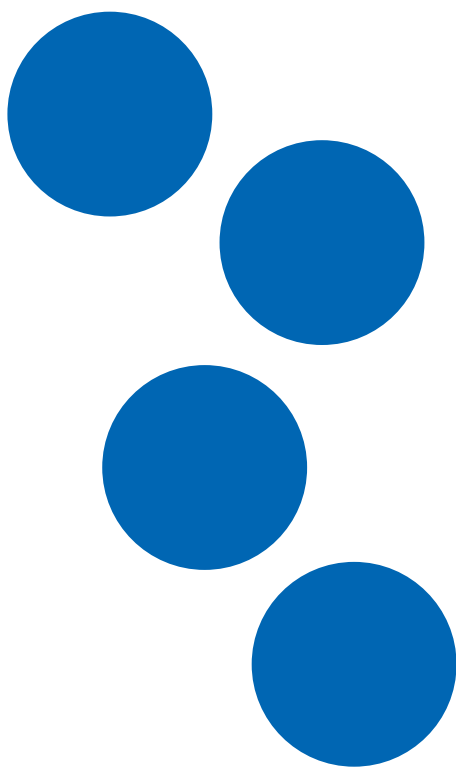


# Montero

A Case Study





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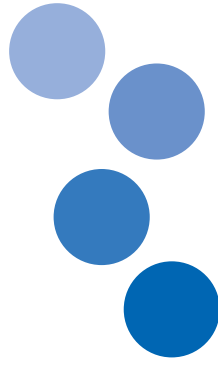
# In Montero Everyone Wins

Montero, a small city in northern Bolivia, was the protagonist in one of those stories that rarely has a happy ending. There were no princes or fairies, only problems and challenges that seemed insurmountable. The solidarity and creativity of a group of leaders and their community turned them into genuine heroes, and their effort translated into a better quality of life and progress for the city.

## Diagnosis

Montero's story could well be one of many in the developing world. People lacked basic services such as health care, water and, especially, sanitation.

The city's rundown water and sewer system covered an extremely limited area, which is why most of Montero's 100,000 inhabitants still used traditional latrines and septic tanks. The precarious sanitary conditions severely affected children's health, and as health services were deficient and limited, it led to a vicious cycle of poverty and poor quality of life. This was the scenario in Montero eight years ago.



## Cosmol, A Company for Everyone

Unlike other countries, Montero's water and sewage provider, Cosmol, operates as a cooperative. Its customers are partners in the company, with equal rights and responsibilities.

Cosmol was created at the end of the 1960s and inherited its water and sewer system from the city. Despite a number of improvements, its coverage had not grown significantly.

A new initiative to expand the sewer system sprang to life in 1992 when the Inter-American Development Bank (IDB) agreed to finance a project through the National Regional Development Fund, which works with development projects in Bolivia. Cosmol, as the local counterpart, had to provide 20 percent of the loan.

Cosmol's counterpart funds were supposed to be collected from its customers, who would be billed a monthly surcharge of US\$2 for the new project. But as the months passed, many customers fell behind on their payments because they were afraid that the work would never materialize.

The arrival of a new management team to Cosmol helped alleviate the tension. Little by little, their discussions and close ties to the local residents began to reestablish the lost confidence.



**Sewer system  
expansion initiative in  
the city of Montero.**

## Intervention: An Innovative Approach

How do you get users to start paying their water and sewer bills again, along with the surcharge for future investments? An answer to this question was urgently needed as the funds were vital to Cosmol's financial sustainability and for the much needed sewer system expansion.

To address this question Cosmol's new management team put its ingenuity to work. The company's new manager, José Gabriel Roca, visited IDB's specialist Denis Gravel, and together they worked out the mechanism that would bring Montero and its residents to a new level of services: a health insurance program combined with the water bill.

Although water service did not seem to be a high priority for Montero residents, health care was. That is how they came up with the health insurance program idea—an ingenious method that Cosmol would use to ensure its customers paid their bills on time. Under the program, if customers paid their bill by the first day of the month—including the US\$2 surcharge—they gained the right to a basic health insurance policy.

The proposal was quickly accepted. Cosmol went door-to-door and explained the benefits of the program. Each customer had to sign a document confirming his or her agreement. The proposal was a powerful incentive because half of the population did not have health insurance.

Cosmol negotiated with the Alfonso Gamucio Reyes Hospital on how to manage the health insurance for eligible customers. This insurance would provide the beneficiaries with free consultations and discounts ranging from 25 to 50 percent. Cosmol would pay the hospital a fee for each patient served.

Local governments also joined in on the effort. The mayor's office of Montero and the office of the governor of Santa Cruz (the department in which Montero is located) cosigned a US\$250,000 loan as contribution to the counterpart funds for the loan. Cosmol contributed a total of US\$1.7 million.



## Results

The health insurance incentive produced immediate results. All sides won: Montero, Cosmol, the hospital.

Cosmol's customers brought their payments up-to-date in order to have the right to insurance, which provided medical care for all members of their families. As Cosmol's invoices were paid on time, including the surcharge, it was able to provide the share of funds needed to carry out the sewer expansion project that Montero needed so much.

In addition, the hospital was strengthened through the partnership with Cosmol. The number of consultations increased rapidly, rising from 15,000 in 1999 to 55,000 in 2007, and revenues climbed to US\$50,000 a year. Later on, other health centers linked up with Cosmol's plan to obtain the benefits and provide new and better services for the people of Montero.

Everyone won because Montero finally obtained an expanded sewer system, including construction of additional sewer networks, two treatment lagoons and a well.

Today, nearly 100 percent of the population has health insurance and receives water service. The sewer network covers 65 percent of the city. Despite these improvements, Cosmol keeps working to improve conditions and enhance the scope of the service.

## Lessons Learned

"Nothing is impossible" seems to be the lesson learned from Montero, a small Bolivian city whose leaders and neighbors demonstrated that there's no better bet than development if you have imagination and solidarity. Montero seemed condemned to vicious cycles of underdevelopment, but it was able to convert its own adversity into an opportunity. By creating the linkage with health insurance, Cosmol had achieved much more than a sewer system. New initiatives and incentives have come to Montero in the last eight years. Its people, more than anyone else, learned that the key to development is in their own hands.