

# HUANCAYO: FROM RESISTANCE TO PUBLIC-PUBLIC PARTNERSHIP

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## INTRODUCTION

In Peru, policies on urban water and sanitation are directed towards market liberalisation and private sector participation (PSP), but major flaws in the design of PSP and growing resistance to privatisation have slowed it down. Problems in the public sector water and sanitation services are substantial but there is neither significant political will nor adequate policy to address these in any meaningful or substantial way. Workers, citizens and users not only resist water privatisation in all its forms but they also mobilise to improve and democratise public sector water delivery.

This chapter will focus on experiences in the central Andean city of Huancayo, in the department of Junín, where the challenge to find alternatives to privatisation has crystallised in recent years and has been pushed another step forward.

In Huancayo, water movements have developed an innovative public-public partnership (PUP) as an alternative to privatisation. The social movement organisation FREDEAJUN (Frente de Defensa del Agua de la Region Junín) successfully resisted privatisation and, in a participatory bottom-up process, developed an alternative proposal to reform the public utility SEDAM Huancayo S. A. FREDEAJUN and one of its members, the local sector trade union SUTAPAH (Sindicato Único de Trabajadores de Agua Potable de Huancayo) also successfully established a public-public-partnership between SEDAM and ABSA (Aguas Bonaerenses S.A), a union-owned and run public water operator in the state of Buenos Aires, Argentina.

The chapter first examines the structure of urban water and sanitation in Peru and demonstrates its inclination to private sector participation. It then looks at the work of the national federation of water services workers FENTAP (Federación Nacional de Trabajadores de Agua Potable) as a central and innovative actor in the Peruvian water movement. The chapter then moves on to describe the resistance to privatisation in Huancayo and outlines the bottom-up construction of a public alternative by FREDEAJUN. The chapter then looks at the political and technical processes that culminated in the groundbreaking PUP agreement between SEDAM and ABSA and discusses the implementation of the public-public-partnership so far.

## THE PERUVIAN URBAN WATER SECTOR

At the beginning of the 1990s, the water sector of Peru was reorganised under the Fujimori dictatorship, with collaboration by the World Bank and the Inter-American Development Bank (IADB). Sector governance was deregulated and favoured a liberalised market. In 1992 for example, a regulatory agency (SUNASS) was created and designed to regulate private

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<sup>1</sup> This chapter is based on activist research in FENTAP in 2006 and 2007 undertaken as part of the author's ongoing PhD programme at WEDC, Loughborough.

water companies. Already in April 1990, the centralised state company SENAPA (Servicio Nacional de Abastecimiento de Agua Potable y Alcantarillado) had been dissolved and the sector was divided between urban and rural areas. The decentralisation and liberalisation policies have, since the early 1990s, tried to make urban water fit for privatisation which has resulted in a structural inclination to PSP. This has led to public health scandals and structural, managerial and financial dilemmas for the current public sector system.

Of the 27 million people in Peru, more than 40% live below the national poverty level and approximately 6.4 million people do not have adequate and safe access to water. There are 11.3 million people who do not have access to adequate and safe sanitation. Key reasons for this are that the municipal water services provide insufficient water and sanitation coverage, poor wastewater treatment and low service quality that endangers the health of the population. The municipal water services are run inefficiently and ineffectively and are highly affected by political interference by their municipal owners.

## **PSP TODAY**

The drive for private water began under the Fujimori dictatorship and has been implemented with even more enthusiasm by the democratic governments that followed. During the presidency of Alejandro Toledo the National Sanitation Plan 2005-2015 had the specific objective of promoting the participation of the private sector. This plan remains in place today under the presidency of Alan Garcia, whose double standards have him publicly rejecting water privatisation while still implementing and further designing PSP policies. There are also conditionalities written into the funding schemes of international donors like the IADB. Clearly, the government's PSP ambitions, outlined in the National Sanitation Plan of 2005-2015, have reached an impasse. Numerous privatisation projects have been cancelled due to local and national resistance. The Peruvian public water sector in urban areas is in disarray, and is made worse by intentional neglect and bad governance, all at the expense of the Peruvian population.

## **FENTAP AND THE NATIONAL WATER MOVEMENTS**

Despite the partial success in stopping - or at least delaying - the PSP plans for the sector, the political situation of the Peruvian water movements leaves little doubt that a significant shift away from what could be called water neoliberalism will require a more fundamental and constructive challenge to the neoliberal reform agenda. Fundamentally, addressing the deterioration and dysfunction of the public sector and relating this to the issues of rights (labour rights, rights to public services, rights for public participation etc), will be the only way to really stop water neoliberalism, to transform and improve public water and sanitation services and thereby achieve the human right to water for all. The work of the Peruvian water movements, especially FENTAP, and the experience of Huancayo needs to be seen as an attempt to change the path of development of the sector by setting out workable and functional public alternatives to privatisation from the bottom up. It is in this context that the Peruvian movements make political demands and develop professional, technical proposals for utility "modernisation without privatisation". On a national level, FENTAP has put water privatisation on the political agenda. For example, FENTAP collaborated in a national network that was able to block water framework legislation that would further liberalise and commercialise water resources and services. At a local level,

FENTAP has been active in engendering and supporting local union action by its affiliated members.

FENTAP's strategy is for a local union to host a local public forum on water privatisation, where civil society groups can come together. The aim is to build defensive fronts for water with other civil society groups. The front can become a space where citizens and workers resist water privatisation. Despite setbacks in cities like Tumbes where a PSP could not be prevented, experience in cities like Chiclayo, Ica and Pura and Paita shows that FENTAP has developed an effective and progressive strategy.

FENTAP intends to develop these local fronts from advocating mere resistance into fronts which create alternative proposals for modernisation without privatisation. This strategy worked in Chiclayo, where a PSP process was successfully resisted in 2005. There, the local union and the local front developed and used in their campaigns an alternative proposal to reform the water utility without privatisation. However, Chiclayo also demonstrated that it was difficult for the national and local movements to actually implement alternative development proposals. Although the alternative proposal was instrumental in stopping the PSP, it was a difficult task to implement it once mobilisations abated after the direct threat of water privatisation was gone.

In a process of learning, the local union and the local front of Huancayo mobilised and stalled the PSP process with the argument that public alternatives existed. But instead of stopping there they developed a public-public partnership in order to take the process of reclaiming public water one step further.

## **HUANCAYO: STOPPING THE PRIVATISATION**

SEDAM Huancayo is a water and wastewater utility with a history of mismanagement by previous mayors who exploited it for their own gains. The results include serious water quality problems and massive overstaffing as mayors placed party friends in unnecessary jobs in the utility. In 2003, the new mayor, Barrios Ipenza, initiated the privatisation of SEDAM Huancayo S.A. The national privatisation agency ProInversión first designed a concession model, but later shifted to a management contract model in response to local opposition to privatisation plans.

In March 2003, a local front was created at the initiative of the trade union SUTAPAH. The front, known as FREDEAJUN, has been a vibrant movement in which the trade union, defensive fronts of the districts of Huancayo, associations of market workers and school fathers, some irrigation farmers and many others organise and mobilise. Protests reached their climax with a city-wide strike on March 30<sup>th</sup>, 2005 for the cancellation of the privatisation process. The demand for and development of a public alternative turned into a central aspect of the front's work.

During the general elections in 2006, water privatisation became a national election issue. The APRA party tried to calm the mood by announcing that privatisation was off their national agenda and it informally told FENTAP that the PSP in Huancayo was cancelled. ProInversión was left with no option but to cancel the PSP, which was announced on September 26<sup>th</sup> 2006.

## **A POPULAR ALTERNATIVE IN THE MAKING**

In early 2006, it became clear that a bottom-up process within FREDEAJUN was important to develop an alternative proposal because it would assure collective ownership. So in April 2006, a series of workshops started with the support of FENTAP and international NGOs from Amsterdam. At these workshops, sector experts friendly to the movement (of which there were far too few), representatives of the member organisations of the front and the council of the front could develop a common knowledge base about the problems of SEDAM and options for modernising and democratising the utility. In September 2006 they released a “Basic Outline for the Sustainable, Participatory And De-politicised Modernisation Of SEDAM Huancayo Without Privatisation”. This argued that SEDAM had all the elements to be a viable public utility and it set out new principles by which a public-participatory utility would provide adequate water and sanitation services to its citizen-users, who had the right to control the company. The “basic outline” developed in detail plans for managerial and institutional reforms that included the proposal for a PUP.

This process and the resulting proposal illustrate the first qualitative shift of the movement towards becoming a pro-active social force that can intervene constructively in politics and state institutions, handle sound technical and professional debates and propose alternative plans for SEDAM. However, with this success, new challenges arose, both within the front and in its political work. Unfortunately, while the trade union leadership was very active, members of the union were hard to mobilise as inertia, vested interests and fear prevented them from coming forward. It also became clear that the front had to better communicate with and organise its members to further develop the “basic outline” through a strong and lively popular process. The “basic outline” was to be agreed on by all member organisations of the front and further worked on by the trade union. The front tried to enforce the alternative proposal via a Social-Technical Council, which new mayor Arq. Freddy Arana had agreed to open and give certain power over the decision of the future of SEDAM. The Council was to be staffed by representatives of local civil society, the church, the university and so on. However, when it became clear that the front was going to have a strong voice within that Council, the political will of Arana and other groups of civil society dwindled as they did not want to allow the social movements to control SEDAM’s future. At the end of 2006, the front was successful with another strategy. It negotiated directly with SEDAM’s management and proposed a public-public partnership.

## **THE PUP**

The second qualitative shift of the Huancayo movement came when FENTAP induced the development of a South-South public-public partnership. The PUP was an integral part of the “basic outline” and was embarked on in a politicised manner. This meant that the local front and the union had to not only link up with international water movement networks but also had to directly approach the utility SEDAM with a concrete proposal that could overcome local resistance. Overall, when the direct PSP threat had abated but local politics remained opposed to a public reform process, the PUP became a tool to start change at utility level. In October 2006, FENTAP met with the trade union SOSBA (Sindicato de Obras Sanitarias de la Provincia de Buenos Aires) from Argentina, both members of Public Services

International (PSI). This was during the Blue October events<sup>2</sup> in Uruguay, where they agreed to sound out possibilities for a PUP between ABSA, a union-owned and run public water operator from the state of Buenos Aires in Argentina, and SEDAM. This demonstrates how important the transnational networks of the global water movement can be in generating innovative projects. FENTAP and ABSA pursued a PUP concept of not-for-profit technical support and collaboration in the study and search for strategies of institutional and management reform that included the development of social and union participation.

After preliminary debates and a funding agreement with a European NGO, Josefina Gabriel of SUTAPAH travelled to the city of La Plata in Argentina in February 2007. In March 2007 a representative of SOSBA and a senior management staff of 5de Septiembre, the operator that is owned and managed by SOSBA and part of ABSA, travelled to Lima and Huancayo. This resulted in a declaration of intent that FENTAP, FREDEAJUN, SUTAPAH and SOSBA signed in March 2007. They committed to working towards a PUP between ABSA and SEDAM and to strengthen the movement in Huancayo. On that basis, the senior staff of 5de Septiembre met with officials of SEDAM to introduce and substantiate the PUP proposal and to get an overview of the realities of SEDAM. In April 2007, SOSBA released an evaluation of SEDAM that showed that utility improvements were feasible and with less investment than the PSP scheme had claimed. It also demonstrated that SEDAM had the potential to become a well functioning public utility, if only the right managerial decision was taken. SOSBA also developed a draft for a PUP contract and worked on plans to involve the regional governments on water resource issues.

The common strategy of the social and union actors was to reach a political-managerial agreement. They initially hoped to achieve this in the Social-Technical Council mentioned above, which was started by the Huancayo Mayor Freddy Arana under the name 'concertation table' (mesa de concertación). The front had been seeking to implement the table as a public forum to further develop political and social support in Huancayo. But since the table did not fully operate for the above-mentioned reasons, the PUP was pushed through at utility level. The breakthrough occurred when the general manager of SEDAM decided to support the PUP. This led to the important signing of the PUP contract between SEDAM and ABSA on June 21<sup>st</sup> 2007. The "Framework Agreement on cooperation between ABSA and SEDAM Huancayo" set out objectives and activities such as technological development, interchange of staff, exchange of knowledge, capacity development for staff and users, technology transfer and proposals for management improvements. The next steps in the work plan are a visit by SEDAM staff to ABSA and the incorporation of the proposals of ABSA through a process within SEDAM that can lead to a new cycle of planning and implementation of utility reform. At the time of writing, these steps were being held back because the municipality of Huancayo and senior management were giving the reform process the cold shoulder. This is a reality of politics and water management in Huancayo that the front, the union and the PUP as their technical though politicised tool have to confront and overcome.

So the PUP process was generated at inter-utility level but only received tentative support from Huancayo's mayor Arana. This was to become a limiting factor during the ongoing implementation process of the PUP. Another problem has been the unfulfilled task of building social control mechanisms into the PUP and keeping the popular processes of the

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<sup>2</sup>The Blue October events were a networked initiative across the world where water movements commemorated common struggles and organised a month of action for water in their respective localities.

front more integrally linked to the PUP. At the time of writing, the PUP stands out as a critical and important step in the development of a public-participatory SEDAM Huancayo. But it remains at a bottleneck because local politics and barriers to change within the utility prevent the necessary changes of SEDAM, mostly because the proposed utility reforms would destroy the decades old systems of clientelism, nepotism and undue political control. Also, sound infrastructure development and procurement would reduce possible corruption. It also does not help that sector governance and the present national government are unfriendly towards the success of the PUP because it is in direct opposition to the central government policy of PSP. In addition, local politics in Peru and public life in general are difficult in so many ways that it is hard for the front to hold the political leaders accountable to really support the PUP.

It is a fact that the PUP has prevented any new attempt to privatise SEDAM Huancayo and is a great success for FREDEAJUN, SUTAPAH, and FENTAP. The potentials of the PUP need to be recognised and that it has developed, via the cooperation with ABSA, a serious and workable plan for utility reform and improvement that aims to reduce costs, increase maintenance and investment, to orientate service delivery to the needs of the population, and institutional reform to democratise the utility and make it accountable to the public.

**OUTLOOK AND CONCLUSION**

The case of Huancayo shows that through a strong local movement of citizens and workers it is possible to expand the struggle against privatisation into reclaiming public water services. And it shows that PUPs are technical though political tools for movements to engage in utility transformation. Huancayo also demonstrates a new form of active solidarity in transnational movements and amongst public operators. It offers insights for the global water justice movement on how to generate public alternatives and how to employ public-public partnerships.

Finally, while the PUP stands out as a significant success for the Peruvian water movements as a bulwark against privatisation, it is important to consider that it is still at an early stage. The democratisation of the public utility via the PUP remains a conflictual and difficult process for which the front and the union have to find organisational and political answers. It remains to be seen how the local movements can enforce and reach full operation of the partnership despite the strong counter-reaction by local politics, the national government and powerful resistance to change within the utility SEDAM.

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