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Representatives of government and industry officiated at the opening of a hydroelectric facility on the Samala River in Zunil, Quetzaltenango, Guatemala on May 7.

With fanfare and pomp, the bureaucrats and executives of the Italian firm ENEL Green Power congratulated each other on bringing in a power plant capable of producing 47 megawatts of electricity. Executives explained that the plant was capable of producing more power than is used in the department, and that the excess will be sold in the wholesale market. That there can be excess while large numbers of people in rural Guatemala go without electricity is a mystery recently studied by Economic Commission for Latin America and the Caribbean (ECLAC), and found not to be a mystery at all, but rather an enormous racket of international proportions from which only countries that have not privatized their electrical sectors have managed to escape.

More than a decade has passed since the process of privatization began, and, says an article distributed by the Mexican news agency Proceso, nine million people in the region remain without electricity, rates have tripled, complaints have multiplied, and "the Central American experience of privatization has basically benefited the fat fish: gigantic transnationals that dominate the generation and distribution markets, large companies that buy in the open market at prices lower than those available to domestic users, and generating companies that avoid renewable energy and long term projects and concentrate on fossil fuel fired plants constructed in the short term at high returns, say studies of the Economic Commission for Latin America, and isthmus consumer organizations."

A ruse

This experience is different from what the governments and corporations promised. They said allowing the national monopolies to pass into private hands would result in higher quality service, price reductions, and improved distribution. Instead, says the UN agency, bills to consumers have gone up 5% to 10% a year, doubling and even tripling in some instances.

Where privatization has not occurred, in Costa Rica, the costs are lowest. Even there, however, generation has been opened to corporations, but distribution is still under public control. Costa Rica has waged a mighty battle, as recently as the just-concluded Central America Free Trade Agreement (CAFTA) negotiations, to retain control of its energy sector against enormous pressure from the US, and from the international corporate sector (see NotiCen, 2003-11-06).

By contrast, the highest price for electricity in the region is in El Salvador, an early adopter of the privatization concept, and the country with the most open market in the region. On the whole, in the countries where the sector has been totally taken private (El Salvador, Guatemala, Nicaragua,

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and Panama) prices for energy are 56% higher than in Costa Rica and Honduras, where energy continues to be recognized as national patrimony.

One of the tenets of privatization has been the promise of increased efficiency. Efficiency is fundamental to free-marketers; it is held to be the inevitable outcome of the play of market forces. Yet the region's experience gives the lie to that assertion. Losses, due to technical shortcomings in the infrastructure and to theft, of between 20% and 32% of production have been the norm in the privatized countries, while Costa Rica with its protected distribution system has managed to reduce losses to 9%. To the extent that the promise of efficiency is tied to competition, the lack of improvement in efficiency could reflect, in part, the lack of competition.

In Central American countries, just one or two companies control 70% to 90% of production, and just one or two control distribution. Public sector does it better ECLAC interpreted this loss analysis to mean that should the private sector match the public in efficiency, it would have an additional US $200 million with which to reduce rates or finance rural electrification. Another profound difference between Costa Rica and the privatized countries is that there has been a staggering downturn in the latter in production of electricity from renewable sources.

In 1992, 92% of the electricity generated in the region came from hydroelectric and geothermal plants. By 1998, that had dropped to 64% as privatization gained dominance in the region, and fell to 57% in 2002. As this happened, electrification in the region rose from 64% in 1988 to 75% in 2002.

Costa Rica, meanwhile, continues to invest in renewable sources, including wind generation, and electrification has risen to 94%. Honduras continues to develop renewable resources, even though it imposes a 10% surcharge for electricity so generated. Panama surcharges 5%. Even as Guatemalan functionaries and officials congratulate themselves on the new power plant, indigenous people in western Guatemala have demonstrated against high rates and bad service. Leaders who supported electrification have been lynched.

Consumer organizations, municipalities, and public institutions have charged the private companies with abusive and discriminatory practices, as they have in El Salvador and Nicaragua. The complaints have included punitive suspension of service to entire communities, hospitals, and other public installations in Nicaragua in retribution for a small percentage of unpaid bills(see NotiCen, 2001-09-07), constant unexplained and undetailed rate increases in Guatemala, and the sudden appearance of unbilled charges at banks where customers go to pay electricity bills.

ECLAC notes wide differences between the companies' accounts of their performance and those of the customers, "especially against certain companies that serve populations of the interior, and rural areas." A grace period that ought to have left offending companies subject to fines and penalties for service failures expired in 2000. But these companies are so firmly in bed with their client governments that fines and penalties are not forcing any change.

The governments may be awaiting another of the promises of the companies to come true. That was the promise that privatization would reduce subsidies and other costs, leaving the governments with more to spend on social services. It didn't happen; subsidies and associated costs continue unabated

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in all the privatized countries said ECLAC. It has been the governments, not the companies, that have had to pay for connecting as many as 1.6 million poverty stricken households that cannot afford light bills, and who live in remote areas where the cost of installing infrastructure is high.

Summing up the situation, Jorge Mario Salazar, director of the Centro de Invesigaciones para el Desarrollo de Centroamerica (CIDECA) said, "The experience of privatization is the antithesis of what was offered. Business participation wasn't democratized, state monopolies were shut down, and a very inefficient oligopoly was established." Salazar was especially critical of the ironic exclusion of rural customers leaving the states to provide for them. "All this coverage is being done with the resources of the states, which have had to take on public debt, because this market is not attractive to the companies," he said.

For environmental organizationTropico Verde, the most poignant ironies are ecological. "Every day there is more dependence on fossil fuel fired electrical generation with its socio-ecological impacts. The region is being converted into a generator of carbon into the atmosphere. Promoters of the free market don't take into account what happens when the demand is great and Mesoamerica, including Chiapas, is a region in which poverty is high, and where never, at least in the near future, will there be demand enough to favor free competition among companies," said spokesman Carlos Albacete. For those reasons, Albacete's economics dictate that as countries pay for electricity with their own resources, prices go down. The ECLAC report seems to suggest that.

Meanwhile as Italian firm ENEL celebrates in Guatemala, it is under the gun in Nicaragua, where a report by the independent firm Grant Thornton found irregularities in the Empresa Nicaraguense de Electricidad implicating President Enrique Bolanos. The president headed the ENEL board of directors while also serving as vice-president of Nicaragua. While Bolanos wore two hats, questionable contracts, leases, and other state benefits were allegedly granted to private firms that didn't pay for what they got.

Gonzalo Carrion, legal director of the Centro Nicaraguense de Derechos Humanos (CENIDH) said that the evidence could lead to cancellation of contracts and legal consequences, "but up until now, accusations against electricity companies have not reached that far. We have very obliging authorities."

Back in Guatemala, the public faces an increase in electricity rates this month. The Frente Nacional de la Dignidad (FND) has presented the government with a petition of thousands of signatures calling for the firing of members of the Comision Nacional de Energia Electrica (CNEE). The petition cites failure to regulate rates, stating the CNEE rather than protect the population, harms it. The Procurador de Derechos Humanos has gotten involved in the case, as it has several times before. In the past it has successfully brought rate hikes to the courts, where they have been suspended. The PDH has argued that the CNEE violated users' human rights.

Privatized power has been pursued as a human rights issue in Guatemala for some time. A year ago the PDH charged the Las Vacas River Hydroelectric Company, along with government ministers and several mayors, of violating human environmental rights and health for contaminating the Motagua River. The 1997 law of electricity, which facilitated the privatization process, almost

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guarantees that the PDH will be battling the companies for the foreseeable future. Under the law, prices are set according to a formula that adjusts prices every three months, with petroleum fuel costs a factor. That provides incentives both to cheat and to continue to build petroleum fired generators. They can cheat by claiming to purchase fuel at the highest prices for a given period.

-- End --