

# PERMANENT PEOPLES TRIBUNAL

Hearing on

## Neo-liberal Politics and European Transnational Corporations in Latin America and the Caribbean

10-12 May 2006 - Vienna, Austria

### **NAME of the Transnational:**

GTZ GmbH (Gesellschaft für Technische Zusammenarbeit; engl: Corporation for Technical Cooperation): [www.gtz.de](http://www.gtz.de)

GTZ is one of the official development agencies of the German government. It's a state-owned private enterprise established as a limited liability company (GmbH) according to German company law.

### **Sector(s) in which it works:**

International Cooperation, development projects, and so-called 'technical cooperation'

### **NAME(S) of the Association(s) presenting the Case:**

- FDCL (Forschungs- und Dokumentationszentrum Chile- Lateinamerika)
- Coordinadora de Defensa del Agua y la Vida, Cochabamba/Bolivia
- Federación de Juntas Vecinales FEJUVE, El Alto/Bolivia
- Asociación Nacional de Regantes y Comités de Agua Potable, Bolivia

### **Summary**

#### ***implication of the TNC for Latin America and the Caribbean and Europe:***

GTZ is actively promoting a so-called 'German model' of private sector participation (PSP) in the water sectors of several Latinamerican countries. A lot of these efforts are underway in Bolivia. Experiences gathered here shall be used in other countries as well.

#### ***To what extent the presented Case illustrates the systemic dimension of corporate power and lobbying, of trade/investment/debt regimes, of shaping policy making in EU and LAC:***

- Development agencies like GTZ play an increasingly important role in detecting and creating business opportunities for transnational enterprises. By influencing legislation and regulation they pave the way for private sector involvement in a broad range of state sectors. In doing so, they regularly clash with social movements fighting for accessible and democratically controlled public services.
- The GTZ case exhibits the close collaboration of consultants, diplomats, government officials, development banks and European corporations, jointly pushing for investor-friendly regulatory reforms.
- The Bolivian example also provides insights into development agencies' modified strategies, which after the series of failed privatisations turn to more gradual, steplike approaches of water commercialisation.

#### ***Which international and/or UN-Declarations, Conventions, Norms, Guidelines etc are being disrespected/violated by the TNC:***

- ESC-Right to Water
- UN International Covenant on Economic, Social and Cultural Rights (1966)
- UN Millenium Development Goals
- UN Charter: Preamble and Chapter 1, paragraphs Two and Three (1945)

#### ***Country(ies) where TNC is operating:***

Currently GTZ is implementing development projects in more than 130 countries worldwide. In Latinamerica GTZ is active in 16 countries: Argentina, Bolivia, Brazil, Chile, Colombia,

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Costa Rica, Dominican Rep., Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Paraguay, and Peru.

### **Arguments/Case Study:**

With annual investments of about 350 million € Germany is the second largest bilateral donor in the water sector. GTZ, the corporation in charge of implementing, inter alia, publicly financed water projects, closely collaborates with KfW Development Bank, the financing arm of German development assistance. Both institutions are executing a heavily funded 'public private partnership' programme of the German government which aims at facilitating investments of German or other EU firms in developing countries.

The German government chose Bolivia as one of four reference countries where a broad range of development projects are to be implemented, particularly in water supply and sanitation as well as in irrigation. However, Bolivian social movements sharply criticise these activities, accusing GTZ of paving the way for the privatisation of water supply and water resources. According to these accusations, GTZ strongly influenced Bolivian legislation in order to get a legal foundation for so-called 'Sociedades Anónimas Mixtas' (SAM) in the water sector. SAMs are owned by public and private shareholders which may freely sell their shares, thus enabling creeping privatisation of water works. Furthermore, establishing SAMs also means to turn the whole area, where a SAM is operating, into a 'concession zone' and thereby forbidding alternative legal forms for the collective use and ownership of water resources. In the aftermath of the 'Cochabamba water war' Bolivian social movements fought successfully for the introduction of legal forms called 'Registro' and 'Licencia' into the new Bolivian water law which protect collective water systems, inter alia those of indígenas and campesinos.

Therefore, the GTZ concept of SAMs not only endangers municipal water works and water cooperatives but also existing systems of collective water provision in rural areas. Unfortunately, GTZ already managed to establish two SAMs in Bolivia, a third one is due to be launched in the southern province of Tarija. However, another SAM attempt in the Cochabamba province sparked protests of local communities which were answered with violent repression leaving several people injured.

Furthermore, shortly after the recent announcement of the Bolivian government to terminate the water concession of the Suez-led consortium 'Aguas del Illimani' in La Paz and El Alto, both cities' mayors suddenly advocated the GTZ model of a 'Sociedad Anónima Mixta' for the successor company. This proposal ran totally against the will of El Alto's federation of neighbourhood councils FEJUVE whose protests against Aguas del Illimani, that left nearly 200.000 inhabitants of El Alto unserved, forced the government to cancel the contract. FEJUVE now negotiates with government officials in order to create a non-profit water enterprise. Apparently, the two mayors' SAM proposal followed an intervention of the German Embassy that, according to a press statement, urged for an 'amicable' solution of the crisis and explicitly supported the creation of a mixed enterprise ('empresa mixta'). Finally, the Embassy threatened that without such a solution, Germany wouldn't provide any development aid for mitigating El Alto's water problems. This harsh German intervention must also be seen against the backdrop of a 12 million € KfW credit for the enhancement of El Alto's sewage disposal in the mid-nineties which served as a de facto subsidy for the multinational Suez.

Civil society organisations that have been criticising GTZ's role in the Bolivian water sector are the 'Coordinadora de Defensa del Agua y la Vida', the 'Asociación Nacional de Regantes y Comités de Agua Potable', and recently also FEJUVE in El Alto. The Vienna tribunal could be a valuable opportunity for these organisations to shed some light onto the activities of one of the most important development agencies in the water sector. It could also serve to highlight the role of these agencies in preparing and facilitating investments of TNCs in developing countries.