projects supporting productive activities of indigenous communities. Since then, as a result of its experience in infrastructure projects with high impact on indigenous peoples, the potential negative impacts of projects were taken into account more systematically. This happened in the framework of the environmental and social quality control procedures, which were not specifically aimed at those indigenous peoples.245

In 1994, the Indigenous Peoples and Community Development Unit (SDS/IND) of the Sustainable Development Department (SDS) was created to ensure the inclusion of indigenous issues in its policies and projects.246 It recognized the correlation between ethnicity and poverty and the importance of indigenous cultural and natural heritage for

242 Ibidem.
244 Ibidem.
development.\textsuperscript{247} However, a separate Operational Policy on Indigenous Peoples (OP 765), focused on development while sustaining communities’ identities, was only implemented in 2006, much later than other organizations.\textsuperscript{248} For years, the lack of structural attention for indigenous issues at the Bank has been criticized.\textsuperscript{249}

3.3 Recognition of indigenous in Bolivia

The recognition of distinctness of indigenous groups in Bolivia is important to environmental justice as it is conceived in this thesis, because of the fundamentally different culture they have. An important concept in their world view is the \textit{Pacha Mama} or mother Earth, which gives life, water, natural resources, oxygen and everything that supports the well-being of people.\textsuperscript{250} It interacts with human life continuously and in various ways and has to be protected because it is considered sacred. According to indigenous people, human well-being does not depend on products of mass consumption and industrialism. Affection, appreciation, social recognition, self-esteem and self-confidence are the main goals in life. Living well means harmony between the material and spiritual world, and between the human being, the environment and the community.\textsuperscript{251} People will first have to guarantee the well being of Mother Earth, otherwise it will be impossible to guarantee the well being of our citizens. This influences their position towards the environment and its use, making them less inclined to over-consume. By maintaining this world vision, indigenous groups come close to the ideas of ecological justice which were explained in the first chapter.

While the problems of indigenous groups in various countries have received substantial attention in the international sphere in recent decades, in Bolivia, there has been a struggle for the rights and cultural recognition of indigenous groups ever since its independence in 1825. Historically, although they were the country’s original inhabitants and constituted a majority, the \textit{indigenas} have been marginalized both economically and

\textsuperscript{247} Shelton H. Davis, J. Uquillas and Melanie Eltz, 24.
\textsuperscript{248} Shelton H. Davis, J. Uquillas and Melanie Eltz, 23.
\textsuperscript{249} Nadia Martinez, ‘The Iglesias legacy and the IDB’s future’, \textit{Foreign Policy In Focus}, June 8 2005, http://americas.irc-online.org/am/716
\textsuperscript{250} Andrew Canessa, ‘Todos somos indigenas: Towards a new language of national political identity’, 249.
politically and treated as a minority.\textsuperscript{252} Since its colonization by Spain in the sixteenth century white families of European and mestizo (mixed) descent traditionally held local power, exploiting the Indians. After independence, they continued to be pictured as the ‘other people’, unrecognized and unstructured. They did not have citizenship and needed to be civilized from barbarism by the non-Indian elite. The Republic’s first constitution codified this situation of subjugation by acknowledging private property as the only legal form of land tenure. This served as an excuse for widespread expropriation of indigenous lands that they held communally.\textsuperscript{253}

Starting in the twentieth century, indigenous groups increasingly tried to organize themselves and demand more rights and power, politically and economically. Between 1910 and 1930, they organized rebellions for restitution of lands and access to markets that had been taken over by large-scale agricultural production.\textsuperscript{254} As an important first act of nationwide joint effort, the first Congress of Bolivian indigenous groups was held in La Paz in 1945, bringing together hundreds of representatives from the entire country to the seat of national power. It did not lead to concrete measures but it did bring the indigenous struggle to the forefront.\textsuperscript{255} Many uprisings took place in the Bolivian countryside from 1947 onwards. Although forcefully repressed by the government, they did lead to the Revolution of 1952 and resulted in major law reform. New state-sponsored peasant unions became breeding grounds for indigenous organization, leading to almost autonomous communities exercising their own traditional authority.\textsuperscript{256} However, the newly implemented land reforms still addressed the rural population as peasants, not as Indians. They were accepted in the nation as exploited masses, not as a culturally different population.\textsuperscript{257} This corporatist model of state-indigenous relations that tried to eradicate ethnicity because that was seen as a form of racism, was widely adopted across Latin America.\textsuperscript{258}

\textsuperscript{252} Deborah Yashar, \textit{Contesting Citizenship in Latin America} (New York 2005), 152.
\textsuperscript{254} Ibidem, 194.
\textsuperscript{255} J. Montgomery Roper, ‘Bolivian legal reforms and local indigenous organizations’, 141.
\textsuperscript{258} Nancy Postero, ‘Articulation and fragmentation: indigenous politics in Bolivia’, 194.
In 1990, Bolivian Indians organized a massive march up the Andes to La Paz, demanding *territorio y dignidad* (territory and dignity).\(^{259}\) Undertaken in response to the state’s repeated refusal to recognize indigenous demands, particularly its refusal to grant lands where logging was most profitable, several hundred indigenous people, along with various supporters, walked from the Beni capital of Trinidad to La Paz.\(^{260}\) This was one of the highlights of a decade of organizing and massive public demonstrations calling for recognition and territory for indigenous people. Finally, by making an alliance with the dominant MNR party, Bolivia’s indigenous peoples gained substantial new legal and political rights. As a result of the new indigenous political alliance, an Aymara Indian, Victor Hugo Cárdenas, was able to become vice president under the administration of president Gonzalo Sanchez de Lozada from 1993 to 1997.\(^{261}\)

Under their leadership, a separate sub-secretary for ethnic affairs (*SAE*) was created, which started working with the indigenous federation on legal reforms. As a result, the first article of the new Constitution of the Republic (Law 1615 of February 6, 1995) declared for the first time that Bolivia is a multiethnic and pluri-cultural state.\(^{262}\) Article 171 also stated that the social, economic, and cultural rights of indigenous peoples were to be respected, especially in relation to indigenous communal lands. Indigenous communities were recognized as legal entities, with legal personality, and traditional authorities were recognized as having the right to administer and implement community norms.\(^{263}\) The multiculturalism hereby instituted by the state gave room for all sorts of indigenous rights, such as bilingual, bicultural education programs and the acknowledgement of collective land tenure.\(^{264}\)

In addition to increased recognition as a result of government policies, the indigenas kept up their efforts to advocate for full citizenship and more self-governance through their grassroots activism. In struggles for territorial rights, many indigenous leaders have used the internationalization of the environmental movement as a key strategy. The environmental movement has often adopted indigenous people, particularly

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\(^{260}\) J. Montgomery Roper, ‘Bolivian legal reforms and local indigenous organizations’, 141.


\(^{262}\) Nancy Postero, ‘Articulation and fragmentation: indigenous politics in Bolivia’, 189

\(^{263}\) J. Montgomery Roper, ‘Bolivian legal reforms and local indigenous organizations’, 142.

those residing in the Amazon Basin, as partners in the effort of forest and nature conservation and as international media symbols through which to provide forest conservation along with community development. Whether or not this ‘green’ image is true for all communities, it has helped the indigenas in their push for re-recognition of their own territories.

Finally, the new Agrarian Reform Law (INRA Law 1715 of October 18, 1996) guaranteed the rights of the indigenous peoples to tierras comunitarias de origen (TCO, community lands of origin), including in this designation the concept of an indigenous territory. Indigenous lands were recognized as collective property, and inhabitants gained the right to the sustainable use of renewable natural resources present on these lands. Legal recognition provided the basis for collective agreements and contracts at the level of the community lands. The distribution of lands and resources for individual and household use could again be governed by community norms. In the TCOs, thereby, the administration of water resources is also completely in the hands of the indigenous people. But because generally the TCOs are only in rural areas, indigenous people now living closer to or in Bolivian cities have not achieved such level of territorial freedom.

The right to manage multiethnic territories collectively was implemented only very slowly and also created problems in some areas. The first of these grants, created in 1990, ultimately led to competition and conflict between ethnic groups over control of valuable timber resources within the territory. In general, although it was the result of a temporary coalition, the level of recognition of the multiculturality of the Bolivian population increased considerably due to the reforms in the 1990s. It contributed to the containment of indigenous demands for a while, although the indigenous organizations later started to fight among themselves again.

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266 J. Montgomery Roper, ‘Bolivian legal reforms and local indigenous organizations’, 142.
3.4 The international right to water

Internationally, the issue of water governance is receiving ever increasing amounts of attention, illustrated by the large number of conferences and meetings about it. Water was put on the international agenda for the first time in 1977 when the first UN Conference on Water in Mar del Plata (Argentina) inaugurated the Drinking Water and Sanitation Decade from 1980 to 1990, which generated some progress but lacked significant success in averting water crises. It was followed up by initiatives such as the annual World Water Day on March 22, the World Water Forum and UN-Water, an inter-agency mechanism that aims to further the implementation of the non-binding provisions concerning water in the Johannesburg Plan and Millennium Development Goals. It coordinates the activities of organizations such as the Food and Agriculture Organization, UN Development Programme, UN-Habitat, World Health Organization and the World Bank. This initiative however, like many others, lacks funds and staffing.

Although there is no lack of attention to problems of water governance on the international agenda, there is still a challenge in the acceptance of water as a human right on the international level. In 2006, the World Water Forum in Mexico City for example did not reach consensus and left it out of the final document of the conference of ministers. A reason generally mentioned is the fear for legal enforcement, especially among delegates of countries such as the US and Japan who only allow international acknowledgement of the need for water which is much easier to accept. According to those countries, the supply of water is a national issue that does not require the status of human right. Also developing countries delegates have argued against the right to water because they cannot ensure access to water because of lack of funds. A solution to this has been to allow ‘progressive’ implementation: states commit to do everything that is in their power at their given level of economic development to ensure access to water in the

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271 UN, [http://www.unwater.org/about.html](http://www.unwater.org/about.html).
272 Maria Schnurr, ‘Global water governance: managing complexity on a global scale’, 111.
future.\textsuperscript{274} This leaves some room for developing countries in the prioritization of water among development issues.

Even though reservations continue to exist, advocacy for the acceptance of the human right to water has been consistently pressing, finally resulting in some degree of recognition in official international conventions and laws. Most of them are non-binding on participating states, and no explicit, specific right to water is mentioned in one of the basic human rights covenants. But most academic experts agree that recognition at the level of the universal human rights does exist as a principle.\textsuperscript{275} The Declaration that concluded the previously mentioned UN Conference on Water in 1977 for example announced that

\begin{quote}
\textit{‘all people, whatever their level of development and social and economic circumstances, have a right to access to water of a quality and quantity according to their basic needs,’}\textsuperscript{276}
\end{quote}

after which many more conventions, such as the Convention on the Rights of the Child and the Convention affirmed this.\textsuperscript{277}

An important recognition of the right to water follows from General Comment 15 of the UN Committee on Economic, Social and Cultural Rights (ECOSOC).\textsuperscript{278} In its comments, the Committee discusses the International Covenant on Economic, Social and Cultural Rights (ICESCR) of 1966, which has now been ratified by almost all signatory states, including Bolivia.\textsuperscript{279} According to the Committee, the right to water follows from article 11 and 12 of the Covenant. The first states the right to a reasonable standard of living, of which clean water is one of the essential guarantees. The right to the highest possible level of health, laid down in article 12, also implies a right to water. Further reasoning of the Committee provides that the right to water indirectly follows from a few

\begin{itemize}
\item \textsuperscript{274} Amnesty International, \url{http://www.amnesty.nl/documenten/overzichtescrechten.pdf}.
\item \textsuperscript{275} Danuta Sacher and Michael Windfuhr, “The debate on ‘water as a human right’ and its implications for development assistance”, in: W. Scheumann et al., \textit{Water politics and development cooperation}, Berlin 2008, 147-177, at 149.
\item \textsuperscript{277} Peter H. Gleick, ‘The human right to water’, \textit{Water Policy} 1 1998, 487-503, at 490.
\item \textsuperscript{278} UNHCR, \url{http://www.unhchr.ch/html/menu2/6/gc15.doc}.
\item \textsuperscript{279} UNHCR, \url{http://www.unhchr.ch/pdf/report.pdf}.
\end{itemize}
other economic and social rights, such as the right to provide for oneself through work, the right to education and the right to take part in cultural life.\textsuperscript{280}

In addition, the right to water is part of human rights conventions on specific issues, such as the ILO Convention on Indigenous Peoples mentioned above.\textsuperscript{281} In the Inter-American system, the right to water is listed in the American Declaration of the Rights and Duties of Man, as well as the American Convention on Human Rights, art. 26 of 1969.\textsuperscript{282} For example, Article 11 of the Protocol of San Salvador, an addition to the American Convention on Human Rights in the Area of Economic, Social, and Cultural Rights of 1988 provides that ‘everyone shall have the right to live in a healthy environment and to have access to basic public services’.\textsuperscript{283}

Although the right to water has not been incorporated into any universally binding human rights bodies, legal practice has proven that it can be deduced from other human rights. In general, there is consensus that water is a human right among international organizations, governments and legal bodies.

3.5 IFIs and water rights
Of special importance to the topic of water rights is the attention and recognition given by the international financial institutions that sponsored development in water governance. Their perspective on the right to water influences their policies in the water sector, in which the World Bank is the largest donor. The water sector represents 15\% of the Bank’s cumulative lending.\textsuperscript{284} As outlined in chapter two, in IFI policy circles, since the Washington Consensus, water is generally viewed in economic terms. After the International Water Conference in Dublin in 1992, following the general popularity of market-driven development, the World Bank adopted the concept of water as an economic good. The Bank considered the right to water to be outside of its mandates because of its political nature. Only in 2006, the Bank’s General Council argued that the Bank should take human rights violations into consideration where they have an

\textsuperscript{280} A. Kok and M. Langford, ‘The right to water’, 192.
\textsuperscript{282} Unitarian Universalist Service Committee, http://www.righttowater.info/pdfs/lawbibliography0607.pdf
\textsuperscript{283} Peter H. Gleick, ‘The human right to water’, 494.
economic impact, although they cannot enforce them. This illustrates the fundamental opposition between a human rights approach of water supply and the perspective on water as an economic good. Recently however, a remarkable new approach that tries to combine these two positions has emerged since the Freshwater Conference in Bonn in 2001, promoting public-private partnerships (PPP). This would keep the responsibility for the water sector in public hands without excluding private participation.285

Like the World Bank, the IDB has also played a significant role in water development projects in the Western hemisphere and it mirrored the priorities set by the World Bank. Influenced by pressure for more ‘green’ development projects, the Bank allocated almost all of its environmental resources to potable water and sewerage programs by 1994.286 As early as the mid-1960s, it assisted the municipality of Cochabamba with a $14 million loan, simultaneously setting conditions for how the city should provide water to its people. Under these requirements, the separate new public water company SEMAPA was set up, run by a board led by the city mayor. However, the close connection to the city’s politicians created strong incentives for corruption and mismanagement.287 Similar to the World Bank, it now places major emphasis on the privatization of water supplies in its loan policies. Of the projects it supported between 1992 and 2005, 70 percent required privatization of water and sanitation services.288

3.6 The indigenous right to water in Bolivia

In the Andes, over the course of centuries various distinct forms of water management have been developed by indigenous and peasant communities, in absence of consistent public policy and strong administrative organisms. These together are often addressed as ‘usos y costumbres’ or local water uses and customs.289 Under these traditional arrangements, rights to water follow from the possession of territorial rights, such as

285 Danuta Sacher and Michael Windfuhr, 148-158.
287 Jim Shultz and Melissa Draper, Dignity and defiance, 12.
indigenous territories and former hacienda areas. From the basic territorial system of water allocation, other mechanisms for obtaining water rights were developed, such as inheritance and acquisition through payment, which can be money or labour hours. The right to water depended on multiple factors such as the availability of water (generally low, in the Andes), the type and size of the available water source (river, well or aquifer) and the activity for which the water is intended to be used. Also, the right to water created duties for the maintenance of the water supply system, such as manual labour or money.290

The variation of local conditions of water resources, agroecological conditions, and socio-economic and cultural relations between users across Bolivia, has resulted in a wide variety of water management systems. The higher the level of relative scarcity, the more elaborated the systems of water allocation and uses have become.291 In general, water is perceived to either belong to the territory in which it is situated, or to where it is being used. Cochabamba for example uses several lakes that are at a distance from the valley. While that territory was often in the possession of a community, nowadays it can also be other levels of, such as an irrigation system, a region or municipality (or other territorial public administration).292 Consequently, although there may be differences in the shape of the specific local management system, both the water source and the infrastructure are considered communal property which for that reason must be managed in a collective way. As in the rest of the Andes, collective water management systems in Bolivia are key to household and community production strategies. They comprise of a hybrid and dynamic set of rights, rules and organizational forms, that contribute fundamentally to sustaining local livelihoods and food security.293

3.7 Indigenous water rights in Bolivia and the privatizations

As outlined in the previous sections, in the period up to the privatizations, indigenous groups had gained considerable rights and recognition as a different people within

292 Ibidem, 11.
Bolivia, both in general and with regard to water. This had been reflected by and helped along by international forces. Meanwhile, also helped by international guidance from development agencies such as the World Bank, the Bolivian state since the early 1970s had been working on a new national legal framework regarding water resources. What the multilateral agencies had proposed was the development of a general law that would provide the framework for secondary legislation with regard to integral resource management and citizen participation either through users’ organizations or through the private sector. Such a law would limit the role of the state to supervision, regulation, and planning, allowing full privatization and market-driven distribution. While incorporating these guidelines, the Bolivian proposals aligned with the local outcomes of earlier state reform policies, particularly with the SIRESE system of independent superintendencies that regulated sectors like natural monopolies. 294

The first draft of the new water bill in 1998 quickly drew a reaction from organizations of peasants and indigenous peoples. With the support of NGOs, they came together as a national technical water board to develop a counterproposal, inspired by ILO Convention 169 and Article 171 of the Bolivian Constitution, which recognized the social, economic, and cultural rights of indigenous peoples. The proposal rejected the privatization-oriented conceptions of the governmental project and defined water as a ‘social and ecological good that guarantees the well-being of the family and the collectivity and their social and economic development’. 295 It stressed that the cultural and ritual value of water for indigenous communities should be respected and that water could not be the object of private appropriation or commercial disposal. A key aspect of the counterproposal was its defense of communitarian water rights, which were to be exempted from the payment of permit fees. It completely rejected the idea of a superintendency and contemplated the formation of a national water council composed of representatives of the state and of water users. 296

However, while the debate over the general water law was in progress, the government succeeded in obtaining parliamentary approval for a secondary law on water

295 Ibidem, 16-17.
296 Ibidem, 17.
and sanitary sewerage. In November 1999, Law 2029 (Ley de Prestacion de Servicios de Agua Potable y Alcantarillado Sanitario) on Drinking Water and Sanitation in preparation for the privatization of Cochabamba’s water supply was adopted. The law created the legal framework for private ownership of water resources, and it authorized private responsibility for delivery of water to citizens. A basic feature of Law 2029 was the introduction of a regime of concessions and licenses for the supply of potable water, with the concessions to apply to centers of population with more than 10,000 inhabitants in which the provision of services was financially self-sustaining and the licenses to the rest of the cases. The conditions for granting concessions clearly favored the formation of large enterprises that functioned according to market criteria. It was expected that water supply in 41 cities would be rapidly brought under the concession regime. By granting exclusive rights to concessionaires, it outlawed traditional practices, such as cooperative water systems and individual homeowners’ wells and banned collection tanks used by many peasant to collect rainwater.

3.8 The effect of the privatization in Cochabamba

Although the recognition of existence of indigenous groups as a separate cultural people in general was not revoked by privatization, the exercise of those rights was indeed affected in a negative way. Previously existing local water rights systems were completely eliminated, as the ownership of the water in the region had been transferred exclusively to Aguas del Tunari by law. This included the water in the underground aquifer, as well as rainwater, which residents now could no longer harvest unless they paid for it. Private wells of farmers, as well as rural and peripheral communities in the Cochabamba valley, which they had paid, constructed and maintained themselves, were expropriated.

Considering the reaction to the first draft of the water privatization law in 1998, some degree of opposition was to be expected after Law 2029 was put into action by

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297 Ibidem, 17
298 Ibidem, 17
299 Madeline Baer, ‘Water privatization and civil society in Bolivia’, 10
300 Ibidem, 17.
Aguas del Tunari in the course of the final months of 1999. The reaction was indeed strong, such that the protests described in the introduction to this thesis quickly became known as a ‘war’. Recognition of local water uses and the right to water were important parts of the discourse in the protests, which were extensively covered by international media. The Coordinadora por la Defensa del Agua y de la Vida, founded in December 1999 by various organizations and social movements, expressed the public’s claims for return to the use and distribution of water based on indigenous collective rights, or usos y costumbres, as enshrined in Bolivia’s new multicultural constitution.

These had been completely outlawed by Law 2029, which gave unique decision making power to the concessionaire.

According to some researchers on the Water War, the emphasis on the indigeneity of the protesters was not a reflection of the actual composition of the protesting population, but the result of a determined strategy. The leadership of the Coordinadora itself was neither indigenous nor rural: criollo and middle class mestizo Cochabambinos predominated. The leaders of the movement were quick to recognize the importance of adopting the language of indigeneity not only in the hope of engaging Quechua-speakers in the valley of Cochabamba but also to attract the interest of an international press which was accustomed to reporting indigenous rights issues and environmental concerns as one and the same. Recourse to a language of usos y costumbres invoked a seemingly untouchable set of inherited rights based in customary law and Andean spirituality, giving extra weight to the protester’s claims. But although not all protesters were purely indigenous, they did connect to the indigenous cosmopolitan vision. They publicly

302 Jim Shultz, correspondent for Pacific News Service and director of the Democracy Center, a ngo based in Cochabamba, covered the developments in the city between December 1999 and April 2000. On February 8, he first wrote about what happened as ‘war over water’. http://democracyctr.org/bolivia/investigations/water/the_water_war.htm
304 Criollo means a person from Spanish South or Central America of pure Spanish descent; mestizo means of mixed descent.
proclaimed water to be sacred, because it was tied to their traditional beliefs as peasants since the time of the Incas.\textsuperscript{307}

In the first months of the protest (December to February) the Coordinadora’s demands were limited to the revision of the concession contract. As this proved unsuccessful, the demands were broadened to the full cancellation of the contract and reinstatement of a law recognizing collective water rights.\textsuperscript{308} The insistence of the protests and the spread to other parts of the country then led to complete escalation. When it became clear that the protesters were too angry and numerous to back down, the executives of Aguas del Tunari fled from Cochabamba. The city’s water system was returned to the public utility SEMAPA, with a new board of governors including representatives from the Coordinadora. The new national water law number 2066 that was written afterwards gave legal recognition to the usos y costumbres.\textsuperscript{309}

3.9 The effect of the privatization in El Alto

In the case of El Alto’s privatization, the rights to water were also significantly affected by the privatization contract, in the same way as in Cochabamba. The concession similarly required that all water resources in the area were transferred to the Aguas del Illimani consortium.

The clause that stated that Aguas del Illimani was granted monopoly rights over all water resources within the concession area was only made public after the French NGO ACF tried to build autonomous water systems for marginal communities on the outer edges of the urban area. When they tried so in 2003, the department government (la Prefectura) gave no consent to drill water wells to ACF. The NGO was forced to accept a public-private partnership with Illimani to ensure implementation of its project, because of the water rights.\textsuperscript{310} In this part of the El Alto privatization, community leaders insisted that they retain ownership of the secondary water network. Meanwhile, Illimani insisted that the water network would become the property of the company withing six months from the signing of the property contract. It had a powerful instrument of coercion at its

\begin{footnotesize}
\begin{itemize}
\item[310] Susan Spronk, ‘Making the poor work for their services: Neo-liberalism and ‘pro-poor’ privatization in El Alto, Bolivia’, 405.
\end{itemize}
\end{footnotesize}
disposition: the company would only turn on the water supply if the contract was signed.\textsuperscript{311} Property rights were then quickly transferred to it.

Although the ownership of water supply was a point of discussion in El Alto, the discourse of protest there was more focused on the distribution of water than on the recognition of property and customary rights. As will be analyzed in chapter five on distribution, angry residents organized the revolt because they were excluded from the expansion of water services by Aguas del Illimani.\textsuperscript{312} Both the notion of the exclusive ownership of water resources for the consortium, and the discovery that expansion of water coverage was not going to happen, did not reach the local population immediately after the concession was implemented. Instead it took a couple of years for this idea to develop into a cause of protest.

Conclusion

With regard to Schlosberg’s first dimension, the conclusion is that the privatizations as implemented encroached significantly on the previous situation of indigenous people’s recognition in the water sector. Their existence as a culturally diverse people and their specific collective water rights systems had just gained support at the international and state level in recent decades. First of all, the general recognition of their different culture had grown considerably over the years, just like the general recognition of the human right to water. An important place where this general recognition had not taken place was in the IFIs, who did not pay much attention to indigenous people in their projects, nor accepted the human right to water. The collective right to water was a particularly important element of the indigenous vision of the natural world, which had been cemented into a set of user policies and customs (\textit{usos y costumbres}).

However, the legal framework of the concessions completely overturned this situation. Collective schemes of management were no longer possible, and the water supply became the property of the concessionaire. Previous systems of uses and customs were abolished, which constituted a radical change towards uniformity under privatization. The discourse of the protests in Cochabamba shows that the abolition of

\textsuperscript{311} Susan Spronk, ‘Making the poor work for their services: Neo-liberalism and ‘pro-poor’ privatization in El Alto, Bolivia’, 406.
\textsuperscript{312} Jim Shultz and Melissa Draper, \textit{Dignity and defiance}, 37.
**usos y costumbres** was a major issue for the indigenous groups that participated. This constitutes a significant injustice in the dimension of recognition, as it inhibited the indigenous groups from getting a voice in the governance of water in their region. The level of participation is connected to recognition, and in chapter three now the involvement of indigenous groups in the privatization process will be analyzed.

### 4. Participation

The second dimension of Schlosberg’s environmental justice theory is the important issue of participation in decision making processes. As explained in the second chapter, while popular participation is viewed as a critical issue in democratic governance processes, it has been strongly advocated by international community alongside neoliberalism. One of the earliest formulations of the concept appeared in a 1964 study of UN ECLAC, although at that time hardly any intellectual weight as a precondition for development was attributed to it.\(^{313}\) In contrast, in the different context of conditions in the 1980s, the notion of participation was closely linked to a widespread process of government decentralization that should result in local community-based development. The first involves multiple scales of government and public administration, such as the national, regional and municipal government. At these levels, participation can be reached by ensuring proper representation of all population groups in decision making bodies. That would ensure the incorporation of the intended beneficiaries into the development process. The second factor entails consultation of local stakeholders on new policies for specific sectors. Thereby participation would be a source of social empowerment, capacitating the objects of the development process as active subjects, involving them in every phase of the process, from problem diagnosis to implementation.\(^{314}\)

#### 4.1 General participation of indigenous groups in Bolivia

As can be concluded from the second chapter, Bolivia’s government was highly centralized since the 1960s, resulting in high levels of state support for businesses and a

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\(^{313}\) Henry Veltmeyer, ‘The Quest for Another Development’, 47.

\(^{314}\) Ibidem, 49.
considerable degree of corruption.\textsuperscript{315} The decentralization laws instituted by Lozada in 1994 and 1995 constituted a big difference in Bolivia, bringing a major change in resource flows and political power. The core of the Decentralization Law, approved in 1995, consisted of four points:

1. The share of national tax revenues devolved from central government to municipalities was doubled to 20 percent. More importantly, whereas before these funds were apportioned according to \textit{ad hoc}, highly political criteria, after decentralization they were allocated on a per capita basis.

2. Title to all local health, education, roads, irrigation, culture and sports infrastructure was transferred to municipalities free of charge, along with the responsibility to administer, maintain and equip it, and invest in new infrastructure.

3. Local Oversight Committees (Comités de Vigilancia) were established to oversee municipal spending of Popular Participation funds, and propose new projects. These committees consisted of representatives from local, grass-roots groups who can freeze disbursements from central government, if they judge that funds are being misused. These committees reported directly to local grass-roots organizations, and thus represented an alternative channel by which popular demand would enter into local policymaking.

4. 198 new municipalities were created, and existing ones expanded to include suburbs and surrounding rural areas, into a total of 314.\textsuperscript{316}

The reforms represented a landmark change because now for the first time a local government came in place that was only accountable to local voters. Changes in the direction of public investments were just as large. Before decentralization, 308 Bolivian municipalities divided amongst them only 14 percent of all devolved funds, while the three main cities (La Paz, Santa Cruz and Cochabamba) took 86 percent. After decentralization their shares reversed to 73 and 27 percent respectively. Table one shows more details of changes in allocations of funds.

\textsuperscript{315} Tina Rosenberg, ‘Latin America’s Magical Liberalism’, 219-221.
Table 1: Changed allocation of public funds in Bolivia

<table>
<thead>
<tr>
<th>City</th>
<th>Central-to-Local Revenue Sharing (Bs'000)</th>
<th>% of National Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1993</td>
<td>1995</td>
</tr>
<tr>
<td>La Paz</td>
<td>114,292</td>
<td>61,976</td>
</tr>
<tr>
<td>Santa Cruz</td>
<td>51,278</td>
<td>63,076</td>
</tr>
<tr>
<td>Cochabamba</td>
<td>25,856</td>
<td>38,442</td>
</tr>
<tr>
<td><strong>3 Cities Sub-total</strong></td>
<td><strong>191,427</strong></td>
<td><strong>163,494</strong></td>
</tr>
<tr>
<td>Rest of Bolivia</td>
<td>32,099</td>
<td>444,786</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>223,525</td>
<td>608,280</td>
</tr>
</tbody>
</table>

N.B. Average exchange rate: US$1=Bs.5

Source: Faguet, 6.

The local governments started to invest most heavily (79 percent) in education, urban development and water and sanitation, sectors in which local needs were proven to be highest.317

The Law of Popular Participation of 1994 expanded the jurisdiction and responsibilities of municipal governments while also giving legal recognition to community and supraregional representative organizations and providing these with greater control over and access to local governance.318 The municipal governments would be elected by the entire municipalities’ population, representing and addressing their specific development concerns. It would receive state funds based on the size of the municipal population in order to pursue regional development, which was to be based on a five-year plan elaborated through a process of participatory planning involving all sectors of the population.319

Municipal governments now also had final responsibility for providing drinking water and sanitation services, invest and manage micro irrigation systems, and help protect water resources in the watersheds within their jurisdiction. These new roles constituted a major challenge especially for rural municipalities that before were only

317 Jean-Paul Faguet, ‘Does decentralization increase government responsiveness to local needs?’, 5-6.
319 Ibidem.
operating in urban centres. Municipalities could either provide drinking water and sanitation services directly, through an independent municipal company (such as cooperatives, water committees), or by transferring to a concessionaire. Concessions were installed in some of the major cities and metropolitan areas but direct municipal provision and independent municipal companies are the most common models.

However, the process of increasing the role of municipal governments in development was not accompanied by adequate institutional strengthening and creation of capacities to respond to the new challenges. Even though the Popular Participation Law allowed the municipalities more resources through ‘co-participation accounts’, these have not been adequate to finance what was needed as a result of their new responsibilities. At the same time, the budgetary spending is in most of the cases very low due to limited capacities and restrictions on amounts of expenditure on personnel.

Moreover, Organizaciones Territoriales de Base (OTBs, Territorial Base Organizations) were registered in each community and given the right to communicate development priorities and oversee projects. Organizations that represent groups of OTBs (such as the indigenous subcentrals) received legal recognition as asociaciones comunitarias (community associations). OTBs and groups of OTBs from subunits in the municipality elected representatives to the Vigilance Committee, which coordinated with the mayor’s office in municipal planning, articulated the demands of the OTBs, and ensured that funds were spent according to the development plan. Finally, the mayor’s office could choose to further decentralize administrative functions and allocate Popular Participation funds to municipal districts, which could include indigenous territories, for their direct management.

In many parts of the Andean region Quechua and Aymara community representatives were able to serve as elected municipal authorities for the first time. Throughout the country in 1995, 28.6 percent of the municipal councillors elected were

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321 Stef Smits, Rocio Bustamante and John Butterworth, 6.
322 Stef Smits, Rocio Bustamante and John Butterworth, 7.
peasant or indigenous.\textsuperscript{324} In 1997, at least 464 indigenous candidates won municipal office, while the numbers rose in 2002. Although the law reduced the power of local unions, in many cases it also allowed indigenous authorities to become elected local officials and enabled indigenous political efforts to control municipal politics in some regions.\textsuperscript{325} In the municipality of Ascensión in the Santa Cruz Department for example the Confederación de Pueblos Nativos Guarayos (Confederation of Native Guarayos Peoples) took control of the municipal government, displacing the elite that had been in power since the 1950s.\textsuperscript{326} This greatly improved the opportunities for indigenous communities to push for action on their needs, such as better water supply, at a local level. As a result of the new laws, they were able to become involved in governance and considerably increased their access to state resources, and in some places significant achievements were made.

A side effect of the decentralization process was the sharp increase in the involvement of NGOs. The number of NGOs and the scope of their work multiplied significantly with neoliberal reform, filling the void left by reductions in state services and social spending. NGOs range from small groups that act at the local level on single-issue projects to international organizations with significant resources and political influence. They have been credited with contributing to the democratization by helping to create coalitions and networks in civil society. Their immense diversity and the broad range of their objectives, methods, and effectiveness meant they could have a broad impact on local groups and state functions. In recent decades, national and international NGOs throughout Latin America have played crucial roles in fostering the emergence and consolidation of social movements. Of central importance here are the relationships established between NGOs and social movement organizations, which may be variously empowering or paternalistic or, not infrequently, a complex mixture of the two.\textsuperscript{327}

In general, indigenous organizations in Latin America have established significant relationships with environmental NGOs, particularly in the Amazonian and coastal lowlands. There indigenous groups engaged in contests over territorial and resource

\textsuperscript{324} Ibidem.
\textsuperscript{326} J. Montgomery Roper, ‘Bolivian legal reforms and local indigenous organizations’, 142.
\textsuperscript{327} J. Montgomery Roper, Th. Perreault and Patrick Wilson, ‘Introduction’, 17.
rights, colonization, and environmental degradation from activities such as logging, mining, and oil extraction.\textsuperscript{328} Representations of identity were mobilized not solely for the defense of culture itself but as a strategy for pursuing other goals. Many indigenous leaders, for example, have framed movement goals in terms of environmental protection and human rights and forged important alliances with local, national, and international organizations voicing similar concerns.\textsuperscript{329} This has brought the indigenous movement greater visibility and legitimacy and has empowered movement leaders in their attempts to press demands against the state.\textsuperscript{330}

4.2 Participation of indigenas in IFI and UN projects

On a general, state level, participation of indigenous communities in national decision making was enhanced by the new legal frameworks, although some restrictions applied. However, on a more local level, as indicated in the introduction to this chapter, participation by way of consultation in individual projects did not follow this same path of increase.

The World Bank placed heavy emphasis on the involvement of local residents in development projects as early as the 1970s, however only in a practical sense. The reason behind this was that ‘self-help’ was seen as a better alternative to full neglect or full state subsidization of basic services. Local residents would contribute their cheap labour to the construction of urban infrastructures instead of cash payments. In the neoliberal era, however, the new view was that private sector rather than the state should facilitate development projects while letting the poor participate. This labour participation would increase economic efficiency, as it made use of unpaid volunteers instead of permanent paid workers, thereby reducing costs. Unemployed people were expected to work for free in return for the benefit of water supply that would be obtained. Also, it would improve accountability by fostering closer relationships between policy-makers, service providers and clients. Poor people would get more sense of the true cost of service delivery, while

\textsuperscript{328} Ibidem, 8-9.
\textsuperscript{329} Ibidem, 11.
service providers would get the incentive to offer quality services at competitive prices.\textsuperscript{331}

However, as the social inequalities generated by the SAPs generated high levels of social discontent that undermined the stability of political regimes, international development agencies changed the requirements of structural adjustment. The IFIs and operating agencies of the UN system made popular participation, in the sense of empowerment, into a basic requirement of their projects.\textsuperscript{332} International law, in particular the ILO Indigenous and Tribal Peoples Convention, clearly mandated that indigenous peoples be consulted about development projects on their territories.\textsuperscript{333} This link to territorial participation however does not directly play a role in a city where indigenous communities do not have their own territory.

In its most comprehensive policy statement on the topic of participation, the World Development Report 2004, the World Bank finally argued that the universal problem with service delivery is that policy-makers and providers have been unaccountable to the poor. It stated the necessity of a set of institutional arrangements that will give policy-makers, providers and citizens the incentives to adopt a solution and adapt it to local conditions.\textsuperscript{334} In 1999, the World Bank had instituted the Comprehensive Development Framework, an initiative aiming to involve key stakeholders in the formulation and execution of national structural adjustment policies by including civil society groups and the private sector in determining the targets of the Poverty Reduction Strategy Papers (PRSPs).\textsuperscript{335} Agencies like UNDP in 2004 also affirmed their commitment to include indigenous people in the design of the projects they sponsor.\textsuperscript{336} However, these new strategies on popular participation in policy design and implementation only came into view after the privatizations in Bolivia had been implemented.

\textsuperscript{331} Susan Spronk, ‘Making the poor work for their services: Neo-liberalism and ‘pro-poor’ privatization in El Alto, Bolivia’, 400-401.
\textsuperscript{332} Henry Veltmeyer, ‘The Quest for Another Development’, 51.
\textsuperscript{333} Matt Finer et al., Oil and gas projects in the western Amazon’, \textit{PLosONE} 3 (8) August 2008, 6.
\textsuperscript{334} Susan Spronk, ‘Making the poor work for their services: Neo-liberalism and ‘pro-poor’ privatization in El Alto, Bolivia’, 399.
\textsuperscript{335} Ibidem, 401.
\textsuperscript{336} Pamela Martin and Franke Wilmer, 6.
4.3 The participation of indigenous communities and the privatizations
First of all, the Water and Sanitation Law of 1999, which was passed without much public deliberation or knowledge itself, played a major role in excluding popular discussion and participation.\footnote{Madeline Baer, ‘Water privatization and civil society in Bolivia’, 10.} It established that concessions and authorizations for the use and exploitation of water resources and their revocation would be granted by the competent superintendency and that until this superintendency was created the Superintendency for Basic Sanitation would perform these functions. As the concessionaires and licensees would be directly contracted by the superintendency, local governments and users would have little recourse against this closed system. With its reference to a superintendency, Law 2029 created an agency that was strongly contested by the peasant and indigenous organizations, who advocated the creation of a national water council instead.\footnote{Willem Assies, ‘David versus Goliath in Cochabamba’, 18.}

Therefore, one of the demands of the Cochabamba protests was for the water supply to be managed by the people themselves, as an autonomous company led by citizens.\footnote{Philipp Terhorst, Public-popular organisations, the case of Cochabamba, Bolivia (Loughborough, 2003), 153.} Although the protests were directly triggered by price hikes and the cancellation of collective water rights systems, the leadership of the Coordinadora consistently exposed the policy negotiation process between the government and Aguas del Tunari as undemocratic and non-transparent.\footnote{Madeline Baer, ‘Water privatization and civil society in Bolivia’, 11.} Despite intentions to create a bidding process between various tenders, the consortium was the only company interested in taking over Cochabamba’s water supply.\footnote{Miguel Solanes and Andrei Jouravlev, 19.} No competition was achieved as a result of this, and Aguas del Tunari was able to make demands for itself. Representatives of the old municipal water institution, SEMAPA, as well as local elected officials did participate in the negotiation process, but many accounts of the Water War cite a total dismissal of local input.\footnote{Madeline Baer, ‘Water privatization and civil society in Bolivia’, 18.} According to Willem Assies, a Dutch anthropologist who researched ethnic movements in Latin America extensively, those who were consulted did not represent the needs of the public.\footnote{Willem Assies, ‘David versus Goliath in Cochabamba’, 2003, 12.}
Further problems, as noticed by the World Bank in its 2002 analysis of the privatization failure in Cochabamba, were created by the lack of information held by the public. The inclusion of the expensive Misicuni project in the concession contract, which was reflected in price increases, was not made public.\(^{344}\) Therefore, when price hikes were implemented, which will be discussed with regard to the dimension of distribution, the citizens of Cochabamba believed they were simply charged much higher prices for the same low-quality service. The violation of the right to information about policy designs resulted in the apparent public ignorance of the benefits of private investment, according to World Bank officials.\(^{345}\) This lack of information meanwhile contributed to the fierce response of Cochabambinos to the privatization.

4.4 Effects of privatization protests
One outcome of the water war in Cochabamba and the countrywide peasant protests would be the substantial modification of Law 2029’s lack of popular participation. The new national law included public consultations on rates and a commitment to prioritizing social needs.\(^{346}\) In Cochabamba after the Water War, management was restored to the public institution SEMAPA, turning it into a public-popular arrangement. The leaders of the Coordinadora joined the interim Board of Directors. Two years later, the first election for board members was held, in which the city population could participate.\(^{347}\) Three out of seven members were now elected from the community. In addition, the Coordinadora created a support group which would debate the change of administration of the company to increase citizen participation. Cooperation with local water committees was sought for the expansion of water supply by SEMAPA to parts of the city not yet connected.\(^{348}\)

Although participation was now legally enhanced, in practice problems persisted with regard to participation of citizens in the public-popular management of SEMAPA. Only four percent of eligible voters went to the polls, for the first election of directors.\(^{349}\) An explanation for this is the lack of popular knowledge on technical issues of water

\(^{344}\) Madeline Baer, ‘Water privatization and civil society in Bolivia’, 18.
\(^{345}\) Ibidem, 19.
\(^{346}\) Ibidem, 12.
\(^{348}\) Philipp Terhorst, *Public-popular organisations, the case of Cochabamba, Bolivia*, 144.
supply. SEMAPA’s employees, however, who also had a chance to participate in discussions about the company’s functioning and who arguably have more technical knowledge than average citizens, did not use this opportunity either. This shows that participation also depends on further external factors, like the level of education of stakeholders and general understanding of the existence and potential of participatory mechanisms. This has been the subject of other studies which will not be addressed here.

4.5 Participation in El Alto

In the case of El Alto, following the World Bank’s earliest policy recommendations, poor people were invited to participate in the water supply by contributing to the construction and maintenance of the pipes. The manual labour they contributed was reflected in lower rates, thereby creating a feeling of ownership over the project. The residents were not made ultimately responsible for the system’s maintenance. The concession contract itself was kept hidden from the public eye, because of privacy clauses. This guarantees the company’s right to withhold strategic information, especially information that might affect investment decisions. In the event of an international lawsuit it is in the company’s interest to exaggerate the value of its investments, to obtain as much compensation as possible. The presented investments might even include the labour contributions made by local poor in participatory projects. The fear for lawsuits was considerable, after the removal of Bechtel from Cochabamba’s concession resulted in a long legal process of claims for breach of contract.

After the protests in El Alto in 2005, FEJUVE-El Alto, the local community organization, negotiated with the government. It put forward a proposal to constitute a new water company that would be controlled by a board of democratically elected representatives. However, the demand for participation in the management was met with hostility from IFIs and donors. President Carlos Mesa was told that should a public water company replace Aguas del Illimani, they would refuse to extend new loans. The Swiss

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350 Philipp Terhorst, Public-popular organisations, the case of Cochabamba, Bolivia, 151.
351 Susan Spronk, ‘Making the poor work for their services: Neo-liberalism and ‘pro-poor’ privatization in El Alto, Bolivia’, 405.
352 Ibidem, 407.
government also suspended its financing, noting that the funding was earmarked for the promotion of public-private partnerships only.\(^{353}\)

Proper participation and representation of local stakeholders in water management systems was therefore hindered by the conditionality of financial support for privatization in the water sector in Bolivia. So far, donor organizations only seemed committed to allowing practical participation, not participation in design and administration of water supply.

4.6 Participation in the change of policies towards neoliberalism

Lastly, a rather fundamental point that should precede in time the discussion above, is the involvement of society groups in the general choice to change national policy towards neoliberalism and privatization in the first place. A similar point like the one that was made on the involvement of poor Bolivians in the water sector can be made on this wider issue. In general, countries that qualified for debt restructuring, like Bolivia, promised to privatize public services in exchange for debt relief. Given that the orientation of public policy had been decided by the participating governments and international donors before the consultation process had even started, civil society mostly did not get any influence.\(^{354}\) The intended participation was thereby essentially reduced to dissemination of information rather than providing an opportunity for the exercise of citizen control over policy. Although Bolivian indigenous groups had gained better access to local circles of decision making, they lacked this power in the national arena, which makes their situation of participation as an element of environmental justice fundamentally weak.

Conclusion

With regard to participation, two interesting and somewhat ironic developments seem to have taken place in relation to indigenous groups in water governance. Firstly, while participation and empowerment of indigenous groups on the national and municipal level had increased in the years before privatization, there had not been a similar improvement

\(^{353}\) Ibidem, 408-409.

\(^{354}\) Ibidem, 401.
in consultation on specific projects in sectors such as water and sanitation. Involvement of local groups was limited to the use of their labour for the improvement of water services systems.

Secondly, the increased level of indigenous empowerment in the local government, combined with the earlier experience of successful cooperation between various indigenous groups and peasant organizations, opened people’s minds to the potential for further protest. When they noticed that agreements, which affected them deeply, had been made without their proper involvement they decided to take action. The lack of consideration and participation was therefore an important, although mostly indirect, factor in the mobilization against the privatizations. Protest was however ironically helped by the fact that in recent years due to the reduction of central state power, indigenous populations had learned to resist government policies cooperatively.

5. Distribution
Environmental justice theory emphasizes that in the dimension of distribution, both the spreading of environmental benefits and environmental costs or burdens are essential elements. Therefore in this chapter the costs and benefits of water privatization for indigenous people in Cochabamba and El Alto will be analyzed. The focus will be on financial and infrastructural aspects of water supply distribution. This will give an idea of how the privatizations affected the water coverage and prices of water in both cities. First however, the position of indigenous people in Bolivia with regard to their overall economic position needs to be further explored to have better understanding of their position when the privatizations were implemented. With that information, the impact of the costs of the privatizations on these people can be properly estimated.

5.1 General economic position of indigenous people in Bolivia
With a per capita income of US $950, a life expectancy of 61 and under-five mortality of over one in ten Bolivia is the poorest country in South America, and poorer than the
average for developing countries as a whole. In chapter two it was pointed out that Bolivia’s economy is rather narrowly based on the exploitation of natural resources and agriculture. This has contributed to a low average growth rate of 2.8 percent over the last 50 years. At the same time, around 180,000 Bolivians move into poverty each year, totalling to 5.5 million. As discussed in chapter two, the neoliberal reforms added further problems, such as negative GDP growth and worsening of the terms of trade of its products for much of the 1980s. The increased revenues from oil and gas hardly helped to bring the income of the Bolivians to a higher level.

Moreover, Bolivia’s Gini coefficient of inequality is 0.57, which can be attributed to the concentrated possession of 82 percent of agricultural land in the hands of a small elite of four percent of the population. They constitute the modern segment of the economy, while peasants such as most of the indigenous population employ more small-scale, traditionalist modes of production. The majority of indigenous people living in rural areas are campesinos, peasants, whereas those who have moved to the city employ a variety of livelihood strategies. The level of education among those indigenous populations is significantly lower than among non-indigenous, about three years less on average. As a result of land reforms that broke up old systems of community landholdings and diminishing rural livelihood possibilities, increasing numbers of indigenous people have now moved to Bolivia’s cities, as explained in chapter two.

Like elsewhere in Latin America, the indigenous peoples have historically been the most affected by poverty as well as extreme poverty. Many people in Bolivia earn less than US $1 a day, which is just sufficient for a basic food basket. A study by the

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357 A low Gini coefficient means a low level of inequality, measured between the rich part of the population and the poorest. See Fernanda Wanderley, ‘Beyond gas: between the narrow-based and the broad-based Economy’, 198.
358 Ibidem, 196.
359 Deborah Yashar, Contesting Citizenship in Latin America, 20.
362 Poverty is defined as living on less than US $2 per day, while extreme poverty is half of that. See Shelton H. Davis, ‘Indigenous peoples, poverty and participatory development’, in: Rachel Sieder ed., Multiculturalism in Latin America (New York, 2002), 227-251, at 228.
363 Greg O’Hare and Sara Rivas, ‘Changing poverty distribution in Bolivia’, 312.
World Bank in 1994 found that more than half of the population was poor (52.6 percent), but nearly two-thirds (64.3 percent) of the indigenous population was poor. Although other countries like Guatemala experience even higher levels of indigenous poverty (around 80 percent), Bolivia’s indigenous are definitely one of the poorest groups of population on earth. Because of the high level of rural-urban migration in recent decades, poverty has increased in the cities, where now around 60 percent is poor. The rural areas remain the poorest, at around 85 percent. Also, poverty in the indigenous population tends to be more prevalent among the young, women and the elderly. Because of poverty, their abilities to develop themselves are therefore limited and they have little resources against external shocks, such as price increases of daily necessities.

5.2 Investments in water
As a result of the decentralization process of the 1990s, the general direction and level of investments in Bolivia has changed. Analysis of government expenditure before and after decentralization in Bolivia showed that central government investment priorities are now more with large-scale economic development, than with social sectors such as water, sanitation and education. Decentralisation has led to increased investments in water and sanitation, because municipalities have taken over part of it. However, due to various policy limitations (such as discouragement of raising funds from third parties) and the requirement for urban municipalities to use loans for investments in water, total investment in the sector has gone down. In the late 1990s, annual investment in water across urban and rural areas was on average US $90 millions and then went down to US $50.5 millions in 2002. So, there are now relatively few investments in water compared to other basic infrastructure such as health and roads even though that is where community demand is. A large part of these investments were made through municipal governments building systems and transferring them to the communities, though in most of the cases there is no clarity about who actually finally owns those systems.

One of the important changes introduced by the Popular Participation Law is the

366 Stef Smits, Rocio Bustamante and John Butterworth, ‘Integrated water resources management at the local level’, 7.
participatory development planning process that allows communities to set their priorities for investment of the resources assigned to the municipality. In many of these plans, water projects have been placed as a priority. The problem remains on how to balance needs with the resources and capacities that municipalities have. In some cases, decisions about investment appear to have been taken on the basis of particular interests (like being re-elected), response to conflictive situations and other factors that are not linked to planning, leaving many demands unattended. In many cases municipalities have been accused of being manipulated by political interests. This has lead to a high level of distrust of municipal efficiency and capability to manage public resources.

Under the trend of decentralisation, local government faced increasing responsibilities in a number of areas, including new roles relating to services delivery like more regulatory functions, development planning and environmental management. The majority of municipalities were not ready for the new responsibility of managing the natural resources in their territory because of a lack of money, personnel and political will. Working on management plans is usually expensive and doesn’t show results in the short term. Municipalities may not have much interest because the money can be deducted from their newly decentralized resources. It is usually only done when there is external financial support to pay specifically for it. Under the new water law, regulation of water service providers included tariff regulation using the rate of return criteria, investment and efficiency targets, and a five-year regulatory lag. Universal access in non-concession areas would be supported by public investment.

5.3 Distribution of water connections in Cochabamba

The first aspect of distribution is the level of equality in receiving the benefits of water supply. The measure for this factor in this thesis is the level of connections to the water system, by way of water pipes and taps. Access to water has been a difficult problem in Cochabamba for a long time, and as pointed out in the introduction to this thesis, a cause

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367 Stef Smits, Rocio Bustamante and John Butterworth, ‘Integrated water resources management at the local level’, 7.
368 Stef Smits, Rocio Bustamante and John Butterworth, ‘Integrated water resources management at the local level’, 9.
for conflicts. Water resources in the Cochabamba region were in a condition of severe strain. In 1997 major conflict erupted when SEMAPA started to drill wells in the Central Valley trying to secure more drinking water to the city. This affected the already over-extracted ground water resources of the valley and drew protests from local users in those places.  

Moreover, the closing of the tin mines in 1985 triggered a flow of migrants toward the Cochabamba Department and its capital and transformed the traditional outlets for agrarian produce from the Central Valley. Environmental factors such as the degradation of agricultural lands and the droughts that plagued the region during the 1980s were another element in the process of change and rural-urban migration that produced the chaotic expansion of urban areas. Between 1976 and 1999 the population of the city of Cochabamba grew from 205,000 to 500,000 without corresponding expansion of urban services. According to available data from the National Institute of Statistics (INE), in 1997 only 66 percent of all inhabitants of the Cochabamba region had access to piped water. In the city, this figure was relatively high at 82 percent, while rural areas were stuck at 46 percent.

The water service expansion that SEMAPA was able to achieve focused heavily in Cochabamba’s wealthier neighborhoods in the center and north. A 1997 investigation concluded that in those neighborhoods, home to a quarter of the population, 90 percent of families had water hookups and indoor plumbing. Self-constructed wells, or community organizations such as cooperatives, associations, and water committees provided water for the rest of the population. Estimates of the number of small wells in the Central Valley ranged from 5,000 to 7,000 at the time of privatization. The problem was the most acute in the poor, southern area of the city known as the Zona Sur (South Zone). Since SEMAPA never extended its network into these communities, most residents in the Zona Sur built their own independent water systems. In many cases such wells have been drilled with financial support from state agencies, NGOs, or the

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371 Jim Shultz and Melissa Draper, Dignity and defiance, 11.
373 Jim Shultz and Melissa Draper, Dignity and defiance (London, 2008), 12.
Church.\textsuperscript{375} But the quality of the groundwater in the valley in which Cochabamba is situated is low. As the groundwater is too saline to drink in some places, the remainder of the households depend on private vendors for their drinking water. The vendors would often sell overly expensive (between US$1.75/m\textsuperscript{3} and US$3/m\textsuperscript{3}) and unclean water.\textsuperscript{376} The poorest were left to carry water from far away wells.

In order to solve the growing water crisis, early in the 1990s Cochabamba began to debate two plans for increasing the supply of water. The first involved the construction of large new dams that would capture water from far away rivers, and pipes for transportation to the city. The Misicuni dam, the cost of which was estimated at US $300 million, was part of this plan and would also deliver electricity. Although the second plan that would bring water to the city via a pipeline from Lake Corani, 30 miles away, was cheaper and simpler, city leaders opted for the first plan.\textsuperscript{377}

5.4 Distribution of water connections in Cochabamba and El Alto

While the overall supply of water was being sorted out, the takeover of SEMAPA by a private investor was expected to increase the water coverage of the city in the meantime. In 1999, the government of Bolivia therefore put SEMAPA up for a private bid. Only one company, Aguas del Tunari, came forward and was awarded the concession without having to bid. Because there were no other bidders, AdT had considerable influence on the negotiation process. The contract gave the consortium the control of Cochabamba’s water company for forty years. 130,000 residents needed to be connected to water services.\textsuperscript{378} However, before the company could really start on its program of extending water coverage, the Water War led to the cancellation of the contract. Therefore, there is no possibility to analyze the effect of the consortium takeover on the level of water connections. What is known, however, is that connection rates were less than 50 percent

\begin{footnotesize}
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\item[378] Rocio Bustamante, ‘The water war: resistance against privatisation of water in Cochabamba, Bolivia’, 40.
\end{itemize}
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in 2006, six years after the water war and under continued SEMAPA administration.\footnote{Karen Bakker, ‘The ambiguity of community: debating alternatives to private-sector provision of urban water supply’, Water Alternatives 1 (2) 2008, 236-252, at 238.} This means that not much progress has been made on extending water coverage.

The transfer of local water supply company SAMAPA in El Alto took place in 1997 and lasted relatively long, until its cancellation in 2005. At the time of privatization, an estimated fifteen percent of people in El Alto lacked piped water in their homes. In the contract the objective for access to drinking water was set at 82 percent, of which 50 percent was to be expansion of connections.\footnote{Susan Spronk, ‘Making the poor work for their services: Neo-liberalism and ‘pro-poor’ privatization in El Alto, Bolivia’, 403.} However, the service provision after Aguas del Illimani took over was focused on profitable customers and the company had few obligations to extend services to the newest and most marginal settlements. Some 200,000 people lived outside the area that was to be served, which was the area served by the previous public facility. There was no contractual obligation to provide services to those living outside of the area originally served, so the company only decided to expand services where it was considered profitable. With the majority of the households in El Alto living beneath the poverty line and hookups costing more than three and a half months of minimum wage salary, this was difficult.\footnote{Jim Shultz and Melissa Draper, Dignity and defiance, 37.} Surprisingly, the company claimed to have reached 100 percent household coverage for drinking water in 2003, doubling them to 78,000 connections.\footnote{Ibidem.} However, this was only reached by underrepresenting the number of residents to be served.

In addition to the foregoing two differences between the concession contracts in Cochabamba and El Alto have to be noticed afterwards. First, the levels of water coverage between the two cities were radically different. Aguas del Illimani reported full coverage for its water service in 2003, whereas in 2004 SEMAPA which was again in charge reported to be stuck at 46 percent, which had hardly increased since the Water War. The explanation for this lies in the definition of ‘water coverage’. Whereas coverage of water service in Cochabamba was defined as having a water hookup to the house, in El Alto this was defined as having a water pipe running down the street. It did
not stipulate whether a home was actually hooked up to that pipe or not. Therefore the positive numbers in El Alto did not reflect a reality of much increased coverage.\textsuperscript{383}

Second, the companies in El Alto and Cochabamba have radically different notions of which part of the population they have to serve. In both areas the urban centers maintained developed water infrastructure, while in the outer areas much of that infrastructure still needed to be built. Drawing a line around the areas where water pipes were already in place, the concessionaires in El Alto established that as the service area. Outside of that new water connections would be costly to provide. In contrast, in Cochabamba the service area was established as a wider area. But here Aguas del Tunari did not last long enough to make a significant contribution to the expansion of water connections. In general, from Figure 1 it can be concluded that the share of households with access to piped water actually decreased since the privatizations in both cities.

Figure 1: Comparison of water coverage


\textsuperscript{383} Ibidem, 38.
5.5 Distribution of costs of water

As mentioned, the second part of the distributional dimension of environmental justice in water governance is the price of water. The cost of water supply is a factor that directly influences how much water a household can afford, thereby affecting the distribution of water among stakeholders in a territory. Therefore, this paragraph will make an analysis of how the costs of water were affected by the privatizations.

Inherent to the idea of private administration of water supplies is the concept of cost recovery and profit, in contrast to public administration which often does not have the aim of making profit. An important clause of the Cochabamba contract was therefore the guarantee of a profit of fifteen percent to the consortium. Risks associated with the exchange rate were eliminated since the concession contract was remunerated on a US dollar basis.\textsuperscript{384} Also, the high cost of the Misicuni project had to be redeemed through water prices.\textsuperscript{385} Therefore, shortly after taking control of the water supply system, Aguas del Tunari was able to sharply increase water prices. According to the protesters and government sources, average price increases were as high as 200 percent, but the company itself maintained that it had increased prices by 35 percent only.\textsuperscript{386} Soon after the takeover, the company also began attempting to place water meters on private wells and the local irrigation and water supply systems.\textsuperscript{387} Poor residents earning less than the monthly minimum wage of $67 received monthly water bills of $20 or more.\textsuperscript{388} The tariffs heavily hit the people of Cochabamba, where the minimum wage is less than US$100 per month. The average water bill was now estimated to equal 22 per cent of the monthly pay of a self-employed man and 27 per cent of that of a woman.\textsuperscript{389}

In general, for the concession areas Law 2029 established a rate structure based on criteria of neutrality, solidarity, redistribution, simplicity, transparency, economic efficiency, and financial sufficiency. However, in cases of conflict among these principles the criteria of efficiency and financial sufficiency were to be given priority,

\textsuperscript{386} Karen Bakker, ‘The ambiguity of community: debating alternatives to private-sector provision of urban water supply’, at 238.
\textsuperscript{387} Ibidem.
\textsuperscript{389} Emanuele Lobina, ‘Cochabamba – Water war’, 3.
and in the event of a contradiction between these last two principles the latter was to prevail. The criterium of economic efficiency was to communicate the scarcity of the resource to its users whereas the criterium of financial sufficiency was to guarantee the recovery of costs and operating expenses and the proper remuneration of action holders in the same way as any efficient enterprise in a sector of comparable risk.\footnote{Willem Assies, ‘David versus Goliath in Cochabamba’, 18} These criteria were used to support the rate hikes, which were one of the direct causes of the revolt. In January 2000 the Coordinadora requested the government to revise the contract and price increases. The government however did not react fast nor showed intention of breaking up the concession.\footnote{Madeline Baer, ‘Water Privatization and Civil Society in Bolivia’, 11.} Upon hearing that, the population demonstrated its opposition against price hikes in acts of resistance like burning water bills in the public plaza.\footnote{Nancy Postero, \textit{Neoliberal Restructuring in Bolivia}, 127.} The sudden and sharp increase in the cost of water was a direct cause for the intensification of the protests in January 2000.

In El Alto, the privatization dismissed the old and complicated tariff structure that included more than 15 categories of metered customers. Under this arrangement, consumers were not charged for the first ten cubic metres, and the mean tariff was approximately US $0.32/m3. In December 1996, the National Council of Tariffs undertook steps to simplify this arrangement. After bidding, the winning consortium Aguas del Illimani managed to obtain an additional nineteen percent increase. The tariff structure was relatively progressive, making those who consume most pay more. Still the customers who had enjoyed the free ten cubic metres beforehand were hurt significantly. The price of 10 cubic metres of water in both Cochabamba and El Alto was now around 2 dollars.\footnote{Gover Barga and Miguel Urquiola, 225.} However, following the privatization, profits from water use fell short of the expectations of the Illimani consortium. The majority of residents were rural migrants, who were accustomed to conserving water. The rate hikes further forced them to cut back on water use.\footnote{Madeline Baer, ‘Water Privatization and Civil Society in Bolivia’, 24.} The company then decided to try stimulating the demand for water by a public relations campaign.\footnote{Susan Spronk, ‘Making the poor work for their services: Neo-liberalism and ‘pro-poor’ privatization in El Alto, Bolivia’, 406.} This ignited the residents of El Alto, who took to the streets to demand the cancellation of the private contract and the return to public administration,
with success.

After the cancellation of the Cochabamba contract, the trouble with the costs of privatization was not over however. Aguas del Tunari applied to the World Bank’s International Centre for Settlement of Investment Disputes (ICSID) for US$ 25 million in compensation for the breaking of the contract, under the terms of the Netherlands-Bolivia bilateral investment treaty. The tribunal affirmed the jurisdiction of that treaty, although Bolivia claimed that the major shareholder in the consortium, Bechtel, was essentially US-owned. After much debate behind closed doors, Bechtel finally withdrew its claim in 2006 in return for absolution of the foreign investors for any liabilities by the Bolivian government, who paid one dollar as a symbolic fee.\(^{396}\) Thereby Bolivia avoided a further costly burden that would have resulted from its renunciation of privatization in the water sector.

**Conclusion**

With regard to distribution of water in Bolivia, the conclusion must be that the privatizations did not bring a positive development. In terms of fair distribution of benefits, the level of increase in access to water was analyzed, which proved to be small. Companies’ reports of large increases in water coverage did not represent a true value. This was especially relevant for the situation in El Alto, where the population initially accepted the privatization and price increases reluctantly. When they found out about the lack of increase in water connections however, they decided to raise up in protest.

At the same time, the concession contracts allowed the companies to raise the prices of both water connections and of units of water consumed. This was allowed because the companies needed to recover the costs from expensive water expansion projects such as the Misicuni dam, and earn the profit set out for them in the contracts. Price increases up to 150 percent represented a major setback in income for the poor inhabitants of Cochabamba. When the water bills came in, this led the residents to complain immediately. In El Alto, the price increases were also significant, to which the residents reacted by reducing their water intake. Because of poverty, these increases in cost amount to a significant reduction of possibilities for indigenous groups to reach their

\(^{396}\) Miguel Solanes and Andrei Jouravlev, 19.
daily needed doses of water. It essentially reduced the fairness of water distribution in both cities, since rich residents were not affected as much.
Conclusion
This thesis sought to give a new perspective on why the citizens of Cochabamba and El Alto took to the streets in protest of the privatization of their water supplies. The background of the protests was therefore analyzed using the theory of environmental justice as a framework of analysis. According to this theory, economically disadvantaged and culturally different groups of society are generally most negatively affected regarding their environment by socio-economic development policies. The argument is that the poor and marginalized are the worst off when it comes to the distribution of environmental goods and bads, which amounts to environmental injustice. As outlined in the first chapter, the theory of David Schlosberg stipulates that environmental justice then consists of three interlinked dimensions, namely recognition, participation and distribution. Recognition involves the acknowledgement of different cultural groups and their particular traditions in a society, and the affirmation of that recognition in legal frameworks. Participation means that all groups have the chance to influence policymaking, either at the national level of a democracy or at a sectoral or municipal level. These two dimensions combined provide the basis for achieving the fair distribution of environmental benefits and costs.

In order to consider the cases of protest in Cochabamba and El Alto from the perspective of environmental justice, the levels of recognition, participation and fair distribution in water governance in Bolivia before and after these privatizations were analyzed. Because of the fact that indigenous people are the largest and distinctly different cultural group in these areas and also the poorest portion of the Bolivian population, the analysis focused on them. The assumption was that the situation of environmental justice of the indigenous population was significantly affected by the privatizations because of their socially and economically marginalized position in Bolivia. Starting from there, different aspects of the privatization of water supply in Bolivia were analyzed in chapters two to five, so that both direct and indirect reasons for the uprisings could be taken into consideration. The result was a multidimensional answer to the research question posed in the introduction, which will now be summarized.
First of all, the history of privatization as a part of neoliberal reforms in Bolivia was analyzed. Special attention was given to the role of the IFIs in the decision making process on those reforms, because of the general resistance to foreign influences in national policy making among the population of Bolivia and Latin America. Especially the World Bank and IDB supported neoliberal reforms because they believed in the value of the Washington Consensus as an appropriate and necessary set of policies for the region. As indicated in the second chapter, the influence of the IFIs was not as straightforward as some anti-neoliberals may argue. Although Latin American countries like Bolivia could hardly refuse the policies because they were part of the loan conditionality of the SAPs, certain parts of the reforms were taken as good advice by national policymakers and were just badly necessary. The SAPs were also tailored to each country’s circumstances to some extent. But the issue of the conditionality of loans is important, because it can be concluded that the reforms they caused, resulted in a further marginalization and increase of poor groups in Bolivia. Although this does not amount to a linear cause of injustice in the environment (like the unequal spread of pollution for example) specifically in the framework of environmental justice, it does constitute an injustice socially and economically.

Recognizing this, the line of thinking can then be taken further to argue that the IFIs did contribute indirectly to more unequal distribution of environmental goods, in this case the natural resource of water. When pushing the fundamentally novel strategy of privatization, they did not take sufficiently into account the local conditions that would be affected. Although water supply reforms were in part highly necessary, they constituted a major step away from previous ways of water management and were not beneficial to the population involved. Therefore the conclusion will have to be that although it is difficult to predict beforehand what the complex environmental justice implications of the policy will be, IFIs should have paid more attention to further tailoring their policies to the local situation. The fundamental belief in the benefits of letting the market decide on resource allocation had to be re-examined and complemented or substituted by some degree of government involvement. Fortunately, as a result of protests like the water wars in Bolivia, a process of revision has been taking place in IFI policy circles recently, as reflected in the emergence of what can be called the Augmented Washington Consensus.
Secondly, with regard to recognition, conclusion is that the privatizations affected indigenous communities in Cochabamba and El Alto considerably. Both in the area of their recognition as a separate cultural group and in the recognition of the right to water, the period before the privatizations had seen quite large improvements. Historically, indigenous people were hardly recognized as a culturally distinct part of Bolivian society and had been repressed by the white minority but this changed over the years as they started to demand more rights for themselves through protests and marches. They gained their own territories and the importance of their particular development was reflected in constitutional rights on communities. Also on the international level, the existence and particular rights of indigenous people were increasingly recognized in human rights conventions. However, in development organizations like the World Bank, specific attention for indigenous people in development projects only grew slowly and relatively late from the 1990s onwards. This has contributed to the lack of attention for indigenous groups in the privatizations in Bolivia, which resulted in the protests.

The human right to water and traditional indigenous customs and use practices in water management had also increasingly been acknowledged, at least in the academic world. Various non-binding treaties and conventions now recognize the right to water and its importance. In policymaking circles like the World Bank and IDB however, acknowledgement of the right to water was perceived to be outside the scope of their work. Instead, these organizations focused on the management of water resources and concluded that water should most of all be viewed as an economic good, stressing the importance of proper payment for its real cost. The privatizations in Bolivia reflected this view of water governance in economic terms. Since the concession holders were given the monopoly of water resources in both cities, it made the historically developed water rights systems impossible. The new Water Law of 1999 affirmed the cancellation of traditional usos y costumbres. Thereby the recent gains in recognition of indigenous groups and their right to water were reversed. Water users were given a new role as customers, whose access to water was to be mediated by the market and who no longer had a social right to water as citizens. In this dimension therefore, a considerable amount of environmental injustice was caused to indigenous communities by the privatizations. The slogans and concerns expressed at the protests further underline this analysis.
Thirdly, regarding the dimension of participation which was analyzed in chapter four, two simultaneous and contradictory tendencies could be discerned. On the one hand, while participation and empowerment of indigenous groups on the national and municipal level had increased in the years before privatization, there had not been a similar improvement in consultation on specific projects in sector such as water and sanitation. Because it was not a priority and new policies were simply considered beneficial to all, the decision making process and the negotiations with the consortia were executed without involvement of local community representatives. The only involvement of local groups that was allowed was their practical assistance in building up the water infrastructure. In terms of the theory, this amounts to a considerable development of environmental injustice. By letting the local populations participate in decision making, the Bolivian government and the IFIs that supported them could have improved their accountability and thereby the overall performance of the privatizations.

On the other hand, by implementing the privatization of water services at the same time as the decentralization, the Bolivian government essentially and unintentionally unleashed a power of resistance. The fact that national government had not adequately provided institutional, technical and administrative support to the public water authorities after decentralization, put them in the difficult position of being in power but without resources. The democratization process at the municipal level meanwhile did give the indigenous groups better capabilities and experience in organizing themselves in order to jointly pursue their own ideas of development. They were helped and empowered by foreign NGOs who provided them with information and strategies. Then when the privatizations were implemented, the population groups protesting against it were no longer as fractioned as in the beginning of the 1990s and stood stronger. These large, combined groups became vocal about their views of opposition, which resulted in the street protests and violence as the government tried to quell them. The protest against the environmental injustice that was experienced by indigenous groups in the dimension of participation was therefore partly caused by the actions of the government on participation itself.

Fourth, the essential distribution of water among the population of Cochabamba and El Alto as defined in this thesis was analysed as part of the framing of the protests
within the theory of environmental justice. In terms of distribution of benefits, the level of increase in access to water was analyzed, which proved to be small. At the same time, the concession contracts allowed the companies to raise the prices of both water connections and of units of water consumed. The local populations were therefore worse off after privatization, because water which is a daily necessity for human life, was distributed less equally among the population. Rich citizens of the cities were not affected as much by the privatizations because they already had access to water and could afford the price hikes. But for the poorer citizens, the price increases were an important direct reason for protest.

Based on the foregoing analysis of dimensions, as a general conclusion the significance of the perspective given by the environmental justice framework in the case of water governance in Bolivia is high. The long term causes of the protests can be found in the strong reversal of the gradual improvement in recognition and participation of indigenous groups. Short term causes for the protests were the lack of improvement in water supply connections and the rise of the cost of water. In each of the dimensions a considerable degree of injustice was found. The effects of the privatizations unequally and significantly affected the situation of environmental justice of indigenous groups in Bolivia, who found enough reasons to protest them heavily. The water wars thereby amounted to a environmental justice struggle, similar to other such struggles in the US but at the same time bearing the specific characteristics related to the Bolivian situation and the centrality of water as a natural resource in the environment. The example of Cochabamba’s protest then contributed to the development of protest groups in El Alto, as well as to the in the Gas War of 2003. They proved to be an important stage in the emancipation of indigenous people and the poor in Bolivia in general, which culminated in the election of Aymara indian Evo Morales as president in 2005.

The applicability of the environmental justice framework to Bolivia’s indigenous population is interesting and insightful but in the case of Bolivia’s privatizations, it needs to be highlighted that although there was a challenge to environmental justice with regard to the indigenous people, it was not a challenge affecting them uniquely. Also, it was a challenge to all peasants, or even more general, poor people. Since in this thesis no particular attention has been given to the influence of the water privatization on non-
indigenous Bolivians as a point of reference, this remains an interesting topic for future research. It has to be emphasized though, that the protests did take place in a predominantly indigenous area, and the protesters clearly profiled themselves as indigenous, as well as poor. Especially the dimension of recognition makes the framework useful in relation to indigenous people. To that extent, the assumption of environmental justice holds, regarding the unjust distribution of environmental impacts towards indigenous groups in Bolivia.

Also, on a larger, global scale, there is some degree of international environmental injustice involved in this case. Since the IFIs played a considerable role in the neoliberal reforms of Bolivia and urged it to pass these privatizations, they essentially helped in the development of a situation of environmental injustice for the Bolivians. It is a development towards negative justice (meaning lack of protection from harms), in which the raising of water prices recommended by the IFIs is a cost comparable to a toxic waste siting or hazardous industry, involving NIMBYism. The IFIs spread a policy strategy to developing countries like Bolivia that they did not even apply uniformly in developed countries, thereby exporting an unjust strategy. It can be argued that in that way, they did not contribute to a positive concept of justice (meaning presence of beneficial factors) either, which can be defined here as increasing the access to water of good quality for all.

A final reflection can now also be drawn up about the way the privatizations affected the capabilities of indigenous people. Although it is a difficult concept for academic research in practice, this question was added to the theoretical framework because Schlosberg has recently argued it to be the central essence of environmental justice. Because of the problems found for indigenous people in each dimension, it follows that the privatization of water also negatively affected the capabilities of indigenous communities to have a fully functioning life. This is because water is an essential necessity for daily life and for the existence of humankind. Access to that fundamental resource was restricted through price increases that poor indigenous people could not afford and through the slow expansion of water connections. The slogan ‘I drink water, therefore I exist, therefore I vote’ which was used in the Cochabamba water revolt shows how essential water was for the protesters. The slogan expresses the
interconnection between distribution, recognition and participation in water governance. Just as noted by Schlosberg, justice in one dimension will lead to improvements in the others and results in environmental justice. But most of all, the sacredness of water is important for indigenous people. By turning water into an economic good and its users into consumers, the culture of the indigenous people was undermined. Because this culture is central to their functioning, the consequences of the privatization of water supplies can be regarded as inhibitors of a fully functioning life with water.

Although the neoliberal strategies of the IFIs have been re-examined and changed because of protests like the water revolts, the governance of natural resources will likely continue to be a cause of social discussion in Bolivia for years to come. For example, recent investigations have estimated that Bolivia’s Salar de Uyuni desert contains around a third or half of the world’s stock of lithium. This metal is in high demand nowadays, because of its application in batteries such as those used in eco-friendly hybrid cars.\(^{397}\) In February of 2009, president Morales expressed his wish to keep both exploitation and production of the metal in Bolivian hands, in line with his government’s hydrocarbon strategy.\(^{398}\) Although the country relies on foreign knowledge to set up a new industry like this, the decision to reduce foreign involvement to a minimum seems like a positive step for environmental justice in Bolivia. Because there is doubt about the amount of socioecological influence large-scale exploitation may have, it may be useful to keep the dimensions of environmental justice in mind during the development of exploitation plans. This is especially relevant and ironic given the resource’s intended use in ‘green’ vehicles in Western countries. If the fair distribution of profits from this resource, as well as participation and recognition of local communities in the decision-making process are not taken into account well enough, it could be regarded as a similar case of global environmental injustice as the one analyzed in this thesis. Further research into this topic could provide more insights in how to avoid future problems.


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Annex 1: Map of Bolivia

Annex 2: Outline of events in the Water War in Cochabamba

Although a number of small rivers run through the Cochabamba area from the Andes mountains, it mostly depends on groundwater and aquifers for water supply.399 A recent example of conflict began in the 1960s, when SEMAPA started to drill wells in the valley in order to provide more drinking water to the city. This drew opposition from rural peasants, who saw the level of groundwater sink in their territories.400

The first songs of protest in Cochabamba were heard in the streets at the time of the signing of the contract between the director of the new company and Bolivian government officials, early in September 1999. While the negotiation process had taken place behind closed doors, the residents of Cochabamba did not expect much good to come from the sale, which had been under consideration for several years.401 President Hugo Banzer meanwhile told his guests that the noises from the marches and strikes were just part of the daily ‘background music’ in his country.402

In an attempt at unified rebellion, leaders from local labor unions, farming communities and neighborhoods from both the city and the countryside organized themselves into the Coordinadora de Agua y Vida (the Committee to Defend Water and Life) in December. Overcoming traditional obstacles to cooperation among societal groups, they organized meetings to inform the public of the potential threats of the privatization. The Coordinadora also tried to voice the public’s concern towards the city’s public officials, who refused to speak to them however, saying it was not a legally recognized representative organism.403 Seeing the unprecedented level of uprising, the government decided to accept talks with the Coordinadora and pledged to review the privatization.404 However, when the Committee received access to the official Tunari contract, they learned of the guaranteed company profit of sixteen percent per year and learned that the company had won the concession without any up-front investment. Its demands then changed from changing the terms of the concession to its cancellation.

399 Jim Shultz and Melissa Draper, Dignity and defiance, 13.
401 Benjamin Dangl, The price of fire: resource wars and social movements in Bolivia, 57.
402 Ibidem.
403 Jim Shultz and Melissa Draper, Dignity and defiance, 20.
404 Ibidem.
Table 2: Timeline of events during the first months of 2000

<table>
<thead>
<tr>
<th>Date</th>
<th>Events</th>
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<tbody>
<tr>
<td>10 January</td>
<td>Meeting of la Coordinadora to analyse the Contract with Aguas del Tunari and the 2029 Act</td>
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<tr>
<td>11 January</td>
<td>Blockade of the city of Cochabamba, Community Stoppage/Civil strike</td>
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<tr>
<td>13 January</td>
<td>March and Open Meeting of the Council</td>
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<td></td>
<td>Negotiations start with representatives of the Coordinadora and the Community Committee, seeking agreement on the following topics:</td>
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<tr>
<td></td>
<td>- Creation of a commission to study the charges/tariffs</td>
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<td></td>
<td>- Revision of the Contract with Aguas del Tunari</td>
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<tr>
<td></td>
<td>- Revision and change of the 2029 Act within 45 days</td>
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<tr>
<td></td>
<td>- Agreement on the proposals about the General Act on Water Resources in public hearings</td>
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<tr>
<td>4 February</td>
<td>March and “Occupation of Cochabamba”: Strong repression from the government</td>
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<tr>
<td>5 February</td>
<td>Clashes between demonstrators and the police</td>
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<td></td>
<td>Signing of the “Cochabamba Agreement”: Its main points were:</td>
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<tr>
<td></td>
<td>1. The implementation of the Misicuni project</td>
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<td></td>
<td>2. Rates would be revised, and meanwhile they would be frozen at October 1999 levels</td>
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<tr>
<td></td>
<td>3. Open negotiations on proposals for changes to the 2029 Act</td>
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<td></td>
<td>4. Creation of commissions to revise the technical, financial and legal aspects of the Contract with Aguas del Tunari</td>
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<tr>
<td>End of February</td>
<td>Negotiations and the work of commissions stagnated</td>
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<tr>
<td>26 March</td>
<td>Popular Consultation of the Coordinadora del Agua y de la Vida</td>
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<td></td>
<td>Questions:</td>
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<tr>
<td></td>
<td>1. Do you accept the tariff increases?</td>
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<td></td>
<td>2. Should the Contract with Aguas del Tunari be cancelled?</td>
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<tr>
<td></td>
<td>3. Do you agree with the privatisation of water resources in the 2029 Act?</td>
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<td></td>
<td>Results:</td>
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<td></td>
<td>48,276 persons voted,</td>
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<td></td>
<td>Question 1: 99% answered No</td>
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<td></td>
<td>Question 2: 96% answered Yes</td>
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<td></td>
<td>Question 3: 97% answered No</td>
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<tr>
<td>31 March</td>
<td>A Civic Stoppage/civil strike is called for the 4th of April</td>
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<td>Peasant’s road blockades start at a national level</td>
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<tr>
<td>4 April</td>
<td>Civic Stoppage/civil strike in Cochabamba</td>
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<tr>
<td>5 April</td>
<td>Thousands of people meet in the Cochabamba Square and demand the departure of Aguas del Tunari.</td>
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<td>6 April</td>
<td>The Square is taken again</td>
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<td></td>
<td>Negotiations with a government delegation start</td>
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<td></td>
<td>Several delegates from the Coordinadora are detained</td>
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<td>7 April</td>
<td>A crowd occupies the Square demanding the cancellation of the Contract and the revision of the No. 2029 Act</td>
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<td></td>
<td>Barricades are set up and the Square is occupied by the people</td>
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<td>The Governor announces both the cancellation of the Contract with the Company and his resignation</td>
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<td>During the night several leaders of the Coordinadora are arrested and their houses are raided</td>
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<td>8 April</td>
<td>A state of siege is declared in the country for 90 days</td>
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<td></td>
<td>Clashes in the city between police and demonstrators (“Water Warriors”) intensify</td>
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<td>9 April</td>
<td>Official announcement of the withdrawal of Aguas del Tunari, but the population demand to see the documents</td>
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<tr>
<td>10 April</td>
<td>An agreement between the Government and the Coordinadora is signed, establishing that:</td>
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<tr>
<td></td>
<td>1. SEMAPA will again be in charge of the service under the direction of the Municipality and of popular/civil and professional organizations</td>
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<td></td>
<td>2. The blockades will be lifted when the changes to the No. 2029 Act in Parliament are approved and evidence of the cancellation of the Contract is produced</td>
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<td></td>
<td>The first condition is fulfilled in the evening of the same day</td>
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<tr>
<td>11 April</td>
<td>The President enacts the new No. 2066 Act that reforms 36 sections of the previous Act</td>
</tr>
<tr>
<td>20 April</td>
<td>The state of siege is lifted</td>
</tr>
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Annex 3: The history of Bolivia’s economy

The economy of Bolivia has been dominated by its wealth in natural resources for almost two centuries, since the discovery of large amounts of silver and tin. In colonial times, until independence was achieved in 1825, Bolivia’s silver was shipped off to its colonizer, Spain. Revenues from mining almost exclusively went to the so-called ‘silver elite’, known as La Rosca, led by three barons of Bolivian descent but educated in Europe. After silver prices collapsed in the 1980s, tin took up the role of major export product. It accounted for half of the country’s export value in 1904, rising to the highest level of 73 percent in 1913.405 Although resource prices and corresponding revenues took a heavy blow from the Great Depression in the 1930s, natural resources continued to be the basis of the economy of Bolivia. Between 1920 and 1937, the first large scale oil concession was held by the American company Standard Oil, which paid eleven percent in royalties to the state.406 Afterwards, the company was nationalized into Yacimientos Petrolíferos Fiscales Bolivianos (YPFB, Bolivian Fiscal Petroleum Fields), the new state agency in charge of the exploitation of oil resources.407 The extraction and export of natural gas started in the 1960s and slowly grew into the new main export product.408

The tin mines, of which revenues were going down, were also nationalized in 1952, after the nationalist Revolution. As the revolutionist government led by Victor Paz Estenssoro tried to fulfil its goals of social redistribution and state capitalism, Bolivia’s public sector started to grow in ways that exceeded the economy’s ability to sustain it.409 Its dependency on volatile international market prices for its raw resources, lack of processing industries, lack of proper infrastructure and its landlocked situation were all factors that kept national income low. The 21 billion dollar indemnification that COMIBOL (Corporacion Minera de Bolivia, Bolivian Mining Corporation) had to pay to the three expropriated tin corporations was an extra heavy toll on the national budget. On top of that, when new foreign oil companies were allowed into the country in 1952,

405 Walter Hermosa Virreira, Breve historia de la minería en Bolivia (La Paz, 1979), 123.
406 José de Mesa, Teresa Gisbert and Carlos Mesa Gisbert, Historia de Bolivia (La Paz, 1999), 537.
408 José de Mesa, Teresa Gisbert and Carlos Mesa Gisbert, 625.
Bolivia again only received eleven percent in royalties.\textsuperscript{410} Bargaining power with foreign companies was little because the trade they brought, especially with the US, was too important for Bolivia’s economy.\textsuperscript{411}

Rising inflation became a big problem after that, with cost of living in La Paz rising almost 800 percent between 1955 and 1961. An early stabilization plan from the US, Germany and IMF in 1961, known as the ‘Triangular Operation’, included drastically reducing the budget deficit, privatization, lifting price fixes, tariffs and subsidies and reducing COMIBOL’s workforce.\textsuperscript{412} As Williamson himself pointed out, the program strongly resembled the later Washington Consensus, as it aimed for a long-term improvement of the country’s ability to meet financial obligations.\textsuperscript{413} The harsh austerity measures led to major riots and strikes, while the US started to increase its aid to the military in order to contain any possible movement towards communism. The instability led to a coup by the military in 1964 which remained in power until 1982. The Triangular plan was only successful in restoring some of the tin production and controlling inflation, meanwhile raising Bolivia’s foreign debt.\textsuperscript{414}

By the 1980s, the economy had declined to an extent that made it difficult to service external debt, on which interest rates were rising. Up to 60 percent of export earnings went into interest payments.\textsuperscript{415} The Gross Domestic Product (GDP) declined between 1981 and 1986, with a low of 9.2 percent in 1982.\textsuperscript{416} The multiple nationalizations meanwhile meant that the public sector in Bolivia grew out of proportion. In 1981, there were about 520 federal agencies, state-owned enterprises and financial institutions. Apart from COMIBOL and YPFB, the main sectors of the economy were under state control through Corporacion Boliviano de Fomento (CBF, the Bolivian Development Corporation).\textsuperscript{417} Also, corruption by the military governments in the 1970s had helped to drain the national treasury.\textsuperscript{418}

\textsuperscript{410} José de Mesa, Teresa Gisbert and Carlos Mesa Gisbert, 626.
\textsuperscript{412} Orlando Capriles Villazon, Historia de la Minería Boliviana, (La Paz, 1977), 188.
\textsuperscript{413} Henry Veltmeyer, ‘The Quest for Another Development’, 61.
\textsuperscript{415} Henry Veltmeyer, James Petras and Steve Vieux, 18.
\textsuperscript{416} Benjamin Kohl, ‘Challenges to Neoliberal Hegemony in Bolivia’, Antipode, 38 (2), 304-326, at 310.
\textsuperscript{418} Benjamin Kohl, ‘Challenges to Neoliberal Hegemony in Bolivia’, 310.
Annex 4: The Washington Consensus

A concise explanation of the Washington Consensus as listed by Williamson in his conference paper.

1. Fiscal discipline was needed in a region where most countries ran sustained large fiscal deficits that led to balance of payments crises, high inflation and capital flight.
2. To reduce deficits, public expenditure had to be cut, keeping certain priorities. The suggestion was to switch expenditure away from nonviable subsidies towards basic healthcare, education and infrastructure, focusing on growth and helping the poor.
3. Tax reforms: the aim was a tax system that would combine a broad tax base with moderate marginal tax rates. Tax increases were positively regarded by the IFIs, but the US administration was quite fiercely against them.
4. Liberalization of interest rates: these should be determined by market forces. The real exchange rate had to be positive, to discourage capital flight. Countries’ exchange rates should either be firmly fixed or float cleanly. Later on, this point was broadened to include general financial liberalization, however to be accompanied by prudential supervision.
5. Aiming for an ‘outward-oriented’ trade policy, a competitive exchange rate was a principal element to expand exports, especially the non-traditional exports. Most countries had to devalue their currencies.
6. Trade liberalization: import liberalization and ending domestic industrial subsidy protection was badly needed in Latin America. However, some Washingtonians pointed out that the pace of liberalization should not be too fast and that protection of infant industries should be allowed temporarily.
7. Liberalization of inward foreign direct investment (FDI): although not a major priority, FDI was also important for bringing capital, skills and know-how. The use of debt-equity swaps was still under debate, the IMF being rather sceptical about it.
8. Privatization would reduce the pressure on the government budget, both in the short term by the sale of an enterprise and in the long term relieving investment
needs. The privatized enterprise would bring improved service, but only when it would sell into a competitive market or would be properly regulated.

9. Deregulation was needed to foster competition and reduce corruption. The focus of this point was on easing barriers to entry and exit, and not on abolishing safety or environmental regulations or regulations governing prices in a non-competitive industry.