

Case Studies of the 2005 Seed Award Recipients

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Agua Para Todos – Water for All

Full Version



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For a short version of this case study, please consult the Seed Initiative Partnership Report 2006 "Partnerships for Sustainable Development: On the Road to Implementation" at www.gppi.net/partnershipreport.

Agua para Todos – Water for All

Agua para Todos is a partnership between local communities, the municipal water provider, a commercial enterprise that designs and constructs water distribution systems, and two micro credit providers in Cochabamba, Bolivia. The goal of the partnership is to provide households in the southern part of the town that are not yet connected to main water pipelines with access to potable water at an affordable price. In doing so, the partnership has found a promising middle ground in the controversy over public goods provision.

BACKGROUND

In 1996, Ismail Seregaldin, Vice President of the World Bank, predicted that the wars of the 21st century would be over water. Water, it was said, would be the new, blue gold. For many, a first indication of this phenomenon were the so-called “water war” that took place in the Bolivian city of Cochabamba in 1999.

The water and sewer systems of Cochabamba – Bolivia’s fourth largest city – were privatised to *Aguas del Tunari* in late 1998, when the IMF made water privatization a condition of a US\$138 million loan to the Bolivian government. Following privatization, the policy of publicly subsidizing water was ended and water prices were pegged to the American dollar. As a result, water rates increased significantly – activists claimed by over 200%.

Price increases and rumours that *Aguas del Tunari* would take possession of all small, privately-owned water networks caused dissatisfaction with *Aguas del Tunari* to escalate in January 2000. During the course of the next few months, Cochabamba was rocketed by strikes and demonstrations. When the protests turned violent, Bolivian President Banzer declared martial

law. The army intervened and over 170 were injured and one protestor was killed.

To end the unrest, the Bolivian government signed an agreement with the leader of the demonstrations on April 10, 2000. It promised to terminate its contract with *Aguas del Tunari*, to repeal the water privatisation legislation and to grant control of municipal water supply to SEMAPA, Cochabamba’s previous water supplier. In 2002, SEMAPA was re-established as a municipal public entity and it was granted a 40-year concession by the national regulator (SISAB). The concessionary contract sets forth that tariff structures should be designed in a manner to protect low-income users.

CREATING THE PARTNERSHIP

Meanwhile, residents in Cochabamba were faced with a continuing problem: how to supply residents with low-cost potable water, particularly those people in the poor, southern suburban areas who were cut off from any pipeline access. Water in these suburbs was bought from commercial water trucks at an average price of US\$ 2.50 per cubic meter. At an average consumption of 35 litres per day, this amounts to

US\$ 2.60 per person per month. The water was stored in family-owned barrels – yet these were frequently rusty, which diminishes water quality and poses health risks.

Actors and Interests

Water Committees

A natural rallying point for Cochabamba citizens were the so-called “water committees”, community-based institutions organising local water supply. Water committees had been particularly active outside Cochabamba’s municipal concessionary area, where communities stood no chance of receiving water services. Increasingly, unconnected communities within the concessionary area also formed water committees. The position of the committees was strengthened in a new water law, *Ley de Saneamiento Básico*,¹ which was passed in April 2000. It recognises self-organised community organisations, such as the water committees, as legal water service providers.

Agua Tuya/Plastiforte

One organisation offering the water-related services water committees were looking for is Agua Tuya/Plastiforte. Agua Tuya/Plastiforte is a Cochabamba-based, commercial enterprise that designs and builds water supply networks and offers training in their management and maintenance.²

¹ Law No. 2066 – available at www.aguabolivia.org

² Plastiforte (15 technical staff) is the pipe manufacturer; Agua Tuya (3 staff) develops projects with local communities to install and finance water system projects; Optimisa (legally, one staff) is an engineering consulting company. Together, the three

Plastiforte had been working with water committees to develop community-based water distribution systems since the 1980s; Agua Tuya was created in 1998 to intensify this work.

Such distribution systems are not linked to Cochabamba’s central water distribution network. Instead, communities rely on commercial trucks to supply their communal storage tanks with water. The communal water distribution network then supplies the households within a community with water. Since water providers can deliver in bulk, the cost of water for the community is cut by 50%. It also enables communities to better control water suppliers and water quality, for example through chlorination.

Perceptions of water as a ‘free good’ run deep in Bolivia. “The key distinction between Agua Tuya’s involvement, and that of Aguas del Tunari”, explains Gustavo Heredia, the company’s CEO, “is that Agua Tuya is not making a profit out of *selling* water. Rather, we are making a profit from a one-off intervention of system construction and pipes sales.”

Micro finance institutions

Water committees working with Agua Tuya/Plastiforte had often encountered a problem financing the pipes, design, construction, and

companies form the umbrella brand “Grupoforte” (which has no legal status of its own). Grupoforte offers the full range of services. The projects “borrow” staff across the three groups, depending on need. However, the Agua para Todos partnership draws only on staff from Agua Tuya and Plastiforte. Therefore, the case study refers to the company as Agua Tuya/Plastiforte, unless one of the individual companies is meant specifically.

installation. Various means of providing credit to communities had been tested: loans from a private bank, later from a private community financing foundation, and finally, through “shared risk” micro credits provided by two non-profit foundations promoting regional development: CIDRE and Pro Habitat.

SEMAPA

SEMAPA is the official municipal water supplier of Cochabamba. A major problem of a purely local, uncoordinated approach to building water systems is that it would complicate SEMAPA’s efforts at linking them up to its main water supply lines. Coordination with SEMAPA, to ensure both the company’s awareness of these networks and their technological compatibility with SEMAPA mains, was therefore important to ensure the long-term viability of local distribution networks.

Linking the individual water distribution systems to the SEMAPA mains is an attractive prospect for the communities as it can reduce the cost of water to US\$ 0.25 per cubic metre.³ SEMAPA also stands to benefit: “In the medium term, when we reach these areas with our main lines, we will obviously benefit from ready-made and up-to-standard secondary networks”, says Ricardo Alaya, general director of SEMAPA.

A division of labour along these lines is attractive to SEMAPA as well:

³ This is lower than the rate charged to individual households linked to SEMAPA’s network. But one has to keep in mind that communities will have to charge an additional fee for maintaining and operating their water distribution systems.

SEMAPA lacks the investment capacity needed to build both main water supply lines *and* the secondary water distribution networks and household connections. SEMAPA’s situation was further complicated in July 2004, when its concessionary area was increased from 5,000 to 15,000 hectares.⁴ Average cover in that area is currently 46% for water supply and 49% sanitation. If local communities build up-to-standard secondary networks at their own expenses, SEMAPA can prioritise expanding the main water distribution lines into the poorer, southern regions of Cochabamba.

The idea for a partnership was borne from the recognition that the current situation needed to be addressed: First, communities required assistance in the financing as well as training in the construction, management, and maintenance of water distribution systems. Second, the gap between two traditionally antagonistic camps – local communities and SEMAPA – needed to be bridged so the groups would coordinate their activities and stand to benefit from each others comparative advantages and expertise.

Issues and Negotiations

In early 2002, Gustavo Heredia of Agua Tuya/Plastiforte approached SEMAPA’s CEO, Gonzalo Ugalde, about the prospects of pursuing cooperation in the form of a partnership: *Agua para Todos* (Water for All). Ugalde was interested: In its concessionary agreement, SEMAPA is granted the right to choose institutional arrangements for water provision freely, as long as water

⁴ This was a condition of US\$14 million Inter American Development Bank loan.

quality and expansion goals are met. Accordingly, SEMAPA can cooperate with the private sector, NGOs, and community groups to provide water and sanitation services.

Within SEMAPA, some had qualms about cooperation with water committees because some build sub-standard systems that do not comply with SEMAPA norms, and therefore need to be re-constructed when they are connected to SEMAPA's mains.

However, Gustavo Heredia recalls that Gonzalo Ugalde was very open-minded about pursuing cooperation and defended the "experiment" within his company. Following several meetings between Gustavo Heredia, Gonzalo Ugalde, Juan José Salinas (the head of SEMAPA's office for southern Cochabamba), and Stefan Seidel (SEMAPA's German technical advisor), Agua Tuya and SEMAPA signed a bilateral cooperation agreement in October 2004.

The construction of water distribution networks is costly, and therefore Gustavo Heredia sought to draw the two micro credit providers, Pro Habitat and CIDRE, with whom Agua Tuya/Plastiforte had previously cooperated, into the partnership. Founded in 1993, Pro Habitat is a non-profit Bolivian foundation focused on improving housing and shelter, including the provision of "basic services". Pro Habitat was interested in continuing its work with Agua Tuya/Plastiforte, and welcomed SEMAPA's participation. Following a meeting between Agua Tuya, SEMAPA, and Pro Habitat, Pro Habitat signed bilateral contracts with Agua Tuya and with SEMAPA (both in November 2004).

The second micro credit provider is CIDRE, a non-profit foundation promoting regional development through micro-credits and capacity building. CIDRE began working with Agua Tuya and individual water committees in 2000 (following the water war) through two main modalities: Shared-risk loans with equal funding by CIDRE and Plastiforte or direct micro-credits. CIDRE welcomed the opportunity to continue its activities with Agua Tuya and the water committees in the partnership framework. As CIDRE sees its role as a provider of financing for individual projects, it did not deem it necessary to sign any 'broader' partnership agreement. Instead, the foundation would communicate and collaborate with the *Agua para Todos* partners and individual communities on a case-by-case basis.

The fact that *Agua para Todos* engages two micro credit providers has not been perceived as a problem by either organisation: They had both worked with Agua Tuya previously, and in separate regions. CIDRE is a larger organisation with more experience in offering credit. Pro Habitat, though it has a much smaller lending portfolio, has very strong experience in community work. Because the need for micro-credits is large, there is no conflict or competition between CIDRE and Pro Habitat for projects.

Gustavo Heredia also tried to get water committees involved in the partnership on a more formal basis than the individual, case-by-case contracts. This did not prove to be easy, in part because there are two different mechanisms by which water committees are formed:

First, there are to so-called “water associations”; communal organisations who came together (including well before the water war) to work on constructing and managing water distribution networks in their communities. The umbrella organisation ASICA-Sur represents some water associations in negotiations with SEMAPA and the municipal government on such issues as the bulk purchase of water. But ASICA-Sur is not fully representative since only 30 of the approximately 100-150 water associations in southern Cochabamba are members. Therefore, no agreement was signed that made ASICA-Sur an “official” partner within *Agua para Todos*. However, periodic meetings were held to discuss how ASICA-Sur could take on a follow-up and support role for water distribution systems built through the *Agua para Todos* partnership.

The second mechanism for forming water committees is through the *Organizaciones Territoriales de Base* (OTBs). OTBs offer an institutional framework for local participation in governance that is unique to Bolivia. The approximately 12,000 OTBs in Bolivia are defined by geographic area and must register with the municipalities. OTBs identify priority community needs – one of which may be water and sanitation services – and can apply for funds from the municipality. The OTBs do not, as of yet, have a formal umbrella organisation representing them.⁵

⁵ More on OTBs: www.ispnet.org/Documents/bolivia.htm. An English-language summary of the law establishing OTBs (Popular Participation Law N.1551/94, modified by Law 1,702/96) can be found here: <http://topics.developmentgateway.org/civic/rc/filedownload.do~itemId=403325>.

Outcomes and Designated Responsibilities

The partnership designates responsibilities as follows: At the request of either water associations or the OTB water committees, Agua Tuya/Plastiforte builds water distribution systems for local communities in those suburban areas of SEMAPA’s concession area that are not connected to main pipelines. The cost of constructing the distribution systems is paid by the users themselves, using the micro-credit provided by either Pro-Habitat or CIDRE. The micro-credit, usually offered at a 12% interest rate, allows users to pay for the cost of constructing the system in monthly payments of approximately US\$ 10 for a period of 12 months.

The construction of the water distribution systems is coordinated with SEMAPA: SEMAPA approves the Agua Tuya/Plastiforte designs before construction begins and it receives the GMS coordinates of the water networks that have been built. This allows SEMAPA to plan ahead in building main water pipelines and, consequently, to optimise its future investment. SEMAPA plans to expand its network to access water distribution systems located close to SEMAPA’s mains. Communities located further away from the mains will be supplied with bulk water by SEMAPA.

The water committees, in turn, manage their communal water distribution systems and will create small enterprises entrusted with management and maintenance. In those communities in which the *Agua para Todos* partnership is constructing water distribution systems, Agua Tuya/Plastiforte

provides technical training to the water committees and a local plumber or other apt person in the management and maintenance of the network. Pro Habitat offers educational training on efficient water use, water quality standards and hygiene. It is hoped that this knowledge will be passed on within communities, for example, as plumbers train their apprentices. SEMAPA hopes, in the future and conditional on funding, to create a "school" for water issues, which will convey technical expertise.

Water committees interested in working with the partnership are given the opportunity by Agua Tuya/Plastiforte to consult with and inspect the distribution systems of other communities. Another outreach effort are SEMAPA's water fairs, which the company regularly organises in poor neighbourhoods of Cochabamba. At these fairs, SEMAPA, Agua Tuya/Plastiforte, and water committees inform local civil society of their ongoing and future work.

DEVELOPING THE PARTNERSHIP

Activities since the Partnership's Inception

Water distribution networks serving approximately 1000 households within the SEMAPA concessionary area have been built in the context of three pilot projects. The projects were implemented with the combined efforts of the water committees, Pro Habitat, and Agua Tuya (but as of yet without the formal involvement of SEMAPA).

The first of these, a communal water distribution network in southern

Cochabamba's Barrios Unidos, was completed in December 2004. The system serves 120 households (1,000 people) with round-the-clock water services at 50% of the previous price. A further pilot project was completed in the SPR and another in the Alto Pagador district.

In Alto Pagador, community members had heard about Pro Habitat's loans, and Pro Habitat subsequently established contacts with Agua Tuya, suggesting that the water distribution system be built through *Agua para Todos*. The Alto Pagador water distribution network was completed in August 2005 and services 420 households at a cost of US\$ 125 per family. The system was financed by means of a US\$ 47,000 loan from Pro Habitat, which is being paid back over the course of eight months.

During the course of the project, Pro Habitat conducted three workshops with the community: An orientation workshop on financing and the loan process; a good practice workshop that provided information on the hygienic use and handling of water; and a workshop on the rules and regulations of setting up and running a water committee.

The community currently pays US\$ 0.80 (Bs 6.7) per cubic metre to a private bulk vendor, Aguateros. Community members are charged US\$ 1.25 (Bs 10) per cubic metre or half the cost prior to construction. The difference in price covers administrative costs and builds a capital replacement fund for future maintenance and repair expenses.

A current round of projects is being implemented with the "full" *Agua para Todos* partnership model – i.e.

with the active involvement of SEMAPA. These are projects in Ticti sur (completed in November 2005), Salvador Autoticti, Central Itocta, El Jardin (all commenced in November 2005), and Barrio Universitario (application is currently being processed by the Alcaldía). In addition, over 20 applications are currently under review for future implementation.

The partnership has as its current (May 2006) plan to connect around 17,000 households (or 75,000 people) to the SEMAPA water system within the next five years. This amounts to 25% of SEMAPA's growth goals and about three times the current rate of the partnership's work. *Agua para Todos* has sufficient capacity for this level of activity if *Agua Tuya* employs additional technicians to install the water systems and to train community members in construction, maintenance, and administration.

New Partners

The SEED Award has generated a lot of attention, both locally and internationally, for the partnership. This has had many benefits: Gustavo Heredia notes that it has made SEMAPA take *Agua Tuya/Plastiforte* and the partnership as a whole more seriously. Also, many more communities have approached the partnership, hoping to build water distribution systems with *Agua para Todos*. On the other hand, there is the danger of moving too fast as a result of the attention the SEED award has brought. There is a real need to consolidate the partnership and to ensure that the first few *Agua para Todos* projects are successful, so that the partnership's credibility is not lost.

Particularly since winning the SEED Award, the partners have been approached by further organisations wishing to become involved in the project:

The first of these is the Municipal Government of Cochabamba (the Alcaldía). The Alcaldía approached the partnership in late 2003 offering to support *Agua para Todos* projects through its *Participación Popular* funds. The *Participación Popular* system allocates 20% of the national tax income to municipal authorities based on population size. In 2005, Cochabamba received US\$ 11.3 million (Bs 91 million); in 2006 it will receive US\$ 13.1 million (Bs 105 million). Parts of that money will be made available for water and sanitation systems and infrastructure development.

Following bilateral meetings with the *Agua para Todos* partners, *Agua Tuya* and the Alcaldía signed a cooperation agreement in May 2005. The agreement sets out that OTBs that have prioritised water projects in their development agendas may apply for *Participación Popular* funds and invest them in *Agua para Todos* projects. The Alcaldía also provides oversight and monitoring of the projects it is financing through feasibility studies, the verification of technical aspects and monitoring of the construction process. With this municipal support, the cost of constructing a water distribution network will be reduced by approximately 20%. This should make it easier for communities to gain access to and participate in the partnership.

The second new partner is UNDP Bolivia. The Seed Initiative contacted

Jairo Escobar, an officer at UNDP Bolivia, about *Agua Para Todos*. UNDP's contribution to the partnership will focus on the transfer of municipal funds to private sector entities.

Currently, companies have to provide large capital deposits to gain project funding. In addition, public funding usually requires public bidding processes which take at least two months and would have no guarantee that Agua Tuya/Plastiforte would win the bid.

UNDP Bolivia is now developing a mechanism for the holding and transfer of municipal funds (mainly the *Participación Popular* funds), which overcomes these hurdles and increases transparency at a cost of 3.5% of the total fund value. UNDP would thus be able to transfer municipal funds to OTBs engaged in *Agua para Todos* projects.

In July 2005, Agua Tuya, SEMAPA, the Alcaldía, and UNDP signed a multilateral agreement that set out their respective roles in the funding process. The Alcaldía is currently waiting to transfer around US\$ 50,000 (Bs 400,000) to UNDP for new *Agua para Todos* projects. Unfortunately, this process has been delayed – both due to a personnel change within UNDP and because UNDP's financial transfer mechanism is not expected to be completed until early 2006.

In addition, UNDP has expressed a willingness to contribute to the partnership by supporting and building the Alcaldía's capacity with respect to developing action plans, processing OTB applications, developing a monitoring system, and assisting with identifying project

staff. Finally, UNDP may be able to finance certain technical assistance inputs for the partnership from its own funds.

Challenges

The partnership has also encountered a number of challenges, some of which have been resolved, and some of which still require resolution:

One challenge has been finding an entity to permanently represent water committees within the partnership's decision-making structures. The reason for this has been discussed: ASICA-Sur is not truly representative of water associations. The OTBs and their water associations have the advantage that they are the entities that are recognised by law as representing local communities. However, they lack a higher-level body representing them. In recent months, there have been tensions between the OTB water associations and ASICA-Sur.

As a result, the partnership has distanced itself somewhat from initial plans to further develop ASICA-Sur into a representative body. Instead, Pro Habitat is currently beginning to group together OTB-based water associations on a district level – this may, in time, be the level at which the water committees could be included into the partnership's processes in a more systematic manner than a project-by-project basis.

Another issue that remains to be resolved concerns the ownership of the water distribution networks. As long as local networks are not connected to SEMAPA's main lines,

there is no doubt that the water committees both own and operate the water distribution systems. The problem will arise when SEMAPA reaches the communities with its main water pipelines.

Two options will be available then: Either SEMAPA buys the water distribution systems from the water committees and subsequently operates and maintains them. This had, for long, been the choice favoured by SEMAPA. Alternatively, water committees could continue owning, operating, and maintaining the distribution systems. SEMAPA would sell water to the committee at one entry point at a lower connection fee than for individual households.

"Most of us sees the systems as being very much our own and we wouldn't like to see our 'patrimonio' transferred to the municipal company", says one member of the Alto Pagador water committee.

SEMAPA has become increasingly open to this idea of maintaining the water committee system of ownership. What is clear to all partners, however, is the need to draft careful agreements specifying the roles, mandates, and responsibilities of the various stakeholders once the distribution networks are connected to SEMAPA's main lines. Alcides Franco (director of *Desarrollo Regulatorio*) notes that the national regulator could draft or review these agreements to ensure that users are protected.

A final ongoing concern, which the partnership has no influence on, is whether sufficient quantities of water will be available in Cochabamba in the medium and long term. The Misicuni Dam project, a commercial

enterprise with government involvement, seeks to secure water access for Cochabamba. The first phase tunnel is now complete and providing some water at variable quantities. The second phase of the project involves the construction of the actual dam – expected to require 5 to 6 years, and dependent on a loan that is still being negotiated with the Italian government. The water already coming from Misicuni (without the dam) is sufficient to meet demand for the next five years. However, progress on the issue of bulk water is crucial in order to enable the *Agua para Todos* projects to be linked with SEMAPA's main lines. Otherwise, the communities will continue to rely largely on the costly and lower quality water provided by the private vendor, Aguateros.

PARTNERSHIP GOVERNANCE AND FINANCES

Structures

There exist three bilateral contracts (Agua Tuya-SEMAPA, Pro Habitat-Agua Tuya, Pro Habitat-SEMAPA) and close contacts between these partners and CIDRE and ASICA-Sur.

A multilateral agreement sanctioning cooperation over a five-year period (starting July 2005) exists between Agua Tuya, SEMAPA, the Alcaldía, and UNDP Bolivia.

The remaining contracts are signed on a project-by-project basis: Whenever a water distribution network is built in a community through the *Agua para Todos* framework, the community (represented either by a water association or the OTB water

committee) signs an agreement with Agua Tuya and the Municipality (Alcaldía) as well as a separate agreement with the micro credit provider (Pro Habitat or CIDRE).

These MOUs provide for formal accountability between project partners. For example, the MOU between ASICA-Sur and Pro Habitat spells out that water committees are required to pay back their loans to Pro Habitat. The MOU between SEMAPA and Agua Tuya makes clear that Agua Tuya cannot build water distribution systems before SEMAPA has approved the designs. Further internal accountability mechanisms, such as the creation of an elected board to supervise operations, could grow out of the partnership coordination office.

Legal accountability is moreover created by the contracts signed between Agua Tuya/Plastiforte and individual water committees prior to the construction of water distribution networks. As the water committees are paying for Agua Tuya/Plastiforte's services, Agua Tuya/Plastiforte is required to provide users with systems that operate effectively, and it offers guarantees on its pipes and other infrastructure.

A limitation exists with respect to SEMAPA's accountability towards the water committees and associations: Water committees, by cooperating with SEMAPA in the *Water for All* partnership, expect SEMAPA to fulfil their business plan promises of servicing a further 60,000 households in Cochabamba in the next ten years. However, there exists no contract between SEMAPA and the water committees that would guarantee this, and, of course, such

a generic contract is not feasible. Contracts between SEMAPA and water committees will not be signed until SEMAPA reaches communities with its main pipelines. Accountability between SEMAPA and the water committees is created indirectly – working through the threat of renewed unrest of communities, should SEMAPA not provide its services as planned.

SEMAPA is, however, accountable towards its creditor, the Inter-American Development Bank (IDB), who is financing the extension of the mains to southern Cochabamba. Accountability to external stakeholders also exists between Pro Habitat and CIDRE and their respective donors, to whom the two organisations must repay their own loans.

Transparency towards the outside world is given, firstly, through the partnership website⁶, and, secondly, through SEMAPA's water fairs. SEMAPA, with the support of Agua Tuya/Plastiforte and the Association of Water Committees (ASICA-Sur), has organised seven such water fairs, whose goal was to explain SEMAPA's future work, and the contribution of the *Agua para Todos* partnership, to the local population.

Procedures

Currently, the partnership's decision-making is largely ad-hoc. This has caused some difficulties when there has been a turnover of staff within the partner organisations: A change in the UNDP officer responsible for the partnership in July 2005 has delayed the transfer of Alcaldía funds to UNDP. In the summer of 2005,

⁶ www.aguatuya.com/html/water_for_all.html

SEMAPA CEO Gonzalo Ugalde as well as the company's southern office chief, Juan Jose Salinas, left the company. The new SEMAPA leadership welcomes *Agua para Todos* and is continuing to work with the partnership. Nonetheless, the turnover has caused a delay in activities. Such delays could be minimised by setting up more formal structures, decision making processes, and management mechanisms for the partnership. This will be particularly important as the partnership's scale of work increases.

Related to this is a concern over insufficient coordination among partners. First, there has been confusion as to who the first point of contact should be for water committees wishing to build distribution networks – Pro Habitat and CIDRE as the micro credit providers or Agua Tuya/Plastiforte, as the construction company.

Moreover, coordination amongst partner organisations is sometimes lacking. In particular, SEMAPA has only had one formal meeting with the whole group to date, for the signing of the multilateral MOU. These issues could be addressed by creating a coordination office, staffed by a representative each from Agua Tuya/Plastiforte, SEMAPA and Pro Habitat, that would act as a sort of "one-stop shop" for water committees. Particularly important is a SEMAPA contact person with decision making power on approving blue prints, supervising the work of water committees and Agua Tuya/Plastiforte, and planning the connection of SEMAPA's water pipelines with the committees' distribution systems.

A further advantage of such a coordination office is that it would bring the partnership's services closer to the end user in the southern section of Cochabamba. Though this plan has not yet been approved, it looks likely to, and it would greatly improve coordination among the partner organisations.

Finances

Currently, the construction of water distribution networks as well as the training services are paid for largely by the end users, using loans supplied by Pro Habitat and CIRE, and, in the future, municipal *Participación Popular* funding (though *PP* funding cannot be used for training). The planned expansion of activities to implement 17,000 connections in a five-year period will require external financial support in a number of areas:

First, the size of the revolving fund used for allocating micro credits needs to be increased. The current fund, supplied by Pro Habitat and CIDRE, is under US\$100,000 in size, allowing for only three to four water distribution systems to be built simultaneously (each project costs between US\$ 25,000 and US\$ 50,000 depending on community size and complexity).

To scale up its activities according to plan, the partnership needs a larger revolving fund of US\$ 480,000. The US\$ 480,000 would be repaid to donors within six years under non-commercial conditions. A commercial loan of US\$ 100,000 is also needed by Plastiforte, the manufacturer of HDPE pipes, to cover guarantee deposits required by the Alcaldía for contracting the company and to increase working capital in order to

import the larger quantities of raw material needed to produce enough pipes to meet increased demand. Second, recent experiences show that the water associations and OTB water committees require consistent support, especially in the first 18 months after construction of the water distribution systems. They need technical advice, support in management and organisation, book-keeping, and other administrative tasks. Whereas CIDRE currently factors staff time and costs into the loan repayment interest, Agua Tuya absorbs software costs (training etc.) into their sales profit and Pro Habitat relies on internal cross-subsidies from donors. In order to cover these costs when the partnership activities are scaled up, Agua Tuya/Plastiforte and Pro Habitat are in need of a grant of US\$ 150,000 to expand their technical and capacity building capacities.

Third, the partnership requires a grant of US\$ 108,000 over the next five years to establish, equip, and run a local coordination office in southern Cochabamba. Once SEMAPA has reached the area with its main pipeline, the company can finance all or part of the office as part of its regular business activities. This will improve the efficiency of the partnership and bring services closer to end users.

Smaller grants are needed to document and analyse the partnership experience and to disseminate the lessons learned into policy debate on service provision to low-income populations, with a view to replication elsewhere (US\$ 40,000)⁷; a grant to carry out legal analysis of

the water law 2066 and other laws governing infrastructure ownership (US\$ 5,000); and a grant to establish and equip at least three district-level associations for long-term support and service to communities, to complement and enhance Pro Habitat and Agua Tuya's current training and support (up to US\$ 15,000).

In total, the financial requirements add up to loans of US\$ 580,000 (which will leverage up to US\$ 1.7 million for investment over 5 years) and grants of up to US\$ 425,000.

The Seed Initiative has supported the partnership by facilitating an amelioration in the credit terms for Plastiforte, Agua Tuya's pipe manufacturing component, from Dow Chemicals. Moreover, Seed has sent a consultant to Cochabamba, who created a local needs assessment, wrote a business plan and a donor-friendly proposal, and suggested potential funders for the project.

DEFINING AND MEASURING SUCCESS

To date, *Agua para Todos* has built three water distribution systems under the partnership model but without SEMAPA involvement. One project has since been completed under the "full" partnership model (with SEMAPA) while a further four projects are currently ongoing. Since its inception and the receipt of the SEED Award, the partnership has won further project partners: the municipal government as a funder and UNPD Bolivia as a handler of funding.

Agua Tuya/Plastiforte uses the partnership's two phases as a

⁷ Part of this work is being done by the SEED Initiative's Research & Learning Channel.

measure of success: to get a large number of households connected to water distribution networks (phase 1), and to subsequently get these connected to SEMAPA's water services (phase 2). The exact figures for these phases are determined on the basis of SEMAPA's business plan: SEMAPA is hoping to double the number of houses it is currently serving by 120,000 within the next ten years. The *Agua para Todos* partnership aims to account for 25% of the increase (17,000 households).

However, whether this is achievable depends also on whether SEMAPA's projections for the extensions of its main pipelines are realistic. Finally, whether water can actually be provided in the long-run is also dependent on the progress made by the Misicuni Dam project. This makes determining exact figures and benchmarks of "success" difficult. According to Gustavo Heredia, it is probable that phase 1 will progress more rapidly than phase 2.

Though the partnership has no termination point, it is expected that the bulk of the work will be completed within the next five years. By this time, 80% of the households which do not currently have access to potable water should be serviced. In years 6 through 10, the remaining 20% of households will be addressed. This "filling-the-gaps" work is expected to progress more slowly.

The *Agua para Todos* partnership is, of course, still in its early phases and its effectiveness has yet to be

proven. Even so, the approach of managing water from the bottom-up and of including a variety of stakeholders – civil society in the form of water committees, the municipal water provider, and local government – is promising.

There is potential for replication elsewhere in Bolivia: The concessionary contracts of municipal water companies in Bolivia offer them a large amount of freedom in choosing partners and models for distributing water. Also, the Popular Participation Law's OTB mechanism provides clear legislation enabling community participation.

Expanding the partnership beyond southern Cochabamba, for example to the north and the west, where residents face a similar lack of secondary distribution networks, seems feasible. Elsewhere in Bolivia and beyond, successful replication would depend on the initiative of local leadership, securing adequate financing, and the presence of a similarly strong level of community organisation. However, public perception that a private company is benefiting from a public resource – water – may well be a source of controversy. Studying and documenting the ongoing development of the *Agua para Todos* partnership and determining its strengths and weaknesses will be necessary to determine whether it may serve as a model for water management elsewhere.

(Information as of April 2006)

About GPPi

The Global Public Policy Institute (GPPi) is an independent, non-profit think tank located in Berlin focusing on global governance. We receive project funding from foundations as well as our project partners from the public and private sectors.

GPPi engages in three lines of work:

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About the Seed Initiative

The Seed Initiative (Supporting Entrepreneurs for Environment and Development) is a global network for action on sustainable development partnerships. The Initiative aims to inspire, promote and develop the capacity of locally driven entrepreneurial partnerships that contribute to the agreed goals contained in the Millennium Declaration (MD) and the Johannesburg Plan of Implementation (JPOI).

The Seed Initiative responds to the challenges that many sustainable development partnerships face, including the need for both technical and financial support in the early stages of developing and building partnership until it enters into implementation, a need to focus on the wide variety of small initiatives, driven by local actors, in addition to large-scale partnerships, and the need for effective "communities of practice and knowledge" that allow mutual learning, support and collaboration.

In order to accomplish its goal, the Seed Initiative has chosen three main areas of focus:

- Promote partnerships (through a biennial international award scheme; events and publications): Encourage small scale partnerships that exist on the ground and that directly benefit local communities; mobilize collective action that provides practical interventions in environmental, social and economic development in developing countries; and demonstrate that the wide variety of small partnerships driven by local actors make a positive contribution to sustainable development;
- Support nascent partnerships (through offering tailor-made support services for winners of the Seed Awards): Deliver bottom-up demand driven partnership support by responding strategically to the need of locally driven partnerships for

technical and financial support in early stages of development, mitigating the potential risk of failure;

- Increase the understanding of partnerships (through research activities and developing learning tools): Capture, profile and disseminate information on exemplary partnerships that could be used for sustainable development elsewhere; advocate the need for effective communities of practice and knowledge that allow mutual learning, support and collaboration; and integrate best practice examples of successful local partnerships into high level decision making processes.

The Seed Initiative delivers these actions through a lean operational structure that aims to deliver this focus by coordinating and partnering with likeminded organizations and networks that are delivering - or are willing to engage in - promoting, supporting and understanding of sustainable development partnerships.

Since its launch in January 2004, the Initiative has broken ground in revealing the wealth of entrepreneurial partnership activity taking place on the ground. During the Commission on Sustainable Development (CSD) of the United Nations in New York held during April 2005, five winners were announced that were selected by an international jury to be the recipients of the first cycle of Seed Awards, awarded biennially by the Seed Initiative. The award scheme provides dedicated institutional capacity and support to partnerships in the alpha stage of development – focusing on maximizing the opportunity for these partnerships to succeed during the more difficult development and early implementation phases.

Furthermore, it has effectively publicized the partnership approach to sustainable development, given advice to over

seventy new partnerships and extensive support to twelve, supported five winning partnerships on the ground and engaged in a cutting-edge programme of research and learning to track the evolution of new partnerships to assist both policy makers and practitioners.

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