### Sector privatized

Water privatization involves transferring of water resources control and/or water management services to private companies. The water management service may include operation and management (O&M), bill collection, treatment, distribution of water and waste water treatment in a community.

### Privatization type

Water privatization in India has several facets. Though outright PSP (Private Sector Participation) model is currently less used in policy and project development circles, the Public Private Partnership (PPP) model is more preferred in urban water supply, waste water treatment, hydro power and probably in irrigation sector too, but critically the fundamentals of both the models remain the same.

The current trends in the water sector projects show that the private companies are taking various business models and strategies to enter the water supply business like Design, Build, Own, Operate and Transfer (DBOOT), management contracts for distribution, treatment and O&M. These are used for water supply infrastructure development, maintenance and rehabilitation of existing facilities such as water treatment plants that require significant finance. The private operator is required to finance, construct, operate and maintain the facility for a specific period of time (usually more than 20 years). At the end of the term the infrastructure may be turned over to the municipality or the contract is renewed. An example of BOOT contract is the Tiruppur Water Supply and Sewerage Project in Tamil Nadu India and also the Borai Industrial Water Supply Project, under which a 22-year lease over a stretch of the Sheonath River in Chhattisgarh was accorded to Radius Water, Inc. for water supply to an industrial estate. In places like Mumbai, Nagpur, Hubli- Dharwad, Bangalore, privatization is being implemented by handing over management and operation of the water business through management contracts with the public services utilities. A lot of these works in 63 cities in the country are being done under the central government sponsored scheme of JNNURM. The main objective of this scheme is to make Urban Local Bodies (ULBs) financially sustainable and make them more attractive for Public Private Partnerships (PPPs) in urban services.

Apart from JNNURM, another central scheme for Urban Infrastructure Development Scheme for Small and Medium Towns, (UIDSSMT) has been started. The funding pattern for the projects under this scheme would be 80 percent grant from the Central Government and 10 percent from the state government. The remaining 10 percent is to be raised by the concerned ULB for project implementation.

The grants of JNNURM and UIDSSMT can only be availed when State, ULB’s and parastatal agencies accept to implement mandatory reforms proposed by central government.

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1 For more detailed information on privatisation and reforms in water sector in India provided in this dossier please see – [www.manthan-india.org](http://www.manthan-india.org)
For example levy of reasonable user charges by ULBs and Parastatals with the objective that the full cost of operation and maintenance or recurring cost is collected within the next seven years, Repeal of Urban Land Ceiling Act, Rationalisation of Stamp Duty to bring it down to no more than 5 per cent within next seven years, reform of property tax, Simplification of legal and procedural frameworks for conversion of land from agricultural to non-agricultural purposes, encouraging PPP, structural reforms, administrative reforms etc.

For the last 4 years (till March 2009) under UIDSSMT scheme 968 projects have been sanctioned in various states in India costing approximately Rs 19860.80 crore\(^2\). Out of these sanctioned projects 521 projects costing Rs\(^3\) 10473 crore are related to water sector. In Madhya Pradesh out of total 34 projects costing Rs 678 crore 32 projects are related to water sector.\(^4\)

One of the implications of such projects is that most of the cash-strapped ULBs are opting for PPPs in order to save their own funds and access central grants for projects. This has resulted in handing over public money to private companies to implement, operate projects and earn profits. In 10 states out of 580 cities 245 have chosen to take the PPP route for project execution.\(^5\)

Another important aspect of water privatization and control of water resources in India relates to the hydropower sector. A serious boom can be observed in the way private companies are entering the hydropower sector through building of dams and control of rivers for power generation in the northern and north eastern parts of the country. This exercise of generating hydropower through generally BOT contracts has given companies absolute rights over the rivers affecting the lives of the people in those regions like in the case of Arunachal Pradesh where hundreds of dams are planned on its rivers. The states Sikkim, Himachal Pradesh, Uttarakhand, Jammu and Kashmir are experiencing similar trends in hydropower development.

Maheshwar Hydro Power Project is under construction on the river Narmada in Madhya Pradesh. “It was to be built by Narmada Valley Development Authority (NVDA). But in 1989 it was transferred to the Madhya Pradesh Electricity Board (MPEB). However, construction of bridges, maintenance of a project hostel and resettlement and rehabilitation works remained with the NVDA. The 400 MW project got the administrative approval in 1991 and the cost of the project was estimated to be Rs 456.63 crore to be executed by Madhya Pradesh Electricity Board (MPEB). In 1996 S. Kumars promoted Shree Maheshwar Hydro Power Corporation Limited (SMHPCL) took over the project from MPEB and NVDA. However, within these five years the costs escalated from Rs 456.63 crores Rs 1569 crores in 1996. But after the takeover by the S Kumars, the financing of Maheshwar Project became a convoluted tale

\(^2\) 1 crore = 10 million
\(^3\) Indian Currency Rupee, 1 US Dollar = Rs 40
\(^4\) Ministry of urban Development, Govt of India website-  www.urbanindia.nic.in/moud/.../uidssmt.../statewise_town.xls
\(^5\) Ministry of urban Development, Govt of India website-  http://urbanindia.nic.in/moud/programme/ud/uidssmt_pdf/ulb_opt_reforms.pdf
of financial institutions risking public money and private promoters diverting and siphoning funds, inviting the CAG's scathing indictment.\(^6\)

This is not all the company has failed to bring in its part of the equity all through these years. In 1996 against the total outlay of Rs 1569 crore, the company was supposed to bring in just Rs 172 crore as its equity as per the Ministry of Power policy on private participation in the power sector that the promoters contribution needed to be at least 11% of the total outlay of the project. However the company was able to bring in Rs 136 crore only till 1999 which was Rs 36 crore less than what was expected of it. Around 2003 the project outlay shot up to Rs 2233 crore which necessitated a minimum promoters contribution of Rs 245 crore.

For the moment is the project is stuck with delays due to non-rehabilitation and resettlement of the project affected families. The Jabalpur bench of the Madhya Pradesh High Court has ordered a stay on the construction of the dam beyond the crest level without proper resettlement and rehabilitation.

The other sector that seems to be fast opening up for private companies is irrigation water supply. Through various water sector reforms and restructuring projects across many states in India, this sector is also being prepared to throw new business opportunities to the private companies.

Taking forward the processes of water sector reforms states like Maharashtra, Arunachal Pradesh and Uttar Pradesh have passes laws to create Water Regulatory Authorities under mandate of the World Bank funded projects. Karnataka has recently passed a bill in this regard and the draft of the Water Regulatory Authority bill is ready in Madhya Pradesh which could be passed by the state assembly anytime soon.

Provision of water access to water bottling and softdrink companies is another feature of water privatization in India. Its ugly consequences have moved citizens across the country to call for the closure of these factories and indemnification of adversely affected communities and ultimately, the reversal of water privatization.

**PROGRESS IN PRIVATIZATION**

**When did it start?**

Several state governments, municipal corporations, water supply boards and other para-statal agencies have entered into contracts with various multinational as well as domestic water and infrastructure companies. Many of these projects are supported by financial institutions like the World Bank, the Asian Development Bank (ADB), International Finance Corporation (IFC), Japan Bank for International Cooperation (JBIC), United States Agency for International Development (USAID), Indo-French Protocol, among others. Some of these projects are being implemented under the PPP model through a Central Government scheme known as Jawaharlal Nehru National Urban Renewal Mission or JNNURM (for implementation 2005-2012) covering around 22 privatization projects in sectors like urban water supply, waste water treatment, municipal solid waste management, industrial water supply and

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irrigation in states like Delhi, Punjab, Gujarat, Chhatissgarh, Jharkhand, Tamil Nadu, Maharashtra, Karnataka, Kerala, Himachal Pradesh, Rajasthan, West Bengal, Andhra Pradesh, Madhya Pradesh, Uttar Pradesh and Sikkim.

Privatization in hydropower came in for the first time in 1991 but implementation was a bit hampered by tighter controls and regulations on foreign investment, power and risk sharing and other agreements. The second round of the hydropower privatization has proved to be a huge success because the sector was liberalized, with the governments essentially giving the private companies a free hand in project implementation, tariff setting, selling power, environmental regulations to be followed, etcetera. Currently, there is a huge rush by the private power as well as infrastructure companies to construct hydropower stations on BOT basis in most parts of northern and northeastern India where large potential for hydropower abound.

The Delhi Jal Board (DJB), the city’s water and waste management body, for example, contracted Suez/Ondeo-Degremont for two projects: a) water treatment project in Sonia Vihar, with water coming from Ganga River (considered by Hindus as a holy river), to be supplied to posh South and East Delhi areas; and b) a sewage treatment plant in Rithala. The sewage treatment plant has been operating since 2002.

The Sonia Vihar treatment plant was developed on a BOT (Build-Operate-Transfer) basis for a fixed period of 10 years, and profit from it has been guaranteed to Suez by the Government. This guarantee will ultimately be backed by public money. While Suez is getting the raw water for free, the amount it will get as fee for treating the water will be much higher than what the DJB will charge the consumers when selling the water. The DJB is also providing Suez with land, electricity and treatment cost. At the same time, Suez has been kept free from transmission and revenue collection losses. The total project cost of around Rs. 250 crores (actual project cost went up to Rs. 880 crores) has been given by the Government. Suez has been assured the purchase of treated water and also productivity incentives once the plant begins operations.

However, the water treatment plant has been facing problems. The plant was officially opened in 2005 for trial runs but still faces water supply problems due to protests by the farmers of the Western Uttar Pradesh from where the water is supposed to be diverted to Delhi. Even though the Delhi government was able to sign an agreement with the government of Uttar Pradesh to secure water supply for Sonia Vihar from the Upper Ganga canal, the treatment plant is still performing below capacity. Ever since it became “operational”, the treatment plant has been plagued with problems of where to get the water to be treated.

In the central Indian city of Nagpur, under JNNURM (Jawarharlal Nehru Urban...
Renewal Mission), the central scheme for urban renewal, the pilot privatised 24x7 water supply project is already in the advance stage of execution. The Rs 22 crore contract has been awarded to Veolia Water India by Nagpur Municipal Corporation (NMC) for 5 years in part of one zone in the city. This includes rehabilitation of the existing network handing over the O&M to the private contractor. Out of Rs 22 crore the management fees of the private company comes close to Rs 9 crore for the period of the contract. After rehabilitation Veolia will take over distribution, metering, billing, repairs, operations and maintenance from NMC. NMC plans to extend this pilot project to the whole of city for approximately Rs 350 crore.

Similarly, in the process of privatising water supply is now becoming a trend in small town’s as well drawing support again from the central supported scheme called UIDSSMT (Urban Infrastructure Development Scheme in Small and Medium Towns). For instance, under UIDSSMT a small town in Madhya Pradesh called Khandwa has taken the lead in privatising water supply operations. Out of the total project cost of Rs 103.61 crore the government is providing the private operator with Rs 93.25 crore, the remaining amount Rs 10 crore would be invested by the private company. But in lieu of investing this small amount the company would control the water supply operations and would earn profits for the rest of the concession period of 25 years. While planning the augmentation of water supply the low-cost, already existing and alternative options were not thought about before privatising the operations. The privatisation is bound to increase the tariff for water, exclusion of the poor, retrenchment of employees, control of a private corporation, etc.

In Tiruppur, Tamil Nadu, the New Tiruppur Area Development Corporation Ltd. (NTADCL) was set up by the state government in 1995 to execute a Rs.1023 crore water supply and sewerage project, with loan guarantees from USAID and investment from the International Finance Corporation (IFC). NTADCL signed a concession agreement with the Government of Tamil Nadu and Tiruppur Municipality for a 30 year BOOT contract. For implementing the project a consortium including Infrastructure Leasing & Financial Services Limited (IL&FS), Mahindra and Mahindra, United Utilities, North West Water, Larsen and Tubro and Bechtel was formed. The project would transfer water through a 55km long pipeline from the river Bhavani and supply 185 million liters of water per day to nearly 1,000 textile units and more than 1.6 million residents in Tiruppur and its surrounding area. NTADCL would earn revenue through the water supply rates that it charges the industrial units in Tiruppur, Tiruppur Municipality and the adjoining villages. To ensure that the company does not suffer in case of water shortages in the river the government has created Water Shortage Period Fund and Debt-Service Reserve Fund for revenue generation and debt servicing during the water shortage periods in the river.

A recent news report of the project stated that the project is incurring losses and is now looking towards the Government of Tamil Nadu to bailout from the current crisis. The news report stated, “NTADCL lost Rs 70 crore in 2008-09, taking the accumulated losses to Rs 177 crore. It has sought a Rs 65-crore assistance from the State Government to support its debt restructuring by a consortium led by IDBI. The water supply started in mid-2005, but has not
“Against a capacity of 185 million litres a day (mld), industrial units were to take 130 mld of water at Rs 55 a kilolitre while the balance was to be supplied to the residents at a subsidised rate of Rs 3.50 a kl. For NTADCL the cost of pumping, treating and supplying the water is Rs 41.70 a kl”.

“But NTADCL supplies about 100 mld with the domestic segment consuming the planned capacity of about 45 mld while industry’s consumption is yet to reach a third of estimates. This means NTADCL loses about Rs 5.2 crore a month, say sources. The economic slowdown which has hit exports is the reason for the low capacity utilisation.”

The Borai Industrial Water Supply Project in Durg district of Chhattisgarh state is a 30 MLD scheme that includes 4 MLD take-or-pay clause. The company Radius Water was allowed to build an anicut on river Sheonath. Radius was also given full rights to 23.5kms. of reservoir behind the anicut; the reservoir was taken over by the company and local people were prevented from access to the river. The State government had assured regulated water release to the company. The financing for the project was provided by Chhattisgarh State Industrial Development Corporation (CSIDC) as an inter-corporation deposit. The concession period was 20 years.

Mass movements and demonstrations by the local people led to the cancellation of the concession contract by the Cabinet of the State government. The Public Accounts Committee (PAC) of the State assembly has found severe irregularities in the contract after going through the reports and evidence available. It has also said that Madhya Pradesh Audhyogik Vikas Nigam (MPAKVN) did not have the authority to hand over an important responsibility like water supply to a private company. With regards to the irregularities in the tendering process, the committee considers it highly objectionable and considers it a criminal act leading to undesirable profits in violation of procedure. But despite all these, the project is still ongoing.

<table>
<thead>
<tr>
<th>Current Stage of Process</th>
<th>Privatization in water supply, sanitation and waste management is persistently creeping into several states and cities.  Some of the more recent and ongoing efforts are the following:</th>
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<tr>
<td></td>
<td><strong>The Case of Proposed Privatization of Delhi Jal Board</strong></td>
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<td></td>
<td>The privatization of Delhi Jal Board (DJB), the public water utility, was proposed to be taken up under the Delhi Water Supply and Sewerage Project funded by the World Bank (US$ 140 million). In 2002 the Bank gave a loan of US$ 2.5 million for a study to be taken for reform and restructuring of DJB. The Bank’s favoured consultant, Price Waterhouse Coopers (PWC), was appointed to conduct the study for the reforms course through a skewed process, which was revealed later by investigations carried out by Parivaratan. Some of the major implications of reforming the DJB are:</td>
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12 For details check Manthan’s Database on Private water supply and sanitation projects – http://www.manthan-india.org
• Water supply management of 21 DJB zones to be handed over to private companies.
• To meet the increased expenses water tariffs would have been raised upto 6 times of the prevailing rate. Rs. 1200 per month in middle class localities, Rs. 350 per month in slums
• Studies also showed that companies would be given bonuses in lieu of achieving targets, like reduction of NRW, which were essentially bogus.
• As per the contract between the DJB and the company, the time duration for grievance redressal was to be 20 days, at present it is 24 hours to 3 days.
• No improvement in quality, since the company would have used similar procedures and equipments to test water quality as DJB.
• No free or subsidized water to poor and vulnerable sections of the city.

Swajaldhara (The Rural Water Supply Program)
One of the widely implemented interventions by the World Bank is in the rural water supply sector through the program funded by it called Swajaldhara. This scheme is being implemented across many states in India for improving access to safe and clean drinking water in the villages. Reports and studies suggest that these are following the principles of full recovery of operation and maintenance costs and some contribution in the capital expenses of the scheme from the villagers. People who are not able to pay are just left out of the scheme and have to find there own sources of water. Reports also suggest that quite a few of the schemes have fallen in the hands of the local strongmen or private contractors who charge the people for supplying water.

Madhya Pradesh Water Sector Reforms
The water sector in Madhya Pradesh (MP) is being restructured under the Madhya Pradesh Water Sector Restructuring Project (MPWSRP) loan given by the World Bank to the Government of MP (US$ 396 million) in 2005.

In line with the WB’s formula of water sector reforms, MPWSRP entails converting the entire water sector into a market, implementing full cost recovery and hence increase in tariffs, elimination of subsidies, and massive retrenchment of workers. In addition, a State Water Tariff Regulatory Commission (SWaTReC) would be created (draft Bill for legislation is ready to be presented in the state assembly) as well as the Constitution of the State Water Resources Agency (SWaRA). Twenty five (25) minor and one (1) medium privatized irrigation schemes in the first phase of MPWSRP would also be implemented.

The Project Implementation and Co-ordination Unit (PICU) created for this project has provided the information on the current status of the project to Manthan. According to this information the project implementation is in the advanced stage. As of April 2008 11 conditions of the World Bank have been fulfilled, the work on remaining 3 conditions is under progress. Similarly, as of July 2009 out of 203 schemes presented to the World Bank for modernisation 148 have been approved by the bank.

Maharashtra Water Resources Regulatory Authority (MWRRA)
In Maharashtra, under the reforms and restructuring project funded by the World Bank, the water regulator (MWRRA) has already been constituted and has also initialized its operations with “a lot of inputs” from the World Bank. The Authority was constituted in June 2005 (the first of its kind in the country) but started its work from May 2006. Apart from tariff setting, one of the principle functions of the Authority is to determine water entitlements for various categories of use and users, and “to fix the criteria for trading of water Entitlements or Quotas on the annual or seasonal basis by a water Entitlement holder.” In other words, setting up a market for water entitlements. It has taken up 6 pilot projects to work out the ‘entitlements’ including 2 major irrigation project.

**GOVERNMENT AND LAWS**

**Government's Role in implementing privatization**

Here it is important to note that the water laws are to a certain extent being influenced by the World Bank studies published in 1999 on the status of various sub-sectors like on ground water management, irrigation, rural, urban water supply and inter-sectoral water allocation. These were synthesized into one report called as Initiating and Sustaining Water Sector Reforms. These studies form the basis of reforms processes in India in the water sector.

The Central Government has initiated a scheme for improving the urban water supply scenario known as JNNURM, and UIDSSMT schemes also has components of reforms in urban water supply which essentially mean private participation in urban water and waste water operations. The scheme has a set of mandatory reforms that an Urban Local Body (ULB) has to accept before it can avail of central funds for improvement and augmentation of water supply systems. For example, Repeal of Urban Land Ceiling Act, Rationalisation of Stamp Duty to bring it down to no more than 5 per cent within next seven years, reform of property tax, Simplification of legal and procedural frameworks for conversion of land from agricultural to non-agricultural purposes.

There are also several urban water sector reforms projects, that are ongoing in different states supported by the World Bank and ADB which target private operations in water supply, distribution, billing, O&M, capital investment, building new facilities, etcetera in various cities across the country. These reform projects aim to secure private participation in the water sector through appropriate legal, regulatory and financial changes.

The reform projects funded mainly by the World Bank aim to transform the sector into a market where water rights can be traded as a commodity. These projects also aim to institute such legal changes like the formation of Water Regulatory Authorities (WRAs) in various states so that it would be easy for the private players to enter this segment for profits. The reforms project like the one in Madhya Pradesh is actively seeking to hand over irrigation to private sector.

In rural water supply the government is trying hard to take its hands off its responsibility by promoting a World Bank funded project known as “Swajal/Swajaldhara” in several states wherein rural communities take the responsibility of management, O&M and capital costs of their water supply systems after the initial support from the government. This makes a strong case for entry of local small private contractors who take the control of the water
systems and supply water to only those who can pay for the operations, dangerously leaving the poor out.

In the hydropower sector the country has seen drastic changes in government policies on private participation. The sector has been liberalized and made suitable for the private companies with incentives and guarantees to such an extent that companies are rushing at an amazing speed to grab projects to construct hydropower dams and stations. This has lead to private control of the river water flows and severe impacts on the local ecology and people in the fragile Himalayan regions of the country.

With the initiation of National River Linking Project, the construction activity for dams, reservoirs, canals and aqueducts would increase and we are bound to witness major involvement of the private corporations.

Though water sector reforms are largely created at the state level (since water is a state subject), the list below shows that the Central Government has implemented its own share of measures friendly to water privatization and commercialization.

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tbody>
<tr>
<td>1991</td>
<td>PSP introduced in Hydropower</td>
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<tr>
<td>2002</td>
<td>New Water Policy Calls for PSP in water</td>
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<tr>
<td>2004</td>
<td>Guidelines for Urban Water &amp; Sanitation Sector Reforms and PPP</td>
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<tr>
<td>2005</td>
<td>Financial Support to Bridge “Viability Gap” of Private Projects; Pushing PSP in urban water supply through schemes like JNNURM and UIDSSMT</td>
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<tr>
<td>2006</td>
<td>Formation of India Infrastructure Finance Corporation Limited (IIFCL) for providing 20% of funding to infrastructure projects</td>
</tr>
<tr>
<td>2008</td>
<td>Formation of India Infrastructure Development Fund (IIPDF) for financing up to 75% of the project development expenses</td>
</tr>
</tbody>
</table>

**Changes in laws/policies**

The National Water Policy 2002 had been instrumental in the current water privatization spree in India. This policy encourages strong private sector participation in water resource projects for diverse uses, from planning, development up to actual management.

Critics say that the new water policy that strongly pushes for the interlinking of rivers to improve water availability to water scarce areas not only isolates local communities from their water sources but also blurs the line of who should be responsible for sustainable water resource use and management. Worse, this policy drastically narrowed down if not totally closed avenues for public and community participation in deciding the fate and use of the country’s water resources.

Individual states formulate their own laws to govern the water sector in India. The transformation of the sector can be seen through the formation of new laws in several states. The new laws that would change and govern the water sector include Participatory Irrigation Management (PIM) Act for irrigation, Water Regulatory Authority Acts for allocation, control and trading of water rights in states. Changes have also been initiated in the urban scenario to make the system financially viable and attractive to the private companies.
Strong pressure for private sector development in India and the rest of Asia Pacific for water emanates from two influential international financial institutions, the World Bank and its regional partner, the Asian Development Bank.

The World Bank gives funds, advice, training and technical assistance to governments and the private sector to implement privatization. Four entities under it allow the World Bank to undertake various functions. The International Finance Corporation (IFC) lends directly to the private sector and can even purchase equity in private companies. The Public Private Infrastructure Advisory Facility (PPIAF) seeks to improve the quality of infrastructure through private participation. The Multilateral Investment Guarantee Agency (MIGA) insures the private sector against commercial and political risk. The International Court for Settlement of Investment Disputes (ICSID) takes charge of disputes between investors and states. The Bank also has some other mechanisms that promote its activities in India including Water and Sanitation Program (WSP), Water and Sanitation for Urban Poor (WSUP), Water for Asian Cities (WAC) and others. The World Bank’s funding partners include the JBIC, AusAid, GTZ, USAID, DFID, UN-Habitat and the ADB.

The World Bank’s focus on water and sanitation in India is to address policy and regulatory issues and ensure financing of large-scale public investments through increased private sector participation and realization of public-private partnerships (PPPs). This direction was premised on the Bank’s critique that India failed to manage its water resources and services well and the lack of mechanisms that allows water to be allocated to the highest-value uses. Given “India’s weak performance in the Urban Water and Sanitation Sector (UWSS)”, the Bank has placed emphasis on this sector through loans to develop statewide programs aimed at improved governance, increased efficiency and cost recovery and an appropriate regulatory framework to encourage sustainable delivery and private sector participation in the UWSS.

As of December 2008 the total foreign debt on India was close to US$ 230.85 billion. The World Bank through its various mechanisms has lent India close to a total of US$ 42.8 billion in the period of 1980 – 2005. Out of this total lending, the water, sanitation and flooding component is US$ 2.7 billion. This is just a part of the picture since the WB also lends to the agriculture sector, which is closely related to water sector. Lending for quite a many projects listed in the agriculture sector have a direct bearing on the water sector and its dynamics in the country. During the period 1980-2005 the lending to agriculture has been close to US$ 9.96 billion.

Before 1990s lending from the World Bank was mostly project-based. After 1990’s the World Bank lending approach shifted from project based to sectoral lending. Below are a few examples:

- Hyderabad Water and Sanitation Project: IDA-US$ 79.9 million;

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13 From PPIAF website URL - http://www.ppfiaf.org/sections/aboutppiaf.htm
15 Figures taken from Bank Information Center’s compilations of the World Bank lending to India from years 1980 - 2005
IBRD-US$ 10.0 million (1990)

Then again, we see another significant shift in the WB’s lending strategy. It is now focused on projects that promote reforms and restructuring of the whole sector within the implementing states. Some of the projects16 that mark the strategic shift are as following:
- Delhi Water Supply & Sewerage Project:– US$ 140 million (dropped, as of August 2009)
- Tamil Nadu Rural Water Supply and Sanitation Project: US$ 150 million (pipeline as of August 2009)

What the above listed projects intend to achieve is total transformation of the sector from its social welfare objectives to fully commercialized market-oriented venture, through encompassing changes in the existing legal, regulatory and financial regimes to enable private companies to carry out business operations. This would be accomplished through changes like the formation of Water Regulatory Authorities (WRAs) in the states of Maharashtra, Madhya Pradesh, Karnataka, Arunachal Pradesh, among others. WRAs would decide and allocate water rights to entities based on the optimum use formula. The water rights would also be tradable in the market like any other commodity. In effect poor and marginal sections of the society who would not be able to pay market rates for the water would not have access to water resources.

On the other hand the Asian Development Bank (ADB) has also been increasing its lending to India for projects in different sectors. Some of the urban infrastructure projects17 that aim to reform the urban water sector are:
- Kerala Sustainable Urban Development Loan: US$ 221.2 million

16 Projects listed are not comprehensive, but are those that strategically aim to transform the water sector through policy changes. Projects are taken from Manthan’s database of water sector reforms projects in India.
17 Source - Manthan database on Water Sector reforms projects in India.
(2005)

Apart from the reforms that the World Bank and ADB are pushing through their projects in the water sector other international agencies like the USAID, DFID, IFC, PPIAF, WSP, among others, work with these two major banks to promote privatization.

<table>
<thead>
<tr>
<th>Corporations</th>
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<tbody>
<tr>
<td>Water firms with mother companies based in North America and Western Europe that operate in India include the following: a)Ondeo-Degremont; b)Veolia Environnement; c)Saur of France; d)RWE/Thames Water of Germany and the UK Bechtel; e)Enron (US); and f)Compagnie Generale des Eaux (CGE).</td>
</tr>
<tr>
<td>Moreover, local Indian companies are also jumping on the water business bandwagon. The companies include Tata subsidiary Jamshedpur Utilities and Services Company (JUSCO), IVRCL Infrastructures and Projects, Mahindra Infrastructure Ltd., IL&amp;FS and several other small local players.</td>
</tr>
<tr>
<td>The foreign multinationals are involved in several projects across the country. Compagnie Generale des Eaux (CGE) is operating urban water supply project in Hubli-Dharwad in Karnataka. Veolia is operating water and wastewater plant in Nagpur in Maharashtra and it has also formed a joint venture with JUSCO for operating water projects in the country. Ondeo-Degremont has won contracts to construct water treatment plants in Mumbai and Chennai and it is also operating a wastewater treatment plant in Delhi. Thames water was involved in a leak reduction project in Bangalore while United Utilities and Bechtel are partners in the Tiruppur project.</td>
</tr>
<tr>
<td>JUSCO has projects in Jamshedpur, Bhopal, Kokatta and Adityapur. IVRCL is working on a wastewater treatment project in Alandur, desalination in Chennai and solid waste management in Tiruppur. IL&amp;FS is involved in various projects in Haldia, Tiruppur, Vishakhapatnam and municipal waste processing facilities in Delhi and Ajmer, Rajasthan.</td>
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<tr>
<td>The first contract in the water sector for urban water supply in Madhya Pradesh has been awarded to Vishwa Infrastructure and Services Limited for water supply in Khandwa Municipal Corporation. The concession contract has been awarded for 25 years including operation and management.</td>
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<tr>
<td>Degremont, a wholly owned subsidiary of Suez, shares with its parent company water treatment contracts; it was also awarded contract for exploitation of freshwater production plant in New Delhi.</td>
</tr>
<tr>
<td>Those into the bottled water business in India are: a)Kinley (Coca-Cola Botttling Co.); b)Aquafina (Pepsi); c)Nestle; and d)Dannone.</td>
</tr>
</tbody>
</table>

18 Information compiled from Manthan database on PSP Water Supply and sanitation.
19 Overview of Water Privatization in Asia Pacific: Marked and Emerging Trends
Impacts

Water privatization in India involves a wide range of interventions such as water-related engineering and construction (specifically earth-moving activities, alteration of river courses, artificial linking of rivers, building of dams and pipelines, etc), water and wastewater services, and water treatment, which affect both nature and communities. Consequentially, the impacts are not only varied and far reaching but damaging to people and the environment. Impacts can be categorized as: ecological (pertaining to effects on natural ecosystems), social (related to rights of human beings and communities, health, cultural norms, attitudes, belief systems), economic (affecting livelihoods, well-being, and access to basic services) and even legal and institutional.

Ecological Impacts

Unsustainable water mining and contamination of groundwater.

Many potential risks emerge once a resource as fundamental to life as water is privatized. One of the foremost reasons to oppose water privatization is the threat of unsustainable water mining by the water corporations to maximize profits. Once the corporations are given permission, there are no assurances that prevent these corporations from mining an environmentally unsustainable amount of water, thereby depleting the water body at a rate faster than it is replenished. When the corporations are at it, government officials and the affected population can do very little to legally prevent the corporations from doing so.

This is illustrated by the indiscriminate mining of groundwater by Coca-Cola in the Khammam district of Andhra Pradesh, Athur village near Chennai and Plachimada in Kerala.20 Residents from the villages in the Palghat district in Kerala surrounding Coke’s greenfield soft-drink bottling factory in Plachimada say that Coke’s indiscriminate water mining has dried up many wells and contaminated the rest. Coca Cola's bottling plant was set up in 1999 in the middle of fertile agricultural land and near many reservoirs and irrigation canals. Coke’s mining of more than 1 million liters of ground water per day has parched the lands of some 2,000 people within 1.2 miles of the factory. The company's use of agricultural land for non-agricultural purposes has also been questioned by local residents. Due to the indiscriminate mining, the ground water has become contaminated with the excessive calcium and magnesium from the dissolution of limestone associated with the groundwater deposit.21

The Central Pollution Control Board also noted hazardous levels of lead, cadmium and chromium from the sludge originating from the Medhigani cola drink factory. 22

Social Impacts

Deprivation of water access and livelihood of local rural communities.

Water privatization has cut off rural folk from community water sources and livelihoods.

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21 2006.Implications of Water Privatization in India

Degremont has been permitted to take water from the Upper Ganga canal of the Tehri Dam project, near Muradnagar, Uttar Pradesh, and supply it to South and East Delhi. The water, which will be consumed by three million inhabitants of the city will actually be weaned away from the villages. Satpal Choudhury, vice-president of Dehat Morcha said: "After channelization, only 30% of the water will be available to us for agricultural purposes."

A similar situation happened with the Borai industrial water supply project on the Sheonath river. The water company prohibited the villagers from accessing and using water on the 23 kilometer stretch, depriving them water for their daily household needs - drinking, cooking, washing, bathing for their cattle and irrigation for their fields.

**Worsening of the agricultural crisis**
The agriculture sector, already in severe crisis, will be pushed even more into distress as water prices for irrigation zoom.

**Economic Impacts**

**Increase in Water Supply Rates**
In most of the places the water rates have started increasing even though private water companies are not operating these projects directly yet; these increases have been done in anticipation of private participation. Therefore, within the overall reform process the governments are trying to raise water, sewage conveyance and treatment rates although in small margins (in Indore and Bhopal, this was part of an ADB-funded urban water supply project). These steps are being taken to make the public water utilities financially sustainable and profitable so that they can attract private players as their partners for future projects. In Delhi, water privatization was calculated to bring a tenfold increase in water rates.23

**Unaffordable potable water**
Poor users suffer from the exploitative rates charged by the small private water suppliers. Inability to pay means disconnection and high reconnection fees make reconnection almost an impossibility to them. Inevitably, they resort to bad quality water from untreated sources.

**Cutting down on other expenses**
The private water suppliers in their quest to increase profits began to disconnect public stand posts. The stress on individual water connections when the water supply is privatized puts increased burden on the poor households in terms of paying for the connection fees and the regular water supply charges. This often results in cutting down on other expenses like health and education.

**Cultural Impacts**
With the dam building spree on the Himalayan rivers for hydropower by the private companies, sacred rivers like the Ganga would be dried up for most of the months during the year. And the water flows would depend not on the natural cycles but on the business strategies of the power producing companies. It has been seen through experiences and evidences that the dam projects mostly

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displace people who belong to the tribal communities. The cultural impact of displacement on these communities is colossal and they are not able to cope with the displacement related issues and problems.

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<th>Campaigns</th>
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<td>Among the recent campaigns against the efforts to privatize water supply in urban areas were in Bangalore, Mumbai and Tiruppur.</td>
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**Campaign Against Water Privatization (Karnataka)**
In Bangalore the Greater Bangalore Water Supply and Sewerage Project (GBWASP) was to be implemented to cover 8 urban local bodies in the Greater Bangalore area. The government aimed to introduce privatization of water supply by outsourcing operations and maintenance (O&M) to a private sector operator.

IFC of the World Bank group was given the assignment to make recommendations on appointment of a suitable private sector operator for GBWASP. The core principles like beneficiary capital contributions, users’ pay, and full cost recovery that are being introduced in GBWASP would inevitably lead to denial of access to water by the urban poor. In anticipation of privatization of water supply in Bangalore the Bangalore Water Supply and Sewerage Board (BWSSB) started to disconnect public stand posts in slum areas. This was done to ensure that people living in these areas would take new individual water connections that people simple cannot afford. In Bangalore, several organizations, NGOs, CBOs and concerned individuals organized themselves under the banner of ‘Campaign Against Water Privatization’ in response to the state government’s decision to privatize water supply. Since the beginning, the Campaign took the issue to the general public. Various groups held awareness–building meetings, cycle jathas, pamphlet distribution, street plays, etcetera in localities especially slum areas and schools, colleges and with resident welfare associations. The Campaign organized several public protests. At present due to pressure from the people of Bangalore supported by different organizations and groups the privatization element seems to have been postponed indefinitely, though that does not mean that the government has altogether stopped thinking about it.24

**Campaign Against Water Privatization in Mumbai**
Municipal Corporation of Greater Mumbai (MCGM) wanted to privatize water supply in the K-East ward that includes part of Jogeshwari, Andheri and goes up to Kurla. This area has a population of about 1 million and is one of the profitable wards in terms of collection of water supply charges. The World Bank, through PPIAF gave US$ 692,500 to design and develop a pilot PSP model for water supply. Bids were invited from the consultants. From the invited bids 6 consultants were shortlisted in October 2005 for further processing including Castalia (France), PWC (India), DHV (Netherlands), Mott Macdonald, Scott Babtie (UK) & Fichtner (Germany). Castalia (France) was selected as the official consultant for the project after subsequent approvals from the World Bank's Delhi and Washington offices. The TOR for the project stated that Castalia had to carry out a water distribution improvement contract. Based on the study report Castalia organized the stakeholders meetings twice.

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24 Quoted from Water Private Limited (2006), Manthan Adhyayan Kendra, MP, India
which lacked people's participation and were also secretive about the findings of the report. However local groups like Mumbai Paani with support from the groups and people from the slums opposed the study reports and the efforts to privatize the water supply operations in Mumbai. Due to the resistance on such issues from various local groups in Mumbai the process has been stalled. Lately, MCGM has changed its tracks and now wants to have private participation in metering, billing, and installing pre-paid meters in the whole city.25

Protests in Tiruppur
In Tiruppur, people and elected representatives from the adjoining panchayats (Village level elected bodies) have protested against the step-motherly treatment the water company gives them. This happened because water supply in these areas is unreliable and not sufficient enough to serve the population of these panchayats to whom various promises were made by the company in the initial stages of the project. The water company on the other hand gives preference of supply to its cash-rich industrial consumers that pay increased prices for water and ignores the demands for drinking and domestic water from the local rural populace26.

The Right to Water Campaign
In New Delhi, the residents of the capital city of India confronted the Delhi Government to force it to shelve its World Bank-aided water privatization plan in 2005.

The "civil disobedience movement" called on residents not to pay water bills from November 1 and held protest rallies and marches across the capital to expose the Government's faulty plans in the name of improving the city's water situation.

The first step towards this agitation was taken when several residents' welfare associations (RWAs) and social groups gathered under the banner of Right to Water Campaign (RWC) and held a "Public Hearing (Jansunwai) on 24x7 (proposed water supply project in South Delhi)", pledging that they would never allow the Government to privatize the water distribution in the city as it will have "drastic and lasting implications" on the citizens.

Apart from RWAs of South, West and East Delhi, some personalities that participated in the event included Booker Prize winner and author Arundhati Roy; retired Supreme Court judges S.C. Aggarwal and D.P. Wadhwa; Magsaysay awardee and social activist Aruna Roy; former Union Water Resources Secretary Ramaswamy Iyer and Parivartan's head and the Campaign's convenor Arvind Kejriwal. A large number of students and people from unauthorized-regularized colonies also shared their experiences and voiced their queries.27 The mass mobilizations and protests forced the government and the World Bank to shelve their plans of putting the water

25 Manthan Database on PSP in Water Supply and Sanitation
26 Based on information gathered by Manthan Adhyayan Kendra for its study on Tiruppur Water Supply and Sewerage Project.
27 Delhiites gearing up to protest against water privatization.
supply into private hands. Even though the government says that it has withdrawn the application for the loan, the World Bank website still shows that the loan application is in pipeline, which means that it can be pushed ahead as soon as the timing is right.

**The Campaign versus Coca Cola**

Indian citizens’ protest against Coca Cola continues to gather steam and constituency both in India and other parts of the world. It is not only a fight to cancel the company’s license to operate because of its deleterious effect on people’s health, community water and farmlands but as part of a “larger struggle against water privatization and neoliberal globalization.”

The campaigners also insist that the Coca Cola company must: a) pay adequate compensation to villagers whose fields were flooded by the bottling plant’s toxic, crop-and-soil destroying wastewater; b) return 1/3 acre of public Panchayat (village government) land upon which the company illegally built part of its bottling facility; c) withdraw all cases filed against the peaceful protestors who have been arrested, beaten, and jailed in the course of the struggle; and d) promptly pay Rs 3 Crore 1.5 Lakh (USD 650,000) that the company owes the government, after being found guilty in 2003 of evading a stamp tax.

Most of all, this campaign not only resist the privatization model but promotes a positive alternative vision of water use and development. Instead of large dams and water privatization that expropriate resources from local communities, the movements are calling for more decentralized and community-based forms of water harvesting and management. Grassroots movements and NGOs across India, including the well-known efforts of Rajendra Singh in Rajasthan, have shown community water harvesting and management to be a viable way of ensuring water security. This vision of water is part of a larger alternative development vision that calls for community control over land, forest, and water to prioritize meeting basic needs over corporate profits.

Community protests in Varanasi, Uttar Pradesh (UP) started in 2003. Their battle cry was: “Water as a natural resource cannot be privatized.” They claimed that Coke and Pepsi use the highest amount of water while farmers make do with what’s left. In some other parts of UP 15-20 hand pumps went dry due to the soft drink plant that was set up in 2005. In July 2006, protesters from Medhigani led by the grassroots organization Lok Samiti in Uttar Pradesh joined the struggle with their call “Shut down Coca Cola!” Villagers in Plachimada and Kerala where other coke factories are situated have similarly risen against the abuses of the cola drink company.

Social movements and their leaders from across the country associated with the National Alliance of People’s Movements (NAPM) have shown solidarity to the communities’ fight against Coke ever since. These include grassroots people’s

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movement leaders such as Medha Patkar of NAPM, Narmada Bachao Andolan, the anti-dam struggle in the Narmada Valley, and Sandeep Pandey of Asha and NAPM.  

The Water Workers Alliance in Delhi

The Water Workers Alliance in Delhi worked for the cancellation of a World Bank loan for water privatization. SA Naqvi from the Alliance said: “Many people think that the Delhi government and the World Bank have cancelled the process of privatizing water in Delhi due to sustained lobbying and agitations. The fact is that the loan application by the Delhi government to the World Bank is on hold and has not been cancelled. Until it is cancelled we cannot be sure that we have won the war against privatization in Delhi.”

Like other water activist organizations, the Alliance finds it urgent to provide alternatives to show the government and the people that there are more citizen and environment-friendly options to manage water resources.

Water Parliaments Campaign

Arwari Parliament was formed in 1999 to conserve River Arwari under Tarun Bharat Sangh. Among those to lead the water parliaments was the Chairperson of Tarun Bharat Sangh (TBS) Rajendra Singh who believes that the community-based water system that had existed for centuries and had successfully conserved water has been taken over by the government and ripped apart. He said: “Our leaders have not understood the global politics of water in which MNCs will make profits while people will pay a heavy price for water.”

The decentralised water conservation and management methods adopted by Tarun Bharat Sangh in Rajasthan, were also a significant alternative to centralised water management and privatisation of water services and resources.

Other Towns and Cities

In places like Nagpur, Mysore, Khandwa, Indore where privatisation processes have been initiated protests and resentment among the residents is growing. In Nagpur (Maharashtra) the local groups including Nagpur Municipal Corporation Employees Union (NMCEU) have begun questioning the handing over of water supply operations and management in one zone of the city to Veolia Water. The local groups have managed to procure technical documents related to the contract from the Municipal Corporation. They plan to unravel the contract and place before the people the realities of the private contract in water supply and mobilise people opposing the privatisation of water supply.

Similarly, in Mysore (Karnataka), the residents have been opposing the privatised project for O&M of the water supply which has been awarded to JUSCO. The residents have been opposing privatisation as well as the process through which the contract was awarded to the private operator. Local groups

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have been vocal in stating that throughout the process of privatisation the people of the city were never consulted. They were not given an opportunity to share their views and apprehensions related to such a step.

In Khandwa (Madhya Pradesh) a small town where the privatised concession for water supply has been recently awarded to a Hyderabad based private company, Vishwa Infrastructure. The local people including journalists, councilors and other groups have initiated a process for opposing the project and for asking questions related to project benefits and specifications from the authorities.

**Larger Campaigns against the World Bank policies of LPG**

The Save the Narmada Movement against the Sardar Sarovar, Maheshwar, Omkareshwar and Indira Sagar dams on the river Narmada. These campaigns highlighted the privatisation of public resources among other issues. These campaigns have also highlighted the impacts of liberalisation, privatisation and globalisation on tribal, fishing, farming and other rural communities.

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