

Water Provision in Bolivia: State Policy and the Impact of Neoliberalism

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Introduction

The last five years have been some of the most convoluted in the history of Bolivia, a country that has experienced almost two hundred military coups and revolutions in less than two centuries of independent existence. The current crisis is so serious that some analysts even claim that at this point there is no state in Bolivia. The Bolivian crisis has thus a clear political and institutional dimension. Despite the many innovative political initiatives that the country has experienced since the mid-1980s, the state is in a situation of failure and the consensus in the country is that it needs to be re-invented. Besides this political dimension, at the symbolic level the Bolivian crisis has been often associated in the last few years with what has come to be known as the Water Wars, an episode of mass popular mobilization against the privatization of water provision services which started in the Andean town of Cochabamba in 2000.

In this paper I use the water sector as an entry point to analyze the state in Bolivia in an attempt to understand the articulation of state and water policy and shed light on the events that are currently taking place in the country. With this I am not trying to explain the crisis per se, but to use water policy as a means to make sense of the general characteristics of the Bolivian state and its evolution throughout time. From this I also draw broader conclusions about the nature of the state in Latin America and the nature of its relationship with the water resource. The main

questions that I am aiming to address in this paper are, thus, what are the main features of the Bolivian state and its evolution throughout time? How does Bolivia make policies about water provision? Who are the main actors, both domestic and foreign, shaping such policies? What determines the policy outcomes of such processes?

In order to answer these questions I proceed in two steps. I begin by setting up a theoretical framework by means of critically exploring both the key concepts of the state and water. In doing so I draw from distinct bodies of theory, paying particular attention to the specificities of the Latin American state and the wider processes of state reform that have occurred in the last 25 years. In identifying the role of international actors as a key determinant of policy processes in the global South I pay particular attention to the international dimension of both state reform and water policy. In line with this, I also devote part of this section to a brief analysis of neoliberalism. Next, I move on to the Bolivian case. Here I first explore the Bolivian state from an historical perspective, paying particular attention to its evolution since the return to democracy and the adoption of neoliberal policies in the 1980s. Then I analyze water policy in Bolivia, trying to connect it both to the international dimension of water policy and the more general evolution of the Bolivian state.

The State

There is a long menu of theories of the state but, as Alford and Friedland (1985, p.3) argue, each of the main theoretical traditions has something to contribute to an understanding of the state and therefore they do not need to be seen as in

contradiction with each other. The fact that state theory has usually been based on the experience of Western states makes it even more necessary to go beyond a single theory if we want to grasp the complexities and specificities of a developing country such as Bolivia. In discussing the key theoretical view of the state that I will use in this paper I will hence draw from several theories in attempting to build a framework that accurately captures the main elements that are necessary in order to understand the Bolivian case.

Following Mann (1993, pp.54-56), I will approach the state from an institutional perspective. As Mann acknowledges, this theoretical tradition goes back to Weber, but I believe Mann's take on it is particularly useful to explore a non-Western state such as Bolivia. Mann defines the state through the following proposition:

1. The state is a differentiated set of institutions and personnel
2. embodying centrality, in the sense that political relations radiate to and from a center, to cover a
3. territorially demarcated area over which it exercises
4. some degree of authoritative, binding rule making, backed up by some organized physical force (Mann 1993, p.55).

From this definition Mann derives several characteristics of the state, of which three are particularly relevant for my purposes. From point 1 above Mann derives the claim that the state is both place and persons and that it crystallizes "in forms essentially generated by the outside society *and* in forms that are intrinsic to its

own political processes.” (Mann 1993, p.56). Related to this, Mann also argues that “[s]tate institutions are differentiated, undertaking different functions for different interest groups located within its territories” and hence “*the state need have no final unity or even consistency*” (Mann 1993, p.56, emphasis in the original). The key element here is the use of the word ‘some’ in point 4 of his definition of the state in reference to the degree of authority that the state is able to exercise. The state is not a coherent whole, and even if it has jurisdiction over a territory nothing ensures that it has complete control over it. Finally, Mann also identifies an external dimension to the state, as its territoriality implies relations with other states, or in Mann’s words geopolitics.

One of the key virtues of Mann’s definition for the purposes of this paper has to do with its implication of the ‘messiness’ of the state (Mann 1993, p.88). The state is not a unitary, homogeneous structure, but is composed of a collection of people and institutions with sometimes contradictory goals. And according to the characteristics just reviewed, to understand the state it is not enough to identify all the actors that make up the state and how they interrelate, but we also have to see how they, individually and collectively, are linked to external actors.

As mentioned above, this conceptualization of the state draws on previous theories in order to build a complex view of the state that goes beyond the unitary and idealized accounts that each tradition seems to embrace. Thus, we can find in the definition of the state adopted here pluralist elements in that the state reflects the interests of a variety of actors (see Alford and Friedland 1985, part I). However,

Mann's theorization does not share the pluralist optimistic view that the state manages to reach some sort of stable equilibrium between different interests. The state is itself fragmented and thus the accommodation of interests is not direct, unproblematic or stable. Yet a further step is necessary here, as the fragmentation of the state is very usually seen in state theory only in terms of either the different functional branches of the state or the different societal interests that are related to them. It is important to expand that notion to incorporate the different levels of the state – national, regional, local, etc. – which, as some scholars have shown (see Brenner 2004; and Snyder 2001), present different kinds of institutions and interests within the state which contribute to its fragmentation and messiness.

From an elitist conception of the state (see Alford and Friedland 1985, part II; and Mann 1993, pp.48-50), I take the idea that organized, centralized, cohesive minorities can capture high positions in the state and yield an extraordinary amount of power in the pursuit of their interests. Yet, again, compounded with the notion of messiness and fragmentation of the state these elements bring a more nuanced view that admits the possibility of there being different minority political elites competing within the state. In turn this also brings in a dynamic dimension to the conception of the state, so that we realize that the balance of power between the different elites and actors can change across time and give place to very different state configurations.

Mann does not stop his exploration of the state with the generic definition presented above. He goes on and draws on Weber to discuss the concept of the

‘modern state’. The ‘modern’ epithet refers to a state with “added routine, formalized, rationalized institutions of wider scope over citizens and territories. It penetrates its territories with both law and administration” (Mann 1993, pp.56-57). Yet this penetration is reciprocal, as citizens and parties also penetrate the modern state. As I will show in the next few sections, the problem of the (limited) interpenetration of state and society is key to understand the current situation in Bolivia and the specific policies adopted in the water sector.

This distinction between the state as a messy collection of institutions and the modern state as a rationalized form of the state is particularly relevant for discussing the state in Latin America. A pervasive concept appearing in works dealing with the state in Latin America over the last three decades is ‘reform’ (see Vellinga 1998, p.1; Restrepo 1999; Graham 1990; and Bradford Jr. 1994). The Latin American state is generally defined as one that lacks accountability, has an undemocratic nature, and is unable to perform the tasks of a responsibly functioning bureaucracy (Vellinga 1998, p.5). In the 1980s, the severe effect of the world economic crisis in Latin America via the debt crisis led to a commonly perceived need for economic restructuring. This process was simultaneous to – and in part it provoked – a broad process of democratization in the region (Restrepo 1999). These two factors contributed to a general agreement in regional policy circles on the need for state reform in Latin America. Although there were minor variations (see Medellín Torres 1989), there was a general consensus about what the main elements of the reform had to be:

- 1) Modernization of the criteria of State intervention in the economy;
- 2) Functional decentralization to the localities of public services, local infrastructure and policies linked to the reproduction of labor;
- 3) Strengthening of representative democracy at the municipal level;
- 4) Opening of spaces of citizen participation ... in the management of institutions and local enterprises and
- 5) Structural adjustment of the economy and natural resources to the incorporation of the main production and consumption patterns in the world market according to comparative advantage (Restrepo 1989, p.20)

This agenda had two basic features. First, it followed the neoliberal credo that became hegemonic around the world in the 1980s. Second, in the terms of the conceptualization of the state presented above, it involved an attempt to modernize Latin American states. In effect, the characteristics of the Latin American state described above situate it outside of what both Weber and Mann call a modern state. It was precisely to the non-modernity of the Latin American state that part of the ailments of the region were attributed, and hence the need for reform. The weak position of most countries in the region vis-à-vis Western states, multilateral financial institutions, and foreign capital due to their indebtedness and precarious economic situation, alongside the hegemonic character of the neoliberal project, explain the existence of a virtually unique recipe for the transformations required of Latin American countries in the 1980s and 1990s.

Neoliberalism

Given that neoliberalism plays such a central role in determining state reforms in Latin America in the late 20th century, it is important at this point to review some of its main features. Brenner and Theodore (2002, p.4) argue that we need to distinguish neoliberalism as an ideology that promotes the primacy of market forces and a minimum role for the state from 'actually existing neoliberalism', a series of contextually embedded restructuring projects that operate in a process of creative destruction. This process is described by Tickell and Peck (2003, p.168) by deploying the concepts of roll-back and roll-out neoliberalism. Roll-back neoliberalism corresponds to an initial phase of state dismantling and deregulation that opens spaces for reregulation along neoliberal lines, or roll-out neoliberalism. Thus neoliberalism cannot be merely equated to the promotion of markets and the dismantling of the state, it involves the creation of institutions and "the extension of market rule and disciplines, principally by means of state power" (Tickell and Peck 2003, p.165). This creative, institutional component leads Tickell and Peck to argue that "the outcomes of this process will be contingent and geographically specific, since they are working themselves out in a non-necessary fashion across an uneven institutional landscape" (Tickell and Peck 2003, p.165). The implication of this assertion is that it is necessary to go beyond the general policy prescriptions promoted by the neoliberal model and examine the particular instances or neoliberal reregulation.

Yet even more crucially, when this view of neoliberalism is juxtaposed to the conceptualization of the state presented above an interesting question emerges. In

the Latin American context, where the state has not achieved the modernity that standard state theories assume and where the interpenetration of state and society is incomplete, what are the implications of the dual deregulatory/reregulatory movement of neoliberalism? I will attempt to address this additional question in my analysis of water policy in Bolivia, but in order to do so I first need to explore the main characteristics of water as a resource and of its provision for human consumption.

Water Functions

Water serves several crucial functions for human beings and human societies. These functions can be summarized as follows. First, water is indispensable for human survival, both because humans cannot live without regular water consumption and because water is an essential component of the ecosystems in which humans live and from which they feed (Baumgatner and Retchel 1975; Miller 1977). Second, water is vital for human health for its relation to hygiene and sanitation (WHO 2001). Third, water has important economic uses. It is a necessary input in the production of food and in industrial processes, and it is also key source of energy and a means of transportation (Tölgyessy 1993, p.13; Gibbons 1986). Fourth, water has recreational and aesthetic uses (Gibbons 1986). Finally, water has symbolic and cultural value for human beings, to the extent that the cultural identity, religious beliefs, and worldviews and lifestyles of many peoples around the world revolve around water (Shiva 2000).

These functions point to a wide variety of important uses to which water resources can be devoted. However, given the focus on the state in this paper I will only address the issue of potable water provision. In order to understand the character of water provision in the world generally and in Latin America and Bolivia in particular it is first necessary to succinctly review some of the economic features of such activity.

Economic Characteristics of Water Provision

Because it is often provided by the state, potable water is sometimes seen as a public good. However, this dimension of water lacks the non-rivalness of public goods¹, that is, the feature by which everyone can benefit from the good without diminishing the enjoyment of others (Mehta 2003, p.556). Nonetheless, water has some of the aspects of public goods and can therefore be considered a merit good, that is “a good or service whose consumption is believed to confer benefits on society as a whole greater than those reflected in consumers’ own preferences for them” (Bakker 2003, p.340, note 13). The existence of positive externalities in water consumption (i.e. hygiene) justifies that the state subsidizes or provides the good itself.

Another economic element present in water provision that influenced the role of the state is that it is a natural monopoly. This means that the cost structure of producing water is such that only one producer can provide the service at a benefit.

¹ Visit <http://www.answers.com/public%20good> for a succinct explanation of what public goods are.

The reason for this is that water supply involves large sunk costs and economies of scales for a standardized service, so in competition prices will be driven down to a minimal profit level per customer, covering costs of providing the service but not the huge initial investment.² As in every monopoly, the firm providing the market can then set higher prices and supply lower quantities than it would be socially optimum, thus obtaining a rent (Barragán et al. 1998, p.133). Therefore an economic argument can be made for government intervention in order to increase efficiency, particularly in a service of such basic necessity as potable water. It is precisely this feature of water provision that makes pricing complicated, particularly as monopolies present a large difference between marginal costs and average costs (because of the need for big initial investments). Pricing at the marginal cost across the board would lead to losses for the provider, whereas pricing at the average cost would lead to the single provider recovering its unit costs and obtaining a rent, thus creating the inefficiencies mentioned above. Therefore the state has to decide, first, whether to publicly provide water or not, and second, what the level of pricing is going to be, taking into account that the social optimum would not allow the providing firm to recover its costs and reinvest (Barragán et al. 1998, pp.136-137).

From an economic point of view another key aspect of water has to do with its availability. Because of its dependence on climate and geography water availability varies across regions and time, and it is also affected by human use, as humans

² Visit <http://www.answers.com/natural%20monopoly> for a review of the concept of natural monopoly

distort ecosystems and induce soil deterioration, desertification, and contamination processes (De Villiers 2000, p.36-37; Gleick et al. 2002, p.5). Alongside with water's low value-to-volume, variability in water availability leads to water being a quasi-local resource which is hardly transferred beyond watersheds. This implies that water scarcity can be a problem,³ which involves that the allocation of water to different purposes and users becomes a contested issue. Given that water is a basic necessity for human beings, this is also an element that can lead to intervention by the public sector and influences the role of the state in the water domain.

Water Supply and The International Dimension of Water⁴

In a previous paper I explored the international dimension of water, trying to identify what I called water regimes. By water regimes I refer to the international standards and common practices about how water provision should be undertaken and what role the state should play that are promoted by diverse actors at the international level. In that paper I concluded that we can observe three different international water regimes.

The first regime, comprising from the mid-19th century until after World War II, was characterized by the realization of the importance of water for hygiene and health and the expansion of water services in growing urban centers around the world.

³ Some would say an increasingly worrying problem given ongoing processes of population growth, climate change, and environmental decay.

⁴ This section is entirely based on my unpublished paper "Water Regimes: The International Dimension of Water and its Role in the Global Economy".

Although the beginning of this period saw a large percentage of water provision projects being developed by private firms, soon public bodies began to assume the management of the service. However, this tendency seems to have reflected the diffusion of soft discourses about best practices and the role of the public sector in a modern state, without imposition from foreign actors or the presence of international organizations pushing for specific policies in water provision.

The second regime goes from World War II until the 1980s, a period known as the 'development era'. In this phase concerns about development and the importance of health issues, as well as the growing prominence of environmental problems from the early 1970s onwards, led to the emergence of a group of international organizations promoting generic policies about water management, particularly in the 1970s and 1980s. These policies emphasized the need for national bodies regulating and managing water availability and water provision, as well as the promotion of infrastructure projects. Because of the development background to these policies and because the lack of proper water provision systems was concentrated in developing countries, this regime affected mainly countries in the global South.

The third regime began in the 1990s and was related to the sudden appearance in international discourse of the notion of water scarcity. This realization, compounded with the ideological and political processes going on under neoliberalism, created the background for the emergence of an international regime that saw water as an economic good and claimed for its efficient use

through the intervention of the private sector in its provision. This regime has seen the birth of a network of new and old international organizations concerned with water, as well as private firms and non-governmental organizations, that are promoting a new neoliberal consensus on how water should be managed. The adoption of this consensus, along with its forceful imposition by international financial organizations in some cases, has led to the privatization of several water supply companies in the global South, although it has also brought about a strong grassroots resistance movement that argues that water should primarily be seen as a human right.

The Bolivian State

With this conceptual and historical framework in mind, I move now to the exploration of the Bolivian case. In this section I will briefly summarize the main characteristics of the Bolivian state and its evolution through time, paying particular attention to the most recent decades under neoliberalism. The next section will specifically explore water policy in Bolivia.

Since its independence from Spain in 1821 Bolivia has had a tortuous existence, including 195 revolutions and military coups (Gamarra Zorrilla 1997, p.22). The constant fights and political turmoil did not permit the consolidation of a functioning state until very late even for Latin American standards. Matus (2003, pp.134-135) claims that the inexistence of a cohesive elite left the leadership of the country in the hands of a divided military, leading to instability, a weak political system and feeble territorial integration. These problems caused and at the same time were

reinforced by a disastrous foreign policy that resulted in several wars through which Bolivia lost part of its territory to its Latin American neighbors.⁵ Matus (2003, p.135) argues that it makes no sense to talk about a state in Bolivia until the 1880s brought about the first economic successes, and that a higher degree of territorial integration did not occur until after the Chaco War with Paraguay in 1932-1936. According to Centelles and Navarro (2003, p.315), “the weakness of the Bolivian state favored the emergence of a system of political parties in the 1880s based on the geographical location of the economic and social elites of the country”. Thus the Liberal Party, which had a federal view of the state, was based in the towns of Sucre and Potosí where the new mining elites resided, whereas the Conservative Party, which defended a centralized state and was dominated by traditional agricultural interests, had its stronghold in the capital city of La Paz. Centelles and Navarro (2003, p.315) find in this divide the beginnings of a political culture based on patronage, involving the allocation of certain jobs in the state apparatus for the members of each party and the use of the state to pursue the interests of the elites. We find thus a situation that, in light of the conceptual framework deployed above, presents us with some of the elements of an elitist view of the state, only that following my proposal of using fragmentation as a key tool to understand state theories, we find two elite groups with different interests, different conceptions of the state, and an implicit agreement to divide up the official positions available.

⁵ The two main events here are the Pacific War with Chile in 1879-1883, in which Bolivia lost its exit to the ocean, and the Chaco War with Paraguay in 1932-1936.

The 1930s brought about a loss of the relative importance of mining in Bolivia, alongside with the emergence of an incipient urban middle class (Centelles and Navarro 2003, p.315). These events, alongside the complete lack of access to the state of any group that did not belong to the elites, paved the way for the first of the two big political transformations that Bolivia experienced in the 20th century, the Revolution of 1952.

The Revolution involved the rise to power of the Movimiento Nacionalista Revolucionario (MNR) and the establishment of a new social pact aimed at the integration of hitherto excluded sectors (mainly workers and peasants), as well as an expansion of the penetration of the state in society and an increase in territorial integration (Matus 2003, p.136). Yet according to Matus (2003, p.136), the Revolution did not conclude some critical tasks for the consolidation of the Bolivian state. First, the capacity to control its territory, although expanded, was not completely achieved. The tax base did not increase and the state depended to a large extent from mining rents, thus effectively making it unnecessary to promote an economically dynamic society from which revenues could be extracted through taxation. Second, although the state apparatus increased in size, this derived in a decrease in efficiency, as the bureaucracy kept responding to the requirements of patronage networks instead of rationality. Finally, the incorporation of workers and peasants took place through corporatism and clientelism. Barreda and Costafreda (2003, pp.155-6) claim that the MNR purposefully attempted to reproduce the functioning of the Mexican PRI. Political representation took place through corporatism, mainly the Centro Obrero Boliviano (COB), the single union. However,

the MNR failed as, contrary to the case of the PRI in Mexico, it did not manage to keep the COB within and subordinated to the party. There was an agreement to share power between the COB and the MNR, which in fact meant that the MNR did not have to worry about opening to increased representation and could devote itself to state management. The role of the MNR in the Revolution (bringing universal suffrage, land reform, and nationalization of mines) and the agreement with the COB were enough to provide legitimacy (Barr 2005, p.78). However, clientelist and patrimonial relations within the MNR led to extreme factionalism and the reproduction of old patronage schemes, which in turn contributed to inefficiency in government action. The outcome of this was the discontent of military and economic elites, which led to the military coup of 1964 led by general Barrientos. Another period of successive coups and internal fights within the military took then place until the return to democracy in 1982.

Thus we reach the 1980s with a situation that, according to Barreda and Costafreda (2003, pp.157-8) was a combination of pre- and post-Revolution trends in Bolivia. Its main features were: 1) high level of social and political polarization leading to instability and lack of governability.; 2) a fierce fight to achieve power and impose institutional change by all actors. For hitherto excluded actors (workers and peasants) this took place through mobilization external to the political system. For other strategic actors embedded in the political system (military and civil elites), the fight took the form of actions institutionalized in the system, although helped by military coups whenever the situation became too opposed to their interests; 3) two key groups of institutions were in place. First, patrimonial and clientelist institutions

directed the relations between public and private actors with the state. Second, corporatist institutions were in charge of the relation between the state and society, with political representation taking place through membership in these institutions.

The second big wave of reforms and political transformations in Bolivia after the Revolution of 1952 began in 1985 and was triggered by an economic crisis that saw inflation rates of over 26,000% (Barr 2005, p.79). This wave of reforms had two different phases. The first had the form of a standard economic stabilization package (known as New Economic Policy) as mandated by the IMF and proposed in the neoliberal credo, and it was similar to analogous programs adopted by developing country governments in Latin America and other parts of the world. The second phase is the most interesting one for the purposes of this paper, as it attempted to overcome the weaknesses of the state that were inherited from the two previous periods and which were assumed to underlie the economic crisis. The terms in which this transformation, which started with President Sánchez de Lozada's *Plan de Todos* in 1993, took place correspond exactly to the features of the broader 'reform of the state' that was being promoted in all of Latin America as described in the quote by Restrepo above. In effect, according to Matus (2003, p.137), the goals of the reform were to integrate and incorporate the population through a multi-ethnic and multi-cultural conception of the state; increase state efficiency; and strengthen the traditional functions of the state.

The initiatives undertaken by the Sánchez de Lozada (1993-1997) and the Banzer (1997-2001) governments had a clear neoliberal feel, and represent an impressive

attempt because of their broad and deep reach, which implied a complete change of the way the state was conceived and operated. As Barr (2003, p.70) claims, these were “some of the most radical and innovative political reforms in Latin America”. Of the many initiatives taken I will briefly explore those on participation and decentralization, and the sectoral regulatory system, because of their importance in understanding the fragmentation of the state on which I have been insisting and the water policies that will be explored in the next section.

In 1993 the government of president Sánchez de Lozada put forward the Law of Popular Participation and the Law of Administrative Decentralization, which involved a complete restructuring of the state administration. Bolivia had been until that point a very centralized state. In fact, besides the central government only a few big towns organized as municipalities functioned as a distinct level of government. The new law involved a municipalization of the state. 311 new municipalities were created with an array of competences being transferred to them, as well as 20% of the tax revenues raised by the state (Barr 2004, p.82; Centelles and Navarro 2003, p.319). The mayors were to be directly elected by the population for five years (before they were appointed), and the municipalities were given significant control of local resources and decisionmaking and, most notably, a direct role in municipal government was granted to civic organizations in order to bolster local representation (Barr 2004, p.82). There are thus only two levels of government in Bolivia, the central and the municipal. In between the two there is a coordinating level at the department scale (Bolivia is divided in 9 departments), the prefecture, which consists of the appointed delegate from the central government,

the prefect, and the departmental council, in which the prefect sits with one representative from each province elected by the municipal authorities of that province (Centelles and Navarro 2003, p.326). Despite its complexity the new structure was operational within a year from the passing of the laws. However, there were problems too. Regionalist groups like those based in the department of Santa Cruz (where there is a strong movement for increased autonomy) criticized the law for avoiding completely the departmental level and only taking municipalities into consideration, and their mobilization led to reforms in the law that, according to Barr (2004, p.82) “muddled the roles and responsibilities of regional and local governments and gave excessive discretionary powers to the presidentially appointed departmental prefects.” Centelles and Navarro (2003, pp.342, 344) also mention that decentralization did not overcome the problems of clientelism and patronage, as these are now also present at the municipal level, and that some of the newly created instances of coordination and planning do not work for lack of resources and capacity.

Prats (2003) describes another of Sánchez de Lozada’s initiatives, the system of sectoral regulation (SIRESE). The rationale for the SIRESE is totally congruent with the principles of state reform and neoliberalism described above. The starting point of the need for the SIRESE lies in the liberalization of the economy, which in turn involves the privatization of state companies. If the state privatizes public enterprises and has to keep away from direct management, it needs to set up a system to regulate the activity of the newly privatized firms which are in charge of some sectors of key public interest. In this sense, “[t]he key goal of the sectoral

regulatory system is to correct the imperfections of the market through the promotion of competition wherever possible or its simulation in those sectors where competition is not possible.” (Prats 2003, p.409). The SIRESE works is organized as a series of independent institutions called superintendencies. There is a general superintendency that oversees the whole system, and five sectoral superintendencies dealing with hydrocarbons, electricity, telecommunications, transportation, and basic sanitation (which takes care of water issues) (Prats 2003, p.410). Each one of these superintendencies is autonomous in its task to regulate its sector, and its main functions are: granting rights, promoting competition, sanctioning service rates, verifying that the firms see their obligations, and dealing with user complaints. Following the recommendations of international organizations, the SIRESE is funded from an autonomous source, the regulation fee, which charges 1% of the gross income of all regulated firms (Prats 2003, p.410).

Prats (2003, pp.433-437) discusses the status and effects of the new regulatory system, and although he stresses the successes of such a radical change, he also identifies a series of significant weaknesses. First, despite the supposed autonomy of the superintendencies, they are part of the executive branch of government, and they are pressured not only by the regulated firms but also and very strongly by politicians. There is still a strong culture of political interference in management which has not been overcome by the new institutional setting, and there also seems to be a certain confusion of how tasks are now divided between the executive (ministries) and each superintendency. Second, there is a lack of

capacity in the superintendencies, both because of a lack of clear and specific legislation about what it is that should be done in regulating, and because of a shortage of trained professionals. Third, there is no 'regulatory culture' in Bolivia. Consumers are not organized and do not know how to interact with the superintendencies in order to address grievances, which hampers their performance. Finally, there is not enough legislation and experience about what competition is and how it should be promoted. The result has been that in several occasions some of the regulated firms have managed to engage in abusive practices.

Having reviewed the characteristics of this second wave of neoliberal reforms in Bolivia, it is now important to explore its outcomes. There are two main points to emphasize here. The first one has to do with the fact that, despite all the reforms, most of the deeply entrenched problems of the state that I encountered in reviewing the evolution of the Bolivian political system throughout history are still in place. Thus the problems of patronage and clientelism in the public sector are still pervasive in the country, and Centelles and Navarro (2003, p.342) also tell us that these problems are prominent at the new municipal level as well. Barr (2005, p.81) reminds us that patronage is a key element in state employment, which results in a lack of efficiency:

most staff members in the executive ministries are political appointees. As a result, turnover of administrative staff is very high. Political jostling and the resultant modifications to the governing coalition bring about frequent changes to

huge portions of the national bureaucracy. Without a merit-based civil service system, considerations of professionalism and efficiency do not necessarily hold the same significance as party loyalty in the operation of the bureaucracy.

Thus we find here a connection between the weaknesses of the bureaucracy and the party system. Centelles and Navarro (2003, p.342) argue that political parties are highly centralized, which makes local leaders (many times co-opted from civic organizations) to be more responsive to the party apparatus than to their constituencies. The presence of 'caudillismo' is compounded with the very little ideological component of Bolivian parties, which also contributes to clientelism and patronage (Barreda and Costafreda 2003, p.193).⁶ Prats' (2003, p.403) argument about this is that if the government wants to obtain foreign aid and create a framework of stable policy that generates confidence it has a very narrow range of policy choices available, as these are determined by foreign actors. The outcome is that "the civil administration becomes the perfect political market where legislative support to the policies is negotiated and paid for." (Prats 2003, p.403). This is emphasized by the existence of coalition governments and fragmentation in the bureaucracy, as well as by the problems of coordination between levels of government brought about by the new decentralizing process (Barr 2005, p.82).

⁶ Camacho (2004, p.52) is appalled by the fact that some prominent politicians have held important positions in the most contradictory governments.

All these factors, to which serious financial shortcomings should be added, lead to the conclusion that Bolivia still has weak state institutions and a lack of capacity in an increasingly competitive world (Barr 2005, p.81).

This brings me to the main second outcome of the neoliberal reform process, which has to do with the relationship between the state and society. This is now characterized by strong contestation and mobilization, to the point that Barr (2005, p.70) claims that Bolivia finds itself in a “virtually continuous cycle of protest”. The post-Revolution corporatist settlement stopped working in the 1980s with the neoliberal reforms and the loss of status of the COB, and this in turn led to a crisis of representation as the popular sectors did not have an alternative channel to access the state. In this context, formal democratization and the participatory and decentralizing reforms did not provide a solution to the crisis of representation, in fact they exacerbated it. Barr (2005, p.70) claims that the reforms raised popular expectations to a point that could not be met by the state. Hence the original imbalance between social demands and state capacity was “exacerbated by the very attempt to correct it.” Obviously, the problems of public sector management and the lack of clarity about responsibilities among different levels of government did not contribute to improve the situation.

The main problem in this respect seems to be the fact that the reforms concentrated on the administration but did not touch the system of political representation through political parties. The three main traditional parties in Bolivia – Movimiento Nacionalista Revolucionario (MNR), Acción Democrática

Nacionalista (ADN), and Movimiento de la Izquierda Revolucionaria (MIR) started at very different points in the political spectrum, but now they have converged towards the neoliberal dogma (Barr 2005, p.73). Their inability to differentiate themselves and to address the problems of the population are the factors that have triggered the high level of mobilization that the country is currently experiencing. However, they have also provoked the emergence of several populist, small parties, in many occasions linked to specific ethnic groups, which run on an anti-neoliberal platform. Some of these parties are now major political players in the country, as coca grower Evo Morales' second position in the last presidential election clearly shows.

Thus the analysis of the Bolivian state has shown its fragmentation and disconnection from the citizenry, as well as its ongoing management problems despite the neoliberal reforms of the 1990s. I will now move on to study the water sector and water policies in Bolivia.

Water Policy in Bolivia

An exploration of water provision in Bolivia begins with the realization that, congruently with the weakness of the Bolivian state and given the lack of a concrete set of policy recommendations about water provision during the first international water regime, there was no coherent and encompassing policy during most of the country's history. Until very recently Bolivia's water sector has been regulated by a Water Law passed in 1906. Although Barragán et al. (1998, p.51) present it as a modern law, it basically dealt with property rights in an attempt to

regulate the relationship between the water resource and the property of the lands where water could be found, and to establish who had the right to access it and use it. The Law does not contain any information about how water should be managed, and thus in accordance to the local character of water provision it was at the local level that decisions on water supply were taken in an ad hoc manner. Following the nature of the first international water regime, which involved the uneven diffusion of a discourse about the role of the public sector and the importance of water for health and hygiene, local authorities played a key role in the provision of water, but the specific ways in which this was done varied from place to place.

Throughout the 20th century other sectoral laws were passed which had implications for the water sector, such as laws on mining, hydrocarbons, electricity, and agriculture (Barragán et al. 1998, p.59-62), but in all cases they were concerned with the use of water for each of these activities, and they did not affect how potable water provision was performed.

The situation began to change in the 1970s with the advent of the second international water regime. Pressure from the international public sector on developing countries to regulate the water sector at the national level spurred parliamentary attention to the water sector. However, given the degree of fragmentation and the political and economic turmoil of the 1970s and 1980s in the country no consensus was reached. Bustamante (2000) tells us that since the

1970s there have been 32 proposals to pass a new water law in Bolivia, although many of them did not even make it to the Congress to be discussed.

It was not until the 1990s when the coincidence of the emergence of the third international water regime, the neoliberal turn both nationally and internationally, and the state reform project in Bolivia, that specific initiatives involving the water sector began to coalesce. In 1992 the new Environment Law, which was supposed to be the backbone of subsequent laws on particular resources, was passed. The initiatives on participation and decentralization discussed above, as well as the new Constitution, also set the (neoliberal) limits of what the new water law had to be (Bustamante 2000).

While this process of national regulation in the water sector was slowly advancing, water provision in practice was being organized as always before, in an ad hoc manner at the local level. Most big towns in Bolivia had systems in which either local authorities or consumer cooperatives provided potable water (Mattos and Crespo 2000, p.71), whereas in the countryside it was common to find community-based initiatives in charge of water provision (Bakker 2003, p.338). However, it is important to note here that, in the same way as I mentioned above that the state did not reach every point of Bolivian society, not even in urban centers do water provision systems reach all the population. Table 1 shows how in 1997 less than 50% of dwellings in Bolivia had piped water delivered inside the house, and in the rural areas almost one quarter of all households had the closest clean water source more than 15 minutes away.

Table 1: Potable Water Coverage in Bolivia (1997)

Source of potable water	Urban area (% of dwellings)	Rural area (% of dwellings)	Total (% of dwellings)
Tap inside the house	47.0	6.5	31.9
Tap in the building	40.4	23.9	34.2
Tap outside	5.7	13.6	8.6
Well	3.0	23.5	10.6
River, lake, etc.	0.4	30.3	11.5
Delivery truck	2.6	0.1	1.7
Other	1.1	2.2	1.5
Water source within 15 minutes	98.9	76.7	90.6

Source: Mattos and Crespo 2000, p.78

This points to the existence of a variety of community-based arrangements that the population had to develop in order to obtain clean water wherever public systems did not arrive (Assies 2003, p.17).

How was this situation affected by the changes of the 1990s? Several analysts (Bustamante 2000; Mattos and Crespo 2000) affirm that, in accordance with the processes described above, the proposed regulatory changes in the water sector in Bolivia were driven by external actors, particularly international organizations and bilateral development cooperation agencies. This is consistent with the form of the third international water regime as described above. The first concrete outcome of this process was Law 2029 of Potable Water and Sewerage, which was passed by Congress in 1999. This law contained a clear neoliberal feel as it introduced a regime of concessions (for 40-year periods for towns with more than 10,000 inhabitants) and licenses (for 5-year periods for everywhere else) for water provision that could be granted to any institution with legal status. However, Assies (2003, p.17) argues that “the conditions for granting concessions clearly favored

the formation of large enterprises that functioned according to market criteria.” Concessions were to be granted by the newly created Superintendency of Basic Sanitation. The law also established a rate structure based on criteria of neutrality, solidarity, redistribution, simplicity, transparency, economic efficiency, and financial sufficiency, although in case of conflict the latter two were to take preeminence (Assies 2003, p.18). Another aspect of the law was that it stipulated that concessionaires would have “exclusive rights over the concession area, which meant that existing local organizations such as cooperatives or neighborhood associations would be forced to enter into contracts with the concessionaires” (Assies 2003, p.17). The new law also determines the competences in water regulation, supervision and planning for the different levels and institutions of government (Prats 2003, p.420)

In sum, the new law established a new role for the public sector as regulator of water services, whereas the services themselves were to be performed by external actors, mainly private corporations. Water management was to follow the principles put forward in the third international water framework, that is, water should be seen primarily as an economic good that has to be managed efficiently (Bustamante 2000).

According to Bustamante (2000) the system of concessions was understood as part of the process of promotion of participation in the country. However, it seems that Law 2029 was the result of a government initiative with almost inexistent input from societal actors. Similarly, the concessions and licenses are granted by the

Superintendency, with no role for local governments and users in the decision-making process (Assies 2003, p.18). It seems that the speed with which Law 2029 was presented and processed through Congress responded to the need to legalize the contract with the private, foreign-dominated consortium Aguas del Tunari,⁷ by which it was agreed that this company would provide water services to Cochabamba, the second largest town in Bolivia (Assies 2003, p.17). The case of privatization of water provision in Cochabamba gave place to a high level of popular mobilization that ended up forcing the withdrawal of Aguas del Tunari, the reversal to public provision of water in the town, and the modification of Law 2029. The case, widely known as the Water Wars, has been extensively studied in the last few years (see Olivera 2004; Assies 2003; Bakker 2003), thus I am not going to review it extensively here. However, it is interesting to use it as an illustration of the nature of water provision and state functioning in Bolivia in the late 1990s and early 2000s.

As described by Assies (2003, p.21), the concession of water provision to Aguas del Tunari was the product of a very non-transparent process. The Bolivian government put the local public water provision enterprise, SEMAPA, out to bid. Although there were several parties initially interested, they soon raised concerns about viability and profitability, which led the government to modify its conditions to make them more flexible. At that point only Aguas del Tunari showed interest, but instead of starting a new round of bidding with different conditions the government

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The consortium's shareholders were Bechtel, Abengoa and some national enterprises. The capital was 50% British, 25% Spanish and 25% Bolivian (Assies 2003, p.35, fn.5)

negotiated directly with the international consortium, effectively granting it a high degree of negotiation power. The government passed a decree authorizing the signing of the contract in June 1999, and the signature itself took place in December of that same year, the same month for which local elections were scheduled. By that time the contract and the new Law 2029 had already raised a lot of opposition and controversy, as local organizations feared high water cost increases and were opposed to the monopoly the contract granted Aguas del Tunari, which effectively ignored the large extent to which local and community initiatives had been developed wherever public water provision did not arrive.

The problems and complexities of the Bolivian state described above play a key role in all this process. For instance, we find a profusion of intervening actors and a lack of clarity about their responsibilities. The day the contract with Aguas del Tunari was signed President Banzer was present, as well as several ministers, the mayor of Cochabamba, the head of the Civic Committee (a departmental institution dominated by the local private sector), etc., all of them endorsing the initiative. However, as the local elections took place and water price hikes of over 40% in the first two months occurred, some of the actors, such as the mayor, reneged of the contract and blamed other authorities for the outcome (Assies 2003, pp.22-23). The messiness in the process towards giving the concession to Aguas del Tunari also seems to reflect problems of lack of transparency and accountability, and maybe even corruption. The fact that the concession itself was seen as an expansion of participation, but it was awarded by the government without effective input of any of the actors affected by the measure is very telling of

the weaknesses and perversions of the system. This conflation of issues and players probably was another factor why mobilization against privatization of water provision in Cochabamba sparked general protests against the government and other policies to such a large extent that the government had no other option but to accept almost all of the demands of the protesters. The specific outcome in the water sector was that, although when Law 2029 was passed the government expected that 41 towns across the country would see their water provision systems privatized, today only one case, that of La Paz and El Alto, is in place, and it also presents a number of problems that question its future viability (see Crespo Flores 2004).

Conclusions

The study of water provision in Bolivia has allowed me to see how the more general problems of the Bolivian state are played out in a concrete case. The fragmentation and messiness of the state that I posited in my conceptual framework play a central role in the understanding of the Bolivian state that emerges from the case of water provision. The weakness of the state and its dependent geopolitical position has also been seen in the adoption of foreign-induced neoliberal policies which have had a clear impact in the water sector. It is possible to trace the failure of the implementation of such policies to the combination of state weaknesses that have been pervasive throughout the history of Bolivian politics and the adoption of a model that does not take into account any of those weaknesses and their implications for society.

Yet beyond these general points it is possible and necessary to use the case of water policy in Bolivia to draw more concrete theoretical insights about the adoption of the neoliberal model in a state with the characteristics of Bolivia. Bakker (2003) describes the water provision situation in Bolivia as an archipelago, implying that the state does not have a pervasive presence in the country and thus public water provision initiatives do not reach all places and people. The study of water provision policy exemplifies the dual process of roll-back and roll-out neoliberalism described above, yet it proves that the nature of each part of the process is very different from the other and, what is even more interesting, that in the case of Bolivia the reach of each of these subprocesses is different. In other words, in a context where the state has not completely penetrated society, the process of deregulation and reregulation is not simply one of institutional change, but it also affects the extent of the reach of the state.

However, the argument I am making is not just the counterintuitive claim that the state is increasing its reach and penetration of society through neoliberalism. We also have to take into account what the nature of that reach is. Moving from management to regulation involves a reduction in the intensity of state action, and at the same time the opening of a space for the introduction of other actors who are now going to perform management activities. Going back to the specific case of water provision in Bolivia, what we see is that, because the state did not directly provide water services to a significant proportion of the population, there were many low-scale private as well as cooperative and community initiatives that had developed to perform the role left out by the state. Yet with neoliberalism, the dual

process of deregulation and reregulation modified the reach and nature of state action. In the zones where the state was providing water this implied a change of property in the same sense that privatization can be understood in countries where the state reaches all sectors of society. Yet in those areas not reached by the state water activities, neoliberalism involved an intrusion of the state to bring low-scale private and cooperative initiatives to the hands of other large-scale private actors. Bakker (2003, p.339) writes that privatization in the global South involves industrialization, corporatization, and internationalization, and these three trends are precisely what we see in the process that I just described. All of a sudden those populations who had developed their own initiatives to have clean water saw the imposition of foreign corporate actors with an industrial approach to water provision. It could be argued that this in itself is not necessarily negative if, in fact, it manages to provide a better service at a lower cost which follows the priorities of the receiving population. But the fact is that the outcome in Bolivia was one that increased the cost of water, did not radically improve service provision and the expansion of connections, and not only did not allow participation of the population in decision-making, but forced them to enter into contracts with Aguas del Tunari even when they had alternative functioning ways of obtaining clean water. In this context, the popular reaction that led to the water wars is not hard to understand.

The evidence of water provision in Bolivia thus calls for a rethinking of the impact of neoliberalism and privatization in developing countries. It also forces us to see neoliberalism under a new light. It is very often sold in terms of promotion of efficiency through the private sector, but once its imposition does not imply the

substitution of the public sector by the private sector, but that of a small-scale, locally owned private sector by a foreign-operated large scale private sector, the rationale for neoliberal initiatives suddenly loses grip and begins to look more like a mere promotion of the interests of big corporations. In any case, these insights need to be developed in further research in different countries and different sectors, as it is not clear that the particularities of water and water provision described above make this a case whose experience cannot be transposed to other contexts.

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