

# Infopack

*May, 2001*

## Popular Information Centre

This issue of Infopack is dedicated to the documents pertaining to Global design of encroaching upon people's right over water and convert water into a commodity that can generate profit.

The last decade of the previous century is characterised by the profiteers of world eying upon basic needs of human being i.e. food, water, health and education, for gratifying their lust. The army of premier financial institutions, academic institutions, media and UN agencies are galvanised to elbow the governments to submit before the greed of TNCs. The central slogans of such flag march over people's right are "full cost recovery"; "user pays the principal" and "privatisation".

We are providing bird's eye view of the report of World Water Council, which is also referred as Water Vision 2025. This report consolidates upon the groundwork done by various agencies for about 10 years in building up the case for privatisation of essential services like water. The report provides conceptual framework and rational for profiteering from 'goods' like water.

On similar line Government of India and World Bank have produced six reports outlining the blue print of privatising India's water. These reports are sold by a private publisher - Allied Publishers, Ansari Road, Delhi - 110 007 , and the entire set is sold at the price of Rs. 1435 . (This symbolises World Bank and GoI's commitment to private and profit sector)

In addition to these official documents we are providing précis of a report by Polaris Institute and Council of Canadians, which gives an idea about the economics of water and illustrated account of 10 big Water Corporations. The report is very aptly titled--"The Final frontier".

We consider these documents to be like warning signals for the people and their struggle for survival. It's important to take note of concerted efforts by vested interests to profit from the miseries of the millions and prepare for a timely action to prevent the design.

We will be more than willing to share lot of other related material with those interested to take up campaign against attempts of privatisation in water, health and education sectors.

# **World Water Vision Commission Report**

## **A Water Secure World**

### **Vision for Water, Life and Environment**

**Total No. of pages : 78**

## **SUMMARY**

This report has been prepared by World Water Council an independent World Commission for Water in the 21st century. The main recommendations of the report can be summarised in the following points-

- <sup>2/21</sup> Holistic, systematic approaches based on integrated water resource management.
- <sup>2/21</sup> Participatory institutional mechanisms.
- <sup>2/21</sup> Full cost pricing of water services, with targeted subsidies for the poor.
- <sup>2/21</sup> Institutional, technological and financial innovation
- <sup>2/21</sup> Government as enablers, providing effective and transparent regulatory frameworks for private action

The document is primarily divided into four chapters :

The first chapter contains the resolution that the World Commission for Water in the 21st century has adopted on the occasion of millennia World Forum on Water held at The Hague in March 2000.

The second chapter focuses on the water crisis and provides the arithmetic of water. It recognises fresh water as a precious resource. It estimates that only 2.5 per cent of the world's water is fresh water and of that two-thirds is locked in ice-caps and glaciers. It also gives the details as to how only 0.8 per cent fresh water is available for human consumption. Of the total water available for human consumption, 70 per cent is used in agriculture sector while the remaining 30 per cent is used by municipal water supply for household and industry purposes.

Later, details have been provided on what all has been achieved in the area of water management. The report says that over the last two decades, more than 2.4 billion people have gained access to water supply and 600 million people to the facility of sanitation. However, a lot needs to be done. The study reveals that a billion people still do not have the access to water supply and three billion people do not have adequate sanitation. There has been evidence regarding slowing down of the irrigated land and thereby it's productivity. The report also gives a brief account of the environmental degradation of water.

The third chapter starts with the vision of the world water commission that every human being should have access to safe water for drinking , appropriate sanitation and enough food and energy at reasonable cost. Providing adequate water to meet these basic needs must be done in a manner that works in harmony with nature. This is the goal to be met in the next twenty five years. It speaks about Integrated Water Resources Management on one hand and on the other hand strongly advocates for the formal water markets as a solution to the common property resources problem. To achieve integrated water resource management, there is the need to manage every river basin holistically. It advocates setting up of management agencies at the basin and aquifer level.

Another measure which this commission recommends for achieving the goal is systematic adoption of full cost pricing for water use and services. It means that the user will have to pay not only for the water services but

for the infrastructural development as well. This recommendation is based on the belief that the public resources are not used for public goods adequately. For greater investment, it is essential that greater proportion of public fund be spared for public goods. Another set of belief is that free water leads to wasted water, the resources invested in the water and sanitation sector have been used inefficiently in the past and the government in the developing countries cannot meet the demands for water services. The commission strongly believes that without full cost pricing the present vicious cycle of waste, inefficiency and lack of services for the poor will continue.

In the view of commission the issue of pricing is central due to following reasons:-

First, experience shows that clarity about who is paying what and what are resources being used for is essential requirement for accountability and participation. Second, pricing is the key element in eliminating waste and environmental degradation and third, pricing is central if the required quantum leap of investment in this sector is to occur.

Technological innovations is another recommendation based on the principle of "more crop per drop" of water. The report advocates for precision agriculture, which implies integration of drip irrigation, computerised system of monitoring evapotranspiration and just- in - time and just-where-needed application of water and fertilisers. Apart from this, the commission also favours the use of high yielding plants that are more environment friendly and more drought resistant, plants that can grow in brines and have increased salt tolerance.

All this will result in huge increase in the role of private sector as a provider and financier of water services for human consumption as well as the agriculture sector. The commission also believes that the involvement of private sector can not be ensured without providing proper incentives for their contribution.

The annual capital investments required to meet the commission objective is somewhere around US \$ 180 billions. This figure however represent investments in new infrastructure only and does not cover the cost of renewing the old systems and the cost of operations and maintenance. The report also says that the international private investments in water supply in the developing countries have risen to \$25 billion in the last eight years and lot more is available from the private sector for urban water, irrigation and hydro- power generation services. This flow of capital will materialise only if the investors feel that their interest as an investor is protected, that the commission warns.

In the entire gamut, the role of government has been reduced to a regulatory authority. The report believes that the government should withdraw from their role of service provider and transfer these responsibilities to the users and private sector. Instead of being the service provider, the government should take the responsibility of creating an enabling environment in which incentives for investors and for innovators are ensured. It strongly advocates that the government abandons its role as financier of private services and play the role of manager of subsidy schemes for the poor.

## **The Final Frontier**

# **A Working Paper on the Big 10 Global Water Corporations and the Privatization and Corporatisation of the World's Last Public Resource**

**By Gil Yaron**

**Citizens Council on  
Corporate Issues**

**Prepared for  
Tony Clarke  
Polaris Institute**

**March, 2000**

**Total No. of pages : 88**

## **SUMMARY**

The report by Polaris Institute and the Council of the Canadians provides an invaluable insight into the political economy of the privatization and corporatisation of water resources throughout the world at the behest of the World Bank and big global water corporations. The first chapter deals with geopolitics and corporatisation of water. Water shortage is a common phenomenon throughout the world. Traditionally people had looked up to the government for deliverance in such critical issues. Increasingly, water management policies are no longer based on the assumption that water is a social resource but an economic resource dependent upon market forces. The governments are increasingly under the spell of the World Bank and are turning to transnational corporations who in fact are capitalizing on the scarcity of water resources.

In other words, a whole new world of water industry has cropped up which is not just confined to privatization of municipalities. The global water industry is increasingly acquiring control of water through waterways, bottling and marketing of water, investment in research and development in order to develop new technologies so as to facilitate water desalination, purification and exportation of water.

The report comments on a document entitled 'Blue Gold' published by the International Forum for Globalisation. Blue Gold unabashedly advocates the privatization of water resources. As a reaction to this document, the present report analyses 10 major corporate players in the global water industry in detail and articulates their plans for privatization of water in the 21st century. The chapter that follows gives a detailed account of the activities of the water sector and informs us that these huge global water corporations are continuously expanding a range of activities, and trying to expand the geographical reach of their water services based on three models :-

1. These corporations enter into public private partnerships or private joint ventures with institutions in the region where water services have been provided.
2. They buy shares of the corporations which are already existing and providing these services
3. They also buy smaller operations in this sector outrightly

"The Final Frontier" raises yet another important question. What are the broad areas within the wider domain of water operations that these corporations are increasingly indulging in? It therefore identifies following areas :-

- 2|21 Water and waste-water services
- 2|21 Water treatment
- 2|21 Water-related construction and engineering
- 2|21 Innovative technologies such as desalination

The report also points out to an emerging strategy of attaining rights to water access from a particular source in order to gain control over

water. The third chapter deals with the corporate finance and economics of water and quotes World Bank estimates of the water industry. Accordingly, this industry is valued at \$800 billion. Profits are obviously made by relying on water scarcity and controlled access to water resources. However, privatized water leads to allocation of water to those who can pay, and hence leads to social tensions. Thus water sector is no longer a public service since a public service is one that serves everybody.

The involvement of World Bank in this is too deep since large-scale project financing from international agencies such as the World Bank supports much of these big 10 water corporations. As a result, since the mid 1980s, the world Bank has been 'developing policies and strategies to better manage water resources, integrating the disparate and often competing uses of water (such as water supply and sanitation, irrigation, hydro-power) into a holistic approach. A reflection of this kind of World Bank involvement is provided in the reports prepared by the World Bank and the Indian Government which deal with :-

- 2/21 Intersectoral water allocation
- 2/21 Groundwater regulation and management
- 2/21 Urban water supply and sanitation
- 2/21 Irrigation component

The Chapter also mentions the attempts by citizens' groups abroad who have influenced governments at local and regional levels thereby forcing the governments to stall the policy of privatization. Such attempts are in fact effective bulwarks against these corporations, which are gaining strength through increased size in the times when water regulators (governments) have become less able to assert water policies.

The fourth chapter deals with water policy laying particular emphasis on the political and legal aspects involved. Within the United States, the water corporations are in fact large donors to political parties. In fact one of the largest corporations Bechtel has quoted that 'one of its guiding principles is to reward those contributing to our success'. Enron executives have donated US\$ 89, 650 million to both political parties in the United States from the period 1980 to 1999.

The last three chapters deal with the impact of water corporatisation on labour, communities and environment. The report indicates discrimination against union members, faulty selection and hiring practices, disparity between domestic and foreign employees, and lay offs despite consistent growth in these water corporations. It also points to the less known aspect of privatization of water utilization i.e. the presence of corporate representatives in international government trade efforts, as well as corporate water lobbies for privatization such as Global Water Partnership, World Water Council and World Commission in Water for 21st Century. Over all the report provides a very good critique of the attempts to privatize and commercialise the water sector by the World Bank and the global water corporations.



# **Initiating and Sustaining Water Sector Reforms : A Synthesis**

**South Asia Rural  
Development Series**

**The World Bank**

**Allied Publishers, 1999**

**Total pages : 138**

## **SUMMARY**

This report synthesizes the analysis, assessment and recommendations of five specialist reports on water management. These five specialist reports are related to :-

- <sup>2/21</sup> Intersectoral water allocation
- <sup>2/21</sup> Ground Water Regulation and Management
- <sup>2/21</sup> Urban Water Supply and Sanitation
- <sup>2/21</sup> Rural Water Supply and Sanitation
- <sup>2/21</sup> Irrigation Component

The first two reports focus on various factors blocking sustainable management of surface and groundwater development and utilization. The remaining three reports concentrate on various incentives critical for effective and reliable water service delivery.

It is based on the premise that water sector reforms are critical for future sustainability and productive use of water resources in India. Hence the first chapter starts with the current trends, challenges and issues related to the water sector in India. Accordingly, the water resources in India are overstressed due to population growth, urbanization, and industrialization apart from agriculture.

It further states that if India's aspirations for continued economic growth, and improved social and environmental conditions are to be met, fundamental changes on how water is allocated, planned and managed--intersectorally and within the sectors (domestic needs in rural and urban areas, agriculture, industry, energy, ecological, flood control, navigation, fisheries, recreation, ceremonial, religious and other uses)--must occur today in view of the already present water availability and quality problems.

The report highlights the pressure on water resources. It identifies groundwater as an important component of water availability that significantly affects the Indian economy. It has divided the country into four regions--the North West, South, East and Central according to the unique water availability and water constraints so that specific strategies for water management could be tailored according to the needs of each region concerned.

As the gap between water availability and the demand narrows, a new method of water management needs to be pursued. It highlights the deleterious implications of the current approach, which has put a heavy fiscal cost on both national and state budgets. The report then discusses the present policy, legislative and regulatory framework, and tries to assess the appropriateness of such a framework especially the National Water Policy (NWP) adopted by the National Water Resources Council in 1987.

However, market-based approaches to economic management since the new economic policy of 1991 have led to a more economically oriented environment for a water policy debate. The report feels that even the legislative and regulatory framework, the groundwater legislation and regulation, environmental legislation and adequate framework with which to tackle the water-sharing issues. It attacks the present institutional arrangements in India, including central, state, and local institutions, and both formal and informal structures, as they do not provide adequate water allocation, planning and management.

According to the report, appropriate economic incentives for efficient water use and conservation are lacking at various levels including irrigation pricing, rural water pricing, urban water pricing, incentives for pollution control, groundwater pricing structure, agricultural pricing and marketing policies. It also points out to inadequacies in the present inter-sectoral

economic allocation especially water trading and water markets.

Then the report goes on to discuss the service delivery in the water sub sectors more specifically the irrigation sector, Urban Water Supply and Sanitation (UWSS) sector and Rural Water Supply and Sanitation (RWSS) sector.

The last chapter discusses the reform agenda and the action plan of the World Bank. It recognizes the enormity of the task given India's huge population and its federal administrative structure. Resource allocation has to be improved both between competing intersectoral users and management and also between states sharing the common river basin. Thus the overall orientation should be towards a decentralized, commercialized and corporatised, devolution of responsibilities to the users. The central and state governments would perform the role of an initiator of reform, and facilitate and enable changes at various sub state levels. Substate administrators (cities, villages, districts, blocks, river basin organizations) would deliver water services through commercially run public utilities or by overseeing the operations of the contractors. It recommends that irrigation and rural water supply should be owned and managed by farmer water associations (as in Mexico, Chile, Turkey and now starting in Andhra Pradesh) and village water supply and sanitation controller as in Uttar Pradesh. Pricing and other market allocation mechanism also need to evolve which in turn would guide meaningful resource allocation and user practice. India, according to this report, should emulate the tariff structure used by private water utilities in Singapore, Chile, and Argentina.

The report concludes that in order to remove the constraints, management of water resources must be radically improved. Thus a major restructuring is required in all the three main service sub sectors--irrigation, urban water supply and sanitation, and rural water supply and sanitation. Hence a reform agenda and action plan has been chalked out details of which are incorporated in this chapter.

Towards the end of the report, three annexes have been given :-

1. India Water Resources Assessment, Inter-State Issues, and Environmental and Health Issues.
2. Treating Water as an Economic Good with Private and Public Good Dimensions.
3. Executive Summaries from the Five Specialist Technical Papers.

## **Ground Water Regulation and Management**

**South Asia Rural  
Development Series**

**The World Bank**

**Allied Publisher, 1999**

**Total Pages : 88**

## **SUMMARY**

The report highlights the role of groundwater in the Indian economy, and is mainly concerned about the protection and sustainable utilization of India's ground water resources. Chapter one discusses the economic impact of ground water on crop production, drought proofing, rural development and poverty alleviation. It also discusses the emerging constraints related to the weak groundwater management on India's agricultural development more particularly the unreliable power supply. It also discusses the economic implications of groundwater management on growth, equity and sustainability.

The economic implications are :-

- <sup>2/21</sup> Agricultural growth is constrained
- <sup>2/21</sup> Power supply problems have serious ripple effects on commercial and industrial sectors

221 There is a disproportionate impact on the poor

221 Incentive structures mitigate against effective action

Moreover, according to World Bank, groundwater management rather than development is the major challenge facing water resource organizations. The second chapter therefore highlights the fact that there is absolutely no problem of groundwater development, and that private sector groundwater development has gained momentum independent of government help. However with rapid development of groundwater extraction, development-related problems have emerged. In order to strengthen its argument, the report highlights the major environmental impact of the present groundwater management along with problems related to water logging, groundwater quality and pollution. The World Bank therefore purports to address a wide range of resource allocation problems, and advocates integration of groundwater management.

The next chapter deals with strengthening legal frameworks, institutions and processes to enable effective management of groundwater resources. In doing so it discusses the water rights reform in developing countries of Latin America such as Chile and Mexico. The report feels that current legislation by various states on groundwater regulation has been ineffective. It therefore attacks the centralized regulation on the ground that it does not address large chunk of management needs such as water logging, water quality, water pollution, end-user efficiency, allocation and environmental considerations. Interestingly, the World Bank now wants to develop new legislative instruments, and has therefore initiated a series of management pilot projects in order to push an agenda of formulation of those laws, which it advocates. The chapter therefore calls for reform of the legal framework governing groundwater and surface water rights, and advocates management by local populations. It discusses how Mexico and Chile have 'successfully reformed' water rights.

Hence, the report advocates creation of processes that would encourage systematic, integrated approaches to identifying management problems and options in participation with rural communities. Integrated Resource Planning (IRP) is projected as a model, which has been used by other countries under the guidance of World Bank. The chapter then discusses the potential role of formal water markets in detail. It informs us that in order to develop formal water markets as a mechanism for allocating supply in India, pilot projects would be needed. It identifies Chennai as a potential location for such pilot activities. Thus, according to World Bank estimates, up to 400 million cubic metres of water could be purchased from farmers for less than US\$20 million. In doing so it compares it with the US\$400 million cost to Tamil Nadu of the proposed Krishna and Veeranam projects that would supply a similar amount of water to Madras city. The report projects similar such opportunities for Hyderabad and Jaipur too.

It believes that water sales by agricultural users adjacent to the urban areas could provide low cost options to solving water shortages. It outrageously concludes that establishment of water rights pose a major challenge to development of formal water markets. Citing the examples of Chile and Mexico, it advocates tradable water rights for India also.

Against this backdrop, the report deals with the World Bank's agenda to reorient the existing government institutions particularly those core entities, which deal with groundwater. These include Central Ground Water Board (CGWB), the National Bank for Agricultural and Rural Development (NABARD) and other State Groundwater Organizations (SGWOs). The



report alleges that these organizations were established to promote groundwater development and not groundwater management. Since the World Bank has been emphasizing that Groundwater management is a more important issue, these agencies "should now be reformed under the World Bank guidance so that they could undertake management functions and support local management institutions, which in turn could take up IPRs and help establish formal water markets".

The report goes on to identify techniques and incentives for sustainable groundwater management, which would invariably include reforms related to agriculture power supply and pricing structure. It advocates improvements in the availability and reliability of rural electricity so as to encourage ground water development in areas, which still have a substantial untapped groundwater resource.

Towards the end of the report, there are five annexures which relate to:-

1. Groundwater data collection, processing and analysis in Haryana, Uttar Pradesh, tamil nadu and Gujarat.
2. The groundwater estimation methodology of the groundwater estimation committee.
3. Perverse incentives for groundwater management.
4. Groundwater level and quality contour maps.
5. Recommendations from the workshop on groundwater management, February 1997.

## **Inter-Sectoral Allocation, Planning and Management**

**South Asia Rural  
Development Series**

**The World Bank**

**Allied Publisher, 1999**

## **SUMMARY**

This document highlights the grim water situation that India is facing today. In the first chapter it talks of the need for better management of India's water resources. It starts with the need and the supply of water at the time of independence and goes on to underline the depleting resources as well as population growth in India which results in a deep water crisis. To make things worse, the management has not been efficient enough to deal with the situation.

In the next chapter, the document deals with the water resource situation in India. It talks of rainfall situation in different parts of the country, the surface water mainly of different rivers and then the situation of ground water. From here the document shifts its focus to the demand situation. It deals with expanding domestic demand, requirements in the rapidly growing industries and demand in the irrigation sector.

In the next section the document talks about inter state water co-operation and inter basin water transfer.

In the third chapter, the document deals with existing mechanisms of inter sectoral water allocation, planning, and management and the limitation that exists. Mainly five areas of mechanisms are mentioned: (a) policy frame- work (b) legislative and regulatory framework (c) Institutional mechanisms (d) economic mechanisms and (e) technological mechanisms. Then the document moves on to reform options and recommendations. It mentions of the following options and recommendations :-

<sup>2/21</sup> Improving the Policy Framework;

<sup>2/21</sup> Strengthening the Legislative and Regulatory Frame work;

- <sup>2/21</sup> Establishing Government and Non-Government Institutions for Water Resources Management;
- <sup>2/21</sup> Introducing Economic Incentives for Efficient Water Use;
- <sup>2/21</sup> Upgrading Technology to Enhance Water Productivity; and
- <sup>2/21</sup> Improving Modelling, Data, performance and Environmental Monitoring and Public Information.

Finally, the document discusses the strategy and action plan. The strategy more or less revolves around the options and recommendations mentioned above. Following is the action plan suggested in this document. The action plans is divided into two categories-- State level action and is Central level action.

### **State Level Actions**

- Establish a Policy and Action Agenda.
- Prepare a draft State Water Policy.
- Prepare an Action Agenda.
- Establishing Institutional Capability.
- Create Public Awareness.
- Review and Establish Economic Incentives and Mechanisms.
- Initial Review of State Water Legislation.
- Launch Initiatives for Inter-State Basins.
- Introduce Technological Improvements.
- Improve Monitoring, Data Performance and Environmental Monitoring.

### **Central Level Actions**

- Public Awareness.
- Guidance and Capacity Building.
- Funding for State Initiatives.
- Applying Approvals Leverage.
- River Basin Development Funding.
- Reviewing Existing Legislations and Procedures.
- Improving Central Institutions.

The document also includes 9 annexes giving empirical data about the various issues emerging from Inter-sectoral Water Allocation, Planning and Management and also produces its analysis.

## **The Irrigation Sector**

**South Asia Rural Development Series**

**The World Bank**

**Allied Publisher, 1999**

**Total Pages : 121**

## **SUMMARY**

This document greatly emphasises the crucial role of irrigation in agriculture, the problems in irrigation management, its lacunae and need for urgent change in strategy. It also suggests reform agenda and strategy along with action plan.

In the first chapter, which deals with the background and strategic issues, the document 'provides the background review of the role of irrigation and drainage in Indian agriculture and of current issues, followed by analysis of the respective agricultural growth prospects from expansion of irrigation and from performance improvement.'

The document tells us how important the role of irrigation has been in the growth of Indian economy. According to the document agriculture contributes 28 per cent of total GDP and 67 per cent of total employment. This is enough to understand how important the agriculture sector is for India's economy.

It compares the production from irrigated land with the production from the land that depend upon rainfall. According to the document only 1/3 of total cropped area in India is irrigated land. The majority of land depends on monsoon. The rainfall during monsoon greatly decides the fate of agricultural production. Total dependence on monsoon sometimes proves very costly as less rain means less production. The case is entirely different on irrigated land which invariably gives expected results. The document goes on to highlight the role of irrigation in green revolution and how irrigation enhances employment and income thereby greatly boosting the poverty alleviation drive.

Thereafter the document points out problems in irrigation management. It talks of physical constrains like poor maintenance, ineffective control structures and institutional constraints like lack of accountability and limited specialization and staff skills. It also underlines the financial and economic constraints before shifting on to prospect of future growth of irrigated agriculture.

The second chapter of the document provides the framework for improvement. In this chapter three main issues have been discussed.

2/21 Current Irrigation Sector in India and its inadequacies

2/21 Key changes needed

2/21 Identification of the points of intervention to tackle the burning issues

The third chapter provides the reform agenda. It suggests three broad action areas at the state levels: (a) institutional reforms both to involve farmers and to restructure IDS as client driven and commercially operated entities; (b) restoration of the sectors financial viability and cost effectiveness including measures to enable private sector financing; and (c) improving technical performance through upgrading irrigation systems and agriculture extension.

Like all other World Bank documents on 'India Water Resources Management', this document also provides strategy and action plan. It advocates the need of 'shifting from the past near exclusive reliance on irrigation expansion, to emphasis on performance. According to the document 'while in some states and river basins, prospects for further expansion of irrigated area remain, new construction should be balanced by much greater effort to preserve and enhance the productivity of existing irrigation. In most states productivity enhancement will be the primary source of future growth of irrigated agriculture. Irrigated agriculture is likely to remain the main source of agricultural growth in India, yet the technology of the Green Revolution of the 1960s and 1970s has now largely been adopted. Future growth will need to be based on a second green revolution.'

Document emphasises state specific approach in the action plan. It lays emphasis on a blue print for all states as the condition, be it physical or institutional. Hence, it is imperative that each state should have a separate plan of action with boldness to implement them. The document also talks of role and accountability of state as well as central government to make the action plan effective. It does not spare the civil society too.

In the end document provides tables and figures along with five annexes to supplement its analytical part.

# Rural Water Supply and Sanitation (RWSS)

South Asia Rural  
Development Series

The World Bank

Allied Publisher, 1999

Total Pages : 65

## SUMMARY

This report dwells on the policy and constraints of this sector, institutional and financial issues related to sector reform process and advocates an approach to bring about radical reforms in the sector. The first chapter explains various developments in the sector and its achievements. This chapter gives details of events starting from 1972-73 with initiation of the Accelerated Rural Water Supply Program until the formation of Rajiv Gandhi National Drinking Water Mission in 1991. The coverage of the program, relationship between health and water quality, contribution of NGOs, private sector, and external development agencies is discussed in depth.

The second chapter talks about institutional framework and sustainability. Role of government agencies from national level (Rajiv Gandhi Mission) to local level (Gram Panchyats) is broadly discussed. It argues that institutional framework is complex and hence there is an overlapping of responsibilities among different players. The overall performance of the institution is assessed on the basis of planning, project design and physical implementation, operation and maintenance, and finally monitoring and evaluation. The concluding part of this chapter advocates the need for decentralization of the power at Panchyat level, enhancing community participation in ownership and management of the RWSS scheme, and involving women groups in every stage of water sector projects.

Financial framework and viability of recovery of revenues through water tax is thoroughly discussed in the third chapter. Mechanism and source of funding of sector investments, funding of operation & maintenance, and local administration financing has also been dealt with. In this section, the chapter clearly states that government is providing safe drinking water on account of huge losses, as establishment cost is far more than that of revenue generated. Cost recovery policy of the government has been criticized. The report question the willingness of community to pay water tax as it says that 'so long as the government continues to promote water as a social right without community obligations, the public will be reluctant to pay for what it feels is a government responsibility'. Towards the end, the chapter suggests a need for better mechanisms for raising and channelling funds for the water sector, and emphasizes that without radical changes in sector financing, the sector will be unsustainable both physically and financially.

The concluding chapter suggests strategy for reforms in the water sector. The recommended strategy has three service management goals and one resource management goal. These are:

- 2|21 To establish an enabling environment, that politically, legally and institutionally supports reform of the sector;
- 2|21 To ensure institutional sustainability by supporting the process of decentralization and devolution of responsibilities for RWSS to the Panchyati Raj institutions, local administrations and users, and by strengthening the advisory capacity of existing sector agencies;
- 2|21 To ensure financial viability and sustainability by implementing cost-sharing and cost recovery policies; and
- 2|21 To protect water resources, in particular groundwater, by developing planning, resource management and technological practices to protect or improve the availability and quality of groundwater for rural water supply.

To achieve the above objectives this chapter advocates an enabling environment by adopting the following interventions:-

- 2|21 A widespread campaign should be launched to deliver the message that water is a scarce resource and must be managed as an economic good to ensure universal access and efficient use of allocation.

- 2/21 Groundwater legislation should be developed and implemented to ensure that priority is given to drinking water and protection of its source.
- 2/21 A state action plan should be developed and implemented to devolve responsibilities as defined by the Panchyati Raj Act.
- 2/21 Activities that strengthen institutions are needed to support public sector so as to improve the overall monitoring, accountability and transparency of the sector.

Thereafter the report proposes a detailed plan of action. Some of its recommendations are as follows.

- 2/21 Redefine and reduce government role
- 2/21 Enable Panchyat institutions and user groups to assume the lead in RWSS decision making
- 2/21 Enable, promote and facilitate participation of NGOs and the private sector
- 2/21 Implement a demand-driven approach
- 2/21 Increase user charges to fully recover operation and maintenance cost
- 2/21 Introduce and implement capital cost sharing policy thus, new schemes to implement capital cost sharing of 10 percent by users, 40 percent by Panchayats and 25 percent each by central and state government.
- 2/21 Amend existing legislation and regulations so that the Panchyati Raj institutions are legally entitled to enter into financing and loan agreements with government sponsored rural credit facilities or private sector financial institutions

Key findings of the Workshop on Rural Water Supply and Sanitation Strategy held in February 1997, has also been presented in annexure.

## **Urban Water Supply and Sanitation (UWSS)**

**South Asia Rural Development Series**

**The World Bank**

**Allied Publisher, 1999**

**Total Pages : 143**

This report broadly discusses issues such as institutional reforms, evolution of an appropriate financing system, water resources management, private sector participation and suggestions to evolve a suitable strategy for water sector sustainability. The entire report is divided into five chapters.

The first chapter thoroughly assesses current situation and performance of this sector. Poor institutional structures, weak organizations and poor governance are highlighted as main problems. It provides an analysis of institutional arrangements, institutional deficiencies, consumer orientation and management structures.

The second chapter strongly advocates institutional reforms for betterment of UWSS services. These are:

- 2/21 Democratic decentralization of responsibility for UWSS services to municipalities
- 2/21 Business-like provision of UWSS services through commercialization of existing providers, private sector participation and contracting out of operations, and
- 2/21 Introduction of mechanisms to ensure customer orientation of UWSS agencies including providing services to disadvantaged groups.

To handle the reform process effectively, professionalization of municipal management and urban management is strongly recommended. The need for contracting out responsibilities of UWSS providers to specialists UWSS providers operating on commercial line has also been advocated. Experiences of contracting out in Rajkot and Chennai, has been shared in the chapter so as to highlight the merits of privatization of water sector.

The third chapter emphasizes the restructuring of state level UWSS providers under the following rubrics.



- 2|21 A bulk service unit which would own and operate the bulk scheme and sell bulk water supply and sanitation on contract to municipalities
- 2|21 A distribution service operator, which would contract with municipalities to operate their distribution systems
- 2|21 An engineering bureau, supplying WSS engineering services and
- 2|21 Residential policy, research or regulating functions, which would be integrated into core state government,

Chapter four focuses on the need to make strategic design for evolving appropriate financing systems to achieve the right incentives at the local level. For achieving the appropriate financial system three points viz. tariff reforms; developing capital market through a municipal board system; and leveraging limited government resources are suggested. The chapter underlines the need for making financing systems more market oriented so as to break the image of non-bankability of the water sector.

Chapter five summarizes the main findings and recommendations of the report. It highlights the role of government and other agents in implementing the reforms, and sets out a plan to implement the reform process. It argues that radical reform is needed for getting adequate amount of drinking water and good quality of sanitation services. It also suggests a three-pronged approach to promote nation wide reform. This involves: systematic changes i.e. changes which are essential to operationalize the incentive-based approach; innovations through window of opportunity i.e. locally-led incremental and opportunistic innovations which will need to be induced and supported where conditions are suitable; and finally demand-led capacity building.

The chapter then goes on to underline the essential actions of the various public and non public organizations like central government, state governments, municipal governments, civil societies and other bodies. The main recommendations of the report are as follows:

- 2|21 Devolve UWSS responsibilities to municipal authorities
- 2|21 Implement local innovations by involving the private sector in a variety of ways
- 2|21 Pass state laws which devolve power over UWSS to municipalities in line with 74th Amendment
- 2|21 Assist municipalities to adopt an incremental, opportunistic strategy, starting with:
  - 2|21 Corporatization of existing providers, and contracting out of UWSS responsibilities by municipalities; and
  - 2|21 Private participation in financially viable areas and progressive municipalities.
- 2|21 Implement reforms of state water boards, public health engineering departments and other entities including desegregations into discrete functional units, commercialization and partial or full privatization
- 2|21 Set legal requirements for direct market access by municipal authorities or enterprises, including a cap on total borrowing, credit rating and long term plans for market borrowing.
- 2|21 Support project development in a commercial format for municipalities and utilities to raise finance in the debt market directly
- 2|21 Reorienting existing urban sector development finance intermediaries towards the market where necessary and consolidate state-level financial intermediaries.
- 2|21 Develop new urban sector financial intermediaries with private control and management.

The report also includes four annexures titled international experiences in decentralization and private sector participation, Indian experience in community participation, municipal bond experience from USA and major findings of the UWSS workshop held in 1997 in India.

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