

World Bank's Water Gate

In an ancient European fable, there was a popular character named 'Robinhood' who would rob the rich in order to help the poor. Today we are witnessing the emergence of a modern 'Robinhood' albeit in a role reversal. This modern Robinhood is none other than the World Bank which is primarily working towards robbing the poor to help the rich grow richer. The formulation of its policies, strategies and programmes and the conditionalities attached to its lending packages always have strings attached to them. Strings in the form of marketism, disinvestment, private sector participation, structural adjustment, user fee and what not. Even the World Bank's Water Resources Sector Strategy is nothing but a new menu for the privatisation of the water resources of the developing countries.

Thus there are clear indications that in the name of liberalisation and globalisation, there exists a paramount desire to capture the vast markets of the developing countries. This eagerness to make profit out of the 'needs' is not confined to the consumer goods only. This greed for profit has overtaken the developed countries to such an extent that there is a fervent pace to convert the natural resources of the developing countries into 'economic goods'. And to implement their designs they find the World Bank as their convenient ally, since World Bank's "aid" is synonymous with 'loans', often tied to purchase goods and services from the donor country.

This can be easily seen in the way the water sector of the developing nations is being targeted. Already, through IMF and World Bank Structural Adjustment Programme, Latin American and African countries have been forced to sell off their water, electrical and telecommunications utilities to foreign investors leading to unequal access and higher prices.

Plight of the world's poor is invoked at regular intervals at the International forums by the politicians so that more World Bank aided programmes could be launched in the developing countries. This mechanism immensely helps to serve the ulterior motives of the governments of both the developed and developing countries. While, through the World Bank aided programmes, the developed countries are able to provide a foothold to their water corporates in the so called "demand driven" water sector of the developing countries, the governments of the developing countries are also able to procure a shield over their failures to deliver the goods and services to the people at large, particularly in the rural areas.

Thus what should be regarded a social service has been conveniently turned into a profit driven private enterprise. As is evident from the statement of the World Bank's Director for Water and Power who once declared that water and sanitation loans to Africa will be 'out of the question' unless they include private sector participation. This arm-twisting methodology of the World Bank to force the borrower countries to open up their natural resources for private participation has been well documented in Nancy Alexander's critique of the World Bank's approach to water resources management titled 'Who governs Water Resources in Developing Countries' (a summary is given in this issue of Infopack). Similarly, a glance at the Government of India's 'National Water Policy 2002' bears testimony to the World Bank's agenda of privatising the water resources of the developing world. While eulogizing water as a natural resource, a basic human need and a precious national asset whose planning, development and management needs to be governed by national perspective, the document, at the same time, provides enough space under section 13 for the 'private sector participation' in the planning, development and management of the resources belonging to the people of the country.

In this issue of *Infopack*, we are giving the summary of the various documents available on water.

- Piyush Pant

NATIONAL WATER POLICY

Government of India
Ministry of Water
Resources
April 2002

Bird's Eye View

Like any other Government document, this document is also merely a statement of the government policy on water. It states that the National Water Policy (NWP) was adopted at the 2nd meeting of the National Water Resources Council on 9th September, 1987. This policy has, since then, been guiding the formulation of policies and programmes for water resources development and its management in India. But many new challenges emerging in the water resources sector during the last 14 years have necessitated the review of the existing National Water Policy. Accordingly, the revised and updated draft National Water Policy was considered and deliberated upon in the 5th meeting of the National Water Resources Council held on 1st April, 2002. In view of major consensus on the policy, the council resolved to adopt the (Revised) National Water Policy with the modifications as agreed to by it. This revised policy is known as "National Water Policy - 2002".

This 18-page document has been divided in the following sections: Need for a National Water Policy, Information System, Water Resources Planning, Institutional Mechanism, Water Allocation Priorities, Project Planning, Ground Water Development, Drinking Water, Irrigation, Resettlement and Rehabilitation, Financial and Physical Sustainability, Participatory Approach to Water Resources Management, Private Sector Participation, Water Quality, Water Zoning, Conservation of Water, Flood Control and Management, Land Erosion by Sea or River, Drought-prone Area Development, Monitoring of Projects, Water Sharing/Distribution amongst the States, Performance Improvement, Maintenance and Modernisation, Safety of Structures, Science and Technology, Training, and Conclusion.

What makes this document important is the importance it attaches to the water as a natural resource, a basic human need and a precious national asset. Accordingly it asserts that the planning, development and management of water resources need to be governed by national perspectives. It further states that as the country has entered the 21st century, efforts to develop, conserve, utilise and manage this important resource in a sustainable manner, have to be guided by the national perspective. This assertion on the part of the national government assumes greater importance as efforts are underway to privatise this natural resource by the global corporate giants.

The 'Need for a National Water Policy' section of the document underlines the need for common approaches and guidelines while planning and implementing the water resources projects that involve a number of socio-economic aspects and issues such as environmental sustainability, appropriate resettlement and rehabilitation of project affected people and livestock, public health concerns of water impoundment, dam safety, etc. This section also maintains the continuously growing demands for water for diverse purposes like domestic, industrial, agricultural, hydro-power, thermal-power, navigation, recreation, etc. It says that while the gross irrigation potential is estimated to have increased from 19.5 million hectare at the time of independence to about 95 million hectare by the end of the Year 1999-

2000, further development of substantial order is necessary if the food and fibre needs of our growing population are to be met with. Similarly, the drinking water needs of the people and livestock has been increasing as well as the demand for the hydro and thermal power generation and for other industrial uses. This underscores the need for the utmost efficiency in water utilisation and a public awareness of the importance of its conservation. The section also talks about the need to improve the quality of the water.

Under the heading 'Information System' the document stresses the need for a well developed information system, for water related data in its entirety, at the national/state level. The system should have a network of data banks and data boxes, integrating and strengthening the existing Central and state level agencies and improving the quality of data and the processing capabilities. Apart from the data regarding water availability and actual water use, the system should also include comprehensive and reliable projections of future demands of water for diverse purposes.

As for the planning of water resources, the document says -- "Water resource development and management will have to be planned for a hydrological unit such as drainage basin as a whole or for a sub-basin multi--sectorally, taking into account surface and ground water for sustainable use incorporating quantity and quality aspects as well as environmental considerations.

With a view to give effect to the planning, development and management of the water resources on a hydrological unit basis, along with a multi-sectoral, multi-disciplinary and participatory approach as well as integrating quality, quantity and the environmental aspects, the existing institutions at various levels under the water resources sector will have to be appropriately reoriented /reorganised and even created, wherever necessary... The institutional arrangements should be such that this vital aspect is given importance equal or even more than that of new constructions," says the document. It further says that special multi-disciplinary units should be set up to prepare comprehensive plans taking into account not only the needs of irrigation but also harmonising various other water uses, so that the available water resources are determined and put to optimum use having regard to existing agreements or awards of Tribunals under the relevant laws.

Under the head 'Project Planning' the document stresses that the water resource development projects should as far as possible be planned and developed as multipurpose projects. Provision for drinking water should be a primary consideration. It further enlists 7 priorities that are to be considered while planning the projects. One of the priorities fixed by the policy says that special efforts should be made to investigate and formulate projects either in, or for the benefit of, areas inhabited by tribals or other specially disadvantaged groups such as socially weak, scheduled castes and scheduled tribes. In other areas too, the project planning should pay special attention to the needs of the scheduled castes, scheduled tribes and other weaker sections of society. The economic evaluation of the projects benefitting such disadvantaged

sections should also take these factors into account.

The document also states that adequate safe drinking water facilities should be provided to the entire population both in urban as well as in rural areas. Irrigation and multi-purpose projects should invariably include a drinking water component, wherever there is no alternative source of drinking water. Drinking water needs of the human beings and animals should be the first charge on any available water.

Under the section 'Participatory Approach to Resources Management' the document lays down that the management of water resources for diverse uses should incorporate a participatory approach by involving not only the various government agencies but also the users and other stakeholders, in an effective and decisive manner, in various aspects of planning, design, development and management of the water resources schemes. Necessary legal and institutional changes should be made at various levels for the purpose, duly ensuring appropriate role for women. Water Users' Associations and the local bodies such as municipalities and gram panchayats should particularly be involved in the operation, maintenance and management of water infrastructures/facilities at appropriate levels progressively, with a view to eventually transfer the management of such facilities to the user groups / local bodies.

The document also gives enough space to 'Private Sector Participation'. It says that 'Private Sector Participation' should be encouraged in planning, development and management of the water resources projects for diverse uses, wherever feasible. Private sector participation may help in introducing innovative ideas, generating financial resources, introducing corporate management, and improving service efficiency and accountability to users. Depending upon the specific situations, various combinations of private sector participation in building, owning, operating, leasing and transferring of water resources facilities may be considered.

The document concludes with these words -- " The success of the National Water Policy will depend entirely on evolving and maintaining a national consensus and commitment to its underlying principles and objectives. To achieve the desired objectives, State Water Policy backed with an operational action plan shall be formulated in a time bound manner, say in two years. National Water Policy may be revised periodically as and when need arises."

So National Water Policy is merely a statement of the government's desired objectives in the water sector. How far will it be able to realise them and more particularly adhere to them on the face of mounting pressures by global corporates will be known only when the operational action plan is formulated and starts working. The critics of the Policy feel that providing enough space for Private Participation will ultimately push the public sector out of the arena and will pave way for the corporatisation of the water resources in the country, thus rendering ineffective the participatory approach to water resources management enunciated in the National Water Policy 2002.

WATER RESOURCES SECTOR STRATEGY

Strategic Directions for
World Bank Engagement

Draft for Discussion of
March 25, 2002

Bird's Eye View

World Bank's Water Resources Sector Strategy (WRSS) seems to have been generated out of the frustration of the Bank's inability to wholeheartedly push its agenda of Water Privatisation, particularly in the developing countries. This feeling increasingly overcomes you as you go through the Bank's draft Water Resources Sector Strategy. However, the document repeatedly makes use of words like 'environmental and social concerns', 'poverty alleviation' and 'challenges of the future' just to prove that its intentions are genuinely pro-people.

The Bank's draft Water Resources Sector Strategy takes the position that privatisation and big infrastructure will go long way towards solving water challenges of the future. However, rather than providing compelling analysis and evidence, the WRSS takes its controversial position and focuses on practical constraints to realizing its vision of private service provision. For instance, since it is the nature of private investors to avoid the kind of risks entailed in water supply, sanitation, irrigation and drainage projects in developing countries, the World Bank Group (and its major shareholder, the US) is inventing new ways to entice investors into this high-risk environment. In addition to its traditional product line of guarantees to offset commercial and political risk, the World Bank Group plans to subsidize corporate investment in water systems with new grant flows. In fact, the World Bank Group is considering utilising grants to subsidize water utilities. In particular, the Bank plans to scale up output-based aid (OBA) schemes, which would provide subsidies to corporations when they deliver services or meet certain performance benchmarks relating to:

- Coverage expansion: lump payment for each new connection in poor areas;
- Tariff transition: support gradual tariff increase to recover costs; payment based on service delivered (quality parameter, collection rate over designated period);
- Consumption: subsidise minimum consumption for poor households; and
- Waste water treatment: subsidy based on amount of pollution removal.

The Bank's private sector affiliate, the International Finance Corporation (IFC), justifies the use of grants to improve the social and environmental aspects of private investment, beyond essential risk mitigation and to advise governments on privatisation.

The World Bank's proposed strategies also lack of focus on the need for affordable, safe water in rural areas where the vast majority of the world's poor people live. Hence, in order to meet water related Millennium Development Goals (MDGs), the Bank will have to revisit the issue of how to empower poor populations (especially those in rural areas) and help to ensure their livelihoods.

This 71-page document contains broadly three sections, namely 'Introduction and Development Context', 'Stocktaking and Evaluation'

and 'Strategic Options and Possible Business Implications', covering in detail the gloomy water scenario, the impending need for water resources management, the World Bank's engagement in water resources development and management, and what the strategy might mean for World Bank engagement.

As stated in the document, the Water Resources Sector Strategy takes stock of eight years of World Bank experience with implementing the 1993 Policy Paper, and takes account of the World Bank's renewed commitment to poverty alleviation. It is to be noted that in 1993 the World Bank approved a Water Resources Management Policy Paper. In that paper and in the World Bank's current strategy document, water resources management comprises the institutional framework (legal, regulatory and organisational roles), management instruments (regulatory and financial), and the development, maintenance and operation of infrastructure (including water storage structures and conveyance, waste water treatment, and watershed protection). The 1993 Policy Paper reflected a broad global consensus which was forged during the Rio Earth Summit process. This consensus had stated that modern water resources management should be based on three fundamental principles, i.e. ecological principle, institutional principle and instrument principle. The fundamental conclusion is that the principles articulated in the Policy Paper remain valid, but that the World Bank needs to make some adjustments if it is to be a better partner in assisting its borrowers to use water resources as a basis for growth and poverty alleviation in a socially and environmentally sustainable manner.

The basis for this strategy lies in the World Bank's own experience with its earlier strategies. As the document says, "In good part through some painful and highly visible failures" which severely damaged its reputation, the World Bank learned about the necessity of incorporating not just technical and economic considerations, but social and environmental factors into the design and operation of hydraulic infrastructure. The World Bank also learned that water management is about much more than simply building and operating infrastructure, that it also includes the development of an enabling legal framework and institutions for the management of both the quantity and quality of water in basins and aquifers. Non-structural measures, such as water rights administration, allocation mechanisms, and information systems, must be incorporated as well. Two principal conclusions are drawn from this experience. Together they form the basis for this strategy. First, it is clear that the "management or infrastructure" dichotomy is false. Both are needed. In most developing countries there is simultaneously an urgent need for more environmentally and socially sustainable management of water resources, and for developing and maintaining the stock of small and large water infrastructure needed for growth and poverty reduction. Second, it is equally clear that development and management of water resources is a slow and highly political process. All countries, including the industrialised ones, have a long way to go before they manage their water resources in accordance with the principles of best practice.

Thus it is clear that the World Bank's new strategy is more in the nature of a response to the mounting pressure from the social activists and the failure of its earlier strategies in effectively implementing its agenda of water privatisation.

The strategy lists Water-Related Millennium Development Goals as follows:

- To halve by 2015 the proportion of people without sustainable access to safe drinking water. This involves improving water supply for 1.018 billion urban dwellers and 581 million rural inhabitants.
- To enable at least 100 million slum dwellers to have access to improved sanitation facilities by 2020.
- Reduce by two-third the under-5 mortality rate by 2015.

This Sector Strategy is the third in a trilogy of recent World Bank statements on water resources management. The first of these, the 1993 Water Resources Management Policy Paper, outlines the principles that govern the World Bank's work in water resources. The second, the 2001 assessment of experience with the implementation of that Policy Paper ("Bridging Troubled Waters") by the Operations Evaluation Department (OED), concludes that the Policy Paper remains valid and germane, but that ambition and pace of implementation must be tailored to the wide variety of circumstances found in the countries that borrow from the Word Bank. Water Resources Sector Strategy, the third in the trilogy, claims to focus on how the World Bank can more effectively assist its borrowers in translating principles into action.



WHO GOVERNS WATER RESOURCES IN DEVELOPING COUNTRIES?

A Critique of the World Bank's Approach to Water Resources Management
By Nancy Alexander
June 2002

Bird's Eye View

This Critique of the World Bank's approach to water resources successfully tries to raise a question mark on the intentions of the World Bank's approach towards water resources. In the process, it also exposes the Bank's much hyped draft Water Resources Sector Strategy (WRSS). The critique believes that the WRSS is nothing but a cover to hide its agenda of privatizing the water resources of the developing world. It says, "Powerful creditors and donors, such as the U.S. and multilateral leaders, may refuse to extend credit to those governments that choose to retain public water provision. Recently, the World Bank Director for Water and Power declared that water and sanitation loans to Africa will be 'out of the question' unless they include private sector participation. This position represents an institutionalised hypocrisy. The industrialised countries that dictate conditions for access to development assistance maintain public provision of water for themselves, while requiring that developing countries renouce it. (The same double standard exists in other policy areas. For instance, the industrialised countries increase already high levels of agricultural subsidies, while requiring that developing countries remove theirs.)"

It further says that the powerful donors and multilateral lenders have

many ways to influence politics in developing countries -- mainly by withholding aid, credit or debt relief until governments agree to privatize. The IMF has suspended debt relief when governments were unwilling to privatize or to privatize rapidly enough. Indeed, the agenda of public sector reform in developing countries is being transformed within G-7 governments, the multilateral lending institutions they control, and transnational corporation that influence both groups. Decades of disappointment with foreign aid have transformed that agenda into a debate about how -- rather than whether -- to privatize basic services, especially water and power.

The document has ten sections containing topics like the World Bank's Role: New Water-Related Strategies; Water and Sanitation: Indiscriminate Privatisation; Dams And Other Infrastructure: Bigness is Back; Mechanisms for Managing Water, etc. It also has 7 boxes highlighting various features of the World Bank's approach. The document also has three attachments A, B and C, containing an outline of the proposed Water and Sanitation Business Strategy of The World Bank Group, World Bank-Spawnd Institutions and Partnerships in the Water World, and The Cases of Philippines and Ghana.

In her critique, Nancy Alexander points towards the continuous failure of World Bank- financed water proejcts. She mentions that water-related investments are about 14% of the World Bank's overall loan portfolio. At the end of the fiscal year 2001, the World Bank had outstanding commitments in water-related sectors of about 20 billion dollars. Out of this, 4.8 billion dollars are for urban water and sanitation, 1.7 billion dollars for rural water and sanitation, 5.4 billion dollars for irrigation and drainage, 1.7 billion dollars for hydropower and 3 billion dollars for water related environment projects. But as for the success rate -- in 1993, only 27% of the World Bank-financed water projects had likely sustainability (e.g. continue to reap benefits over time, after project completion) as compared to about 40% today. Rather than sustainability ratings, the Bank tends to tout ratings at project completion, says Nancy. Still, the World Bank Group is planning a major expansion of its water-related portfolio, especially in the area of high-risk infrastructure. It is pushing back the privatisation "frontier" by, among other things, targeting water supply and irrigation services.

The critique futher highlights that notwithstanding the World Bank's enthusiasm as shown in the draft Water Resources Sector Strategy, there is no such global consensus about the water sector. In this context it quotes the Bank's own Operation Evaluation Department (OED): "... getting the private sector to focus on the alleviation of poverty and to design tarrifs in a way that does not discriminate against the poor has proved hard to achieve in practice... where the private sector can not deliver or sees the risks as too high, there may be a case for the Bank to intervene to improve capacity and policy to upgrade public sector utilities."

-- World Bank, OED, Bridging Troubled Waters, p.22, 23.

Similarly, Box 3 of the document lists the seven deadly sins of water projects of the World Bank. These have been called so by the Bank's Operating Evaluation Department as the ways in which the projects generally go awry. These sins are:

1. They finance a "Washington pipe dream."
2. They proceed without political will for reform.
3. They set targets (e.g. cost recovery goals) with no means (e.g. tariff regulation and metering) to achieve them.
4. They disregard consumers preferences
5. They overestimate demand to justify the project (i.e. demand projection must take into account the effect of tariff increase, the effect of better metering and the effect of changed incentives).
6. They build a co-financing house of cards (i.e. if one co-financier withdraws, a project may collapse).
7. They blast ahead with unchanged incentives (i.e. the "carrot is stronger than the stick").

In her critique, Nancy Alexander also points out that the World Bank's draft Water Resources Sector Strategy (WRSS) pays scarce attention to the importance of sustainable livelihoods or the implications for the poor people of its approach to big infrastructure and private provision of services.

For instance, the WRSS emphasises the market mechanisms to allocate water from low value uses to high value uses as in the case of Northeast Brazil. Originally, expensive infrastructure was being used for subsistence agriculture. When land was auctioned off to big commercial farmers, the poor farmers often became sub-contractors or found employment in industries spun off by the agricultural sector. This emphasis on export-oriented agricultural production has an established pattern of pushing out small farmers to allow for agribusiness expansion.

The critique also points out that although the Bank has expanded its environmental work over the course of the last decade, it still remains marginal to the Bank's main agenda. It quotes the Bank's Operations Evaluation Department (OED) -- "The concept that environmental sustainability is an integral part of sustainable development has not been explicitly accepted at a strategic level. The modest extent of mainstreaming the environment into the Bank's overall programme is disturbing."

It also points out that there is poor treatment by the WRSS of the continuum of water resources - from marine, to coastal, to fresh water issues. Nor is there an integration of poverty and environmental concerns.

The critique concludes that market mechanisms can not function without independent, strong regulatory systems - something that most Bank borrowers lack. There are many examples in which private provision has not improved development outcomes. Still, the Bank appears to favour almost indiscriminate privatisation, such as when Bank officials

require that African water projects should contain private sector components. At the same time, the Bank has failed to identify the regulatory preconditions for equitable and just private provision. Especially in countries with weak regulation, privatisation will not promote integrated water resources management.

Given that water is essential for survival, it is not a pure 'economic good' and can not be treated as such. By treating water as an economic good, the Bank comes to the wrong-headed conclusion that "the more users pay, the more likely a project is to be demand-driven." The Bank lauds markets that allocate water to "high value" users (industrial and agricultural export users) and poor people are not high value users. Hence, the water-related activities that help improve the livelihoods of poor people and women could simply be dismissed as having "low value."

Rather than financing public relations programmes to persuade borrowing country constituencies to imbibe the virtues of privatisation and big infrastructure, the Bank should "put its money where its mouth is" by supporting good, accountable governance processes. Citizens, themselves, should determine the best path to water protection, management and development.

In the end, the critique makes certain recommendations, such as:

- Respond to a public consensus about the best modalities for water systems and services.
- In consultation with stakeholders, identify the preconditions to successful privatisation - such as a strong and independent regulatory system.
- Shun loan instruments [Social Funds or Adaptable Program Loans (APLs)] that would require participating communities to privatise water without their consent and without regulatory components that ensure oversight.
- Refuse to accept privatisation that shifts risks onto the public sector.

**INDIA: WORLD
BANK
ASSISTANCE FOR
WATER
RESOURCES
MANAGEMENT**

A Country Assistance
Evaluation

- G. T. Keith Pitman

The World Bank 2002

Bird's Eye View

This report is written to serve two purposes. First, it provides an evaluation of the effectiveness and relevance of the World Bank's lending and non-lending activities to India as an input into the Operations Evaluation Department's (OED) India Country Assistance Evaluation of April 23, 2001. It also provides a case study of how the World Bank's 1993 Water Resources Management Policy and Strategy has been utilised and applied among the Bank's borrowers. This case study is part of OED's global evaluation of the Bank's experience in implementing the water policy.

These purposes behind publishing the report have been underlined by the World Bank itself in its preface to the report. The motive behind preparing this report might have been the need, on part of the World Bank, to know the progress of its strategy of water management in the developing countries, but the real intention seems to be pressurising the third world countries to accelerate the pace of privatisation of water resources and unleash key policy and institutional reforms. The emphasis is also on limiting the role of the state governments to water policy rather than management. It says: "Investment and operation and management activities should be separated. Bulk water delivery, maintenance and financial management should be assigned to autonomous and financially self-sufficient units that are accountable for [their] performance to regulators and users. There must also be greater attention to good governance and decentralisation that allows the private sector, including users' groups to take a greater stake in water planning, investment and management." The attempt is also made to browbeat the political leadership of the country into accepting the World Bank's prescription for water management.

In this report India has been taken up as a case study. The study was initiated in May 1999 when Keith Pitman (Tasks Manger) visited India. The report is divided into eight sections comprising 'Background to the India Water Sector Evaluation', 'Water Development in India', 'Evolution of Water Policy in India', 'Evolution of the World Bank's Water Policy in India', 'Bank Assistance to India's Water Sector', 'How has the Bank Performed?', and 'Conclusions and Lessons'. The report also contains a lot of figures displaying the concerned data. It also has five boxes highlighting certain facts. Besides, a number of annexes have also been given.

The developing countries receive approximately 70-80 billion dollars for water development each year. Multilateral and bilateral agencies supply about 9 billion dollars, of which the World Bank provides almost 20% or \$ 2 billion, equivalent to about 3% of the global funding for water. The Bank's portfolio of water projects account for 14% of its total lending. Between 1985 and 1998 the Bank invested more than 33 billion dollars in water and water-related projects covering more than 700 operations. Although the water portfolio covered 57 countries, three-quarters of the Bank's investment was concentrated in only 10 countries

and more than half in only four (China, India, Brazil and Mexico).

A key component of the evaluation is to determine the relevance and efficiency of the Bank's water operations, and economic and sector work to its three largest borrowers - China, India and Brazil. In that context this review report evaluates the progress of the Bank's water policy and strategy in India spanning the period 1987-99.

The Bank's water sector portfolio in India has been large: 60 operations were active between 1988 and 1991 of which two-thirds (40) have been completed. Sixty per cent (36) of these were approved prior to 1988, 20 were completed before the Bank's 1993 water policy became effective, and 16 were completed later. Of the 24 operations approved after 1988, four have been completed and only 13 operations post-date the 1993 water policy. Thus, in the six years before and after the water policy, an almost equal number of the projects were approved.

Pointing towards the Institutional and Organisational problems, the report says that past approaches in India have been to develop water resources rather than to manage them efficiently. State ownership of water has induced a race to secure the water available in shared river basins. This has precluded comprehensive and optimal water development and management and has led to acrimonious water disputes that take decades to settle with huge foregone benefits. There has been a lack of political will to tackle the hard financial, administrative, institutional, political and cultural constraints needed to effect better management of demand. Accountability is missing. The approaches have also been top-down, bureaucratic and fragmentary, rather than participatory, client-oriented and integrated. Most users and beneficiaries have been excluded from decision-making and have no incentive to participate and improve service delivery. There are negligible incentives for government agencies to deliver adequate or quality services. This sets up a vicious cycle of poor service, reluctance to pay, and insufficient income for operation and maintenance (O&M) that further reduces efficient service.

In the long run, the gap between growing demand and inelastic supplies must be closed by increasing managerial efficiency, rather than developing new supplies. This will require radical changes in institutions governing water supply, development, distribution and use.

The report further says that the water sector has seen increasingly strong policy debate and formulation over the past 20 years at the federal level, and this has accelerated since the early 1990s, especially in the last few years. Unfortunately, most of the debate by federal select committees and commissions has little ownership in the states that possess the water. Active and highly relevant academic research and debate is accessible but only to a select public. From a national perspective, there is little transparency and community participation is negligible. Little of this policy dialogue reaches the multiplicity of water management institutions.

Moreover, with some notable exceptions, there is insignificant follow-

through of the federal water policy at the state level. Public participation, barring a few exceptions, is notable by its absence. Conversely, public objection to top-down project implementation frequently makes it to the international press and highlights the accountability gap. There are virtually no state incentives or policy initiatives to treat water holistically and use economic criteria to allocate this scarce resource. Even the boldest state reforms of the late 1990s are incremental and at the margin. State policy makers are unwilling to consider full-cost pricing of water supplies that reflects its opportunity cost, because it will highlight the gross inefficiencies and overstaffing of the present water management institutions and the political difficulties of making them financially viable.

The chapter titled 'Evolution of the World Bank's Water Policy in India' reviews evolution of the Bank's policy for water and water-related investment before and after the Bank's 1993 Water Resources Management Policy. It shows that the Bank was overly focused on a project-by-project approach until the mid-1980s with little policy dialogue on anything other than engineering quality.

The report further points out that since political economy is at the root of many problems afflicting the sector, the Bank should pay more attention to issues of political will and commitment, and include political and civic leaders in its dialogue on water reforms. Inviting them to see successful water projects and reforms in other countries could prove effective as it did for Turkey. The Bank also needs to work better with other development, research and donor agencies in India, not only keeping them informed but also opening itself to learning from their hard-won experience.

Under the 1998 reform agenda, institutions and practices that have remained unchanged for decades are to be tackled and changed quickly. It says that the future of water sector reforms in India depends critically on enforcement by the Government of India of its national water policies. Without such enforcement - that may mean withdrawing support from the states unwilling to reform - there will be little progress towards modernising India's failing water institutions.

The review report makes observations about certain lessons learnt and also makes some recommendations. These are as follows:

- ◆ The Bank's new policy of focusing its attention on a few reforming states, governance and bundling the water sector within statewide fiscal reform package appears to be paying off. The new approach gives the Bank much greater leverage through its enlarged lending and unifies the differing subsectoral reform agendas that formerly sent conflicting signals to Bank clients.
- ◆ Since political economy is at the root of many problems in the sector, the Bank should pay more attention to issues of political will and commitment. Generally, inducing reform during water project implementation through loan covenants has not worked in India and experience indicates that it will be more effective to make them the conditions for negotiation. This will require deeper dialogue on reform

with client states during project preparation. There are clear lessons for the water sector from the Bank's experience in the states' electricity sectors.

- ◆ Disseminating and discussing the reform agenda more widely among civil society at the state level helps India build a national consensus on the substance of the problems and their solutions. It builds ownership by taking seriously local concerns about their suitability to Indian conditions. The Bank should also develop a nationwide campaign to include political and civic leaders in the Bank's dialogue on water reform, and invite them, as it did in Turkey, to see successful water projects and reforms in other countries.
- ◆ India's vibrant intellectual community has deep insight into the systemic issues in the water sector as a whole and has much to contribute to the Bank's water agenda. Similarly, the Bank should work more closely with other development partners in water to create synergy from their experience.
- ◆ The experience of Narmada shows that Bank needs to anticipate NGO objections by including Indian NGOs early in project preparation and paying less attention to outside NGOs, who have other constituencies in mind, and do not necessarily know Indian conditions.
- ◆ The Bank has failed totally to carry out any serious monitoring and evaluation (M&E), despite costly M&E components in its projects. It can do this at a relatively low cost by linking up with strong Indian research and academic institutions on a long-term contractual basis. It should also consider contracting out its ESW to Indian institutions with proven records.
- ◆ The weakness of state water institutions has required intensive Bank management of its water projects to the detriment of the broader reform agenda. Closing Bank operations in non-reformist states and right-sizing of state water management organisations and deepening staff skills and knowledge base in reformist states may alleviate this problem. This would enable the Bank to focus its scarce resources on promoting and facilitating the broader policy and reform agenda and move from an exclusive focus on its own operations.

**INDIA -
KARNATAKA
COMMUNITY -
BASED TANK
MANAGEMENT
PROJECT**

World Bank's South Asia
Regional Office

Bird's Eye View

This huge document is a World Bank document. Spread over 98 pages, this is a project appraisal document on a proposed credit to India for the Karnataka Community-based Tank Management Project. While the borrower for the project is the Government of India, the implementing agency is the JAL SAMVARDHAN YOJNA SANGH (JSYS) and Water Resources Department (Minor Irrigation), Government of Karnataka. The document takes note of each and every detail involved in the project. These details are given under 8 heads. Besides, there are 10 Annexures attached to it.

This project was prepared on March 27, 2002 and was approved by the World Bank on 25th April, 2002.

The total project cost is 124.97 million US dollars. Out of this, the borrower, i.e. the Government of India, will bear 21.16 million dollars, IDA 98.90 million dollars and local communities will have to bear 4.91 million dollars.

In the beginning the project report traces the need for such a project in Karnataka. It says that Karnataka has the second largest arid zone in India. Rural poverty continues to be high at 37% in 1994/00 (based on official figures from the Planning Commission of India) notwithstanding reasonable growth of the agriculture and allied services sector in the 1990s. Inter-district disparities are sharp with districts without large or medium irrigation facilities exhibiting a significantly higher concentration of poverty. The role of irrigated agriculture (especially tank-based irrigation) is critical to increasing agricultural growth in such areas. Karnataka's share of gross irrigated area as a percentage of gross cropped area is 26% compared to 52% for Tamilnadu, 67% for Uttar Pradesh, and a 39% all-India average. The potential to expand tank-based irrigation especially in low rainfall districts is therefore a top priority issue for the Government of Karnataka.

It further says that integrated planning and management of the entire tank system has not been adequately adopted by either the Government of Karnataka or the Panchayati Raj Institutions. Broadly the main issues in the tank system sector include: (a) significant changes in the village environment (e.g. migration to urban areas, unregulated ground water exploitation, degradation of tank catchments) that have affected the management by stakeholders of the tank resource; (b) human and financial resource constraints both in the Water Resource Department and in the Panchayati Raj Institutions; (c) adoption of a piece-meal approach to tank development that fails to recognise the inter-dependency of tank systems; and (d) an inadequate strategy for tank system development and a limited knowledge of tank system for planning.

The project report says that Panchayati Raj Institutions still have a very limited amount of untied funds; and the quality of local governance is low. In the context of the tank systems, PRIs have been assigned responsibility for managing tank systems with a command area less than

40 ha. However, PRIs have invested minimally in tanks because of several important constraints like (i) limited skills and funds available to them to develop tank systems effectively and (ii) complexities associated with managing a common property natural resources.

As for the objectives, the report says that it is to improve rural livelihoods and reduce poverty by developing and strengthening community-based approaches for improving and managing selected tank systems. The project proposes to cover approximately 2,000 existing tank systems in Karnataka. The project aims to demonstrate the viability of a community-based approach to tank improvement and management by returning the main responsibility of tank development to village-level user groups. The poverty focus of the project is based on the geographic targeting of sub-districts (i.e. talukas) across the state with a high incidence of poverty.

The World Bank justifies its involvement in the project by saying that the Bank's comparative advantage is in its extensive experience in rural development worldwide and in India with a broad array of projects and sector work in water resources, watersheds, agriculture, forestry and rural decentralisation. More so because the Bank has engaged in a strong partnership with Karnataka.

The project adopts a programmatic approach to community-based tank management and covers the first phase of this programme, i.e. 2,000 tanks of the estimated 37,000 minor irrigation tanks in the state or 72,000 ha of the 685,000 ha (11%) of the estimated command area irrigated by tanks. The project consists of three components: (a) establishing an enabling environment for the sustainable decentralised management of tank systems; (b) strengthening community-based institution to assume responsibility for tank system development and management; and (c) undertaking tank system improvements.

Overall responsibility for project implementation rests with Jal Samvardhan Yojana Sangha (JSYS) and Cluster Facilitation Teams (CFTs) who are responsible for field-level engagement with user groups. JSYS is a registered society established by the Government of Karnataka to serve as the nodal agency in the state for community-based tank management. It has been formed to help facilitate the transfer of tank system development and management from the State back to communities (via user groups). CFTs are multi-disciplinary teams responsible for establishing and supporting about 30-40 tank user groups over the course of a contract. Responsibility for the development and management of individual tank systems (as specified in each tank-specific Integrated Tank Development Plan) rests with the Tank User Group (represented by a Tank User Committee). Anchor NGOs and the State and District Resource Groups will support JSYS and CFTs in carrying out their responsibilities by providing additional outside expertise and experience in community-based natural resource management. Panchayati Raj Institutions are involved in coordinating support of the departments and providing assistance in project monitoring.

As for the funds flow, the Government of Karnataka will provide the

budget for the project as an identifiable budget line item each year under WRD (Minor Irrigation). The annual budget will be based on the annual action plan and financial requirements prepared by JSYS. JSYS on a quantitative basis will request the release of funds from WRD (Minor Irrigation) which will forward the requisition to the Finance Department and obtain a Letter of Credit (LoC).

Tank users will also have to pay the contributions. Their contributions of 12% (6% in cash and 6% in kind) of the ITDP costs will be collected in the following manner: contribution in cash - 3% before the signing of the contracts and 3% before the release of the second/third tranche; contribution in kind (6%) will be built into the performance milestones and accounted for on the completion of the milestones and certification by the CFTs. Contributions in kind will form part of the project costs but cash contributions will be retained in a separate bank account of the TUGs for future capital cost of repairs etc. resulting from unforeseen events after the completion of the rehabilitation works. Though contributions in kind form part of the project costs, these do not qualify as eligible expenditures for the disbursement from the IDA credit. This has however been factored into the disbursement percentages for the Tank System Sub Project Category. Therefore, the disbursement percentage will be applied on the total sub-project expenditures (including user contributions in kind or labour).

The project report says that Integrated Task Development Plan (ITDP) will provide the basic framework to guide project implementation. ITDP is a tank-specific development and management plan that is based on an assessment of problems and causes, sound technical analysis of the water resource system, social and environmental analysis, analysis of farming systems and alternatives, and a basis assessment of total water demand for all uses in the system.

An assessment of the Borrower's capacity to implement the activities under the project following the Bank's procedures was made during preparation. Government of Karnataka has implemented or is implementing several Bank-assisted projects and there is a general awareness in Karnataka about the Bank's systems and procedures. However, to ensure that the project staff are fully trained to deal with the procurement, JSYS has appointed a Procurement Consultant to advise them on procurement matters and to build up the capacity of the implementing entities. The nature of the project (community driven) is such that most of the procurement would be done by community-level organisations such as TUGs and local NGOs and an outside Procurement Agent would not be a practical solution.

It says that the unsustainability as evidenced in the Bank-financed Karnataka Tank Irrigation Project (1981-89) was mainly due to the lack of involvement of tank users in the project. Hence to inculcate ownership, ensure project sustainability and achieve the development objectives, the TUGs would be involved in planning, rehabilitation and operation, and through community driven processes.

The project aims at rehabilitating existing tanks and does not involve construction of new tanks. Therefore, acquisition of private land and physical displacement are expected to be minimal. However, encroachment, particularly on tank beds, is a major issue.

The report says that during planning and implementation at the tank level, efforts will be made to minimise adverse impact in terms of economic losses by limiting the construction activities to the technical interventions.

The project says that the Karnataka government has adopted a 'Policy for Resettlement and Rehabilitation' of persons affected by the community-based rehabilitation of Minor Irrigation Tanks in Karnataka. The policy is consistent with the Bank's OP4.30 on Involuntary Resettlement. The objective of the policy is to minimise displacement (physical and/or economic) and enhance their livelihood opportunities.

The project further says that based on the census survey on the potentially affected families in sample six tank areas, the Government of Karnataka prepared a Resettlement Action Plan (RAP) demonstrating their capability to plan to mitigate adverse impacts under the project. The RAP will be an integral part of the ITDP and no construction work will begin until all entitlements are extended and the progress of economic rehabilitation starts. The voluntary surrender of land will be well documented.

Since tribals are an important stakeholder under the project, based on the findings of the SEA and the detailed study of six tanks, a TDP and model tribal development plans at the tank level have been prepared which will cover both ST and SC groups.

Lastly, the project says that from a financial management perspective, it will need intensive supervision. And the focus during the supervision will be on building capacity of Tank Users Group (TUGs) and functioning of accounting and financial reporting at these levels.

We will like to receive the copy of the document(s)
that are ticked at our address below:

Pine Code :



E-mail:

- NATIONAL WATER POLICY
- WATER RESOURCES SECTOR STRATEGY
- WHO GOVERNS WATER RESOURCES IN DEVELOPING COUNTRIES?
- INDIA: WORLD BANK ASSISTANCE FOR WATER RESOURCES MANAGEMENT
- INDIA KARNATAKA COMMUNITY BASED TANK MANAGEMENT PROJECT

Infopack

**Popular
Information
Centre**

peaceact@vsnl.com

Phone & Fax:
(011) 2685 8940
(011) 2696 8121

BOOK - POST



To
Infopack
Popular Information Centre
F-93, 1st Floor, Katwaria Sarai
NEW DELHI - 110 016