OUR RIVERS AND WATER ARE NOT FOR SALE!
RECLAIMING PUBLIC WATER: THE EXPERIENCE OF DELHI

By Rakhi Sehgal

On November 23, 2005, Delhi's Government wrote to India's Central Government saying it wished to withdraw its loan application to the World Bank. This was the culmination of a year-long battle by the people of Delhi who organised under the Right to Water campaign, Citizens' Front for Water Democracy, Water Workers' Alliance, and Pani Morcha to fight the Delhi government's rapidly evolving programme to privatise the city's water supply system without any public consultations.

WATER MANAGEMENT IN DELHI

Delhi's water system is managed by the Delhi Jal Board (DJB) which was constituted through an Act of the Delhi Legislative Assembly on April 6th 1998. The Board is responsible for water supply, sewage disposal and collection of revenue for services provided within the jurisdiction of the Municipal Corporation of Delhi (MCD) area which accounts for 94% of the total urban area of the National Capital Territory of Delhi. It also supplies water in bulk to the New Delhi Municipal Council (NDMC) and Delhi Cantonment Board (DCB) who further distribute water in their corresponding areas. Similarly, sewage generated from NDMC and DCB areas is collected by the respective authority and disposed of by DJB.

PRIVATISATION OF WATER IN DELHI

Preparations for the privatisation of Delhi's water system had been underway for some years. *India's National Water Policy 2002* was announced which ignored pleas by environmental groups to involve local communities to prevent looming shortages and to treat water as a common, natural resource rather than as a commodity.

Some environmentalists and social activists had challenged the building of the Tehri Dam on the River Ganga and the Sonia Vihar Plant in New Delhi. Questions were raised about Suez-Degremont's failure to pay any of the social, ecological or financial costs for the construction of Tehri Dam. In 2002 Vandana Shiva pointed out that Privatisation of water has been justified on the stipulation that full cost must be paid. When water giants get markets through privatisation they demand full cost recovery from the people. However, as the case of the Delhi Water plant shows, the corporations get the water for free without paying for full social and environmental cost to those rural communities from whom the water is taken.

These were not the only controversies surrounding the Sonia Vihar plant. It was built on a 10-year build-operate-transfer basis through a contract between the DJB and the French company Ondeo Degremont (a subsidiary of Suez Lyonnaise des Eaux Water Division - the water giant of the world). The Central Vigilance Commission raised concerns about the tendering process and instructed its technical examination committee to investigate why the contract, which was originally worth Rs.295.75 crores[1](US$ 70 million), had been awarded for almost Rs.900 crores (US$ 216 million) without a new tender process.

Two years later, the *Delhi Water and Wastewater Reforms Bill 2004* was proposed. The Bill had suggestions for corporating DJB and transferring its assets. Several provisions addressed the issuing of licenses to various companies to supply water and sewerage services. The Right to Water Campaign raised some pertinent questions. These were about the similarity between the Bill's provisions and recommendations from some of the consultants who also suggested corporatising DJB, and that the DJB should be divided into three entities for treatment, transmission and distribution of water. The Campaign publicly asked if this was a prelude to the eventual privatisation of DJB as happened with the Delhi Vidyut Board that supplied electricity to Delhi.

PRELUDE TO 24/7 WATER

To prepare for privatising Delhi's water supply, w*ater tariffs were increased* seven- to ten-fold in Delhi on December 1, 2004. DJB cited a study on privatisation done by Pricewaterhouse Coopers (PwC), under the auspices of the World Bank, as justification for the increase.

The rapid developments in the water sector in 2004 forced some activists to file applications under the Delhi Right to Information Act (DRTI) in November 2004. Only after several appeals to the appellate authority under DRTI were the documents provided to a citizen's initiative, Parivartan. These voluminous documents held the key to understanding the privatisation plans and pinned responsibility on key agencies, government departments – both state and central, and the international financial institutions such as the World Bank for pushing through its anti-people agenda. Documents accessed through DRTI revealed explosive information about the World Bank's meddling in the entire process.

ROLE OF THE WORLD BANK

Between the 1950s and the 1980s the World Bank had created a water crisis in India by financing the construction of dams and the diversion of river waters. In the 1990s, the World Bank used financial and hydrological crises[2] to force Indian states and public utilities to privatise water services and assets.

The Delhi Jal Board's engagement with the World Bank started in 1998 when a World Bank mission team visited the Board in July. The process was conducted in almost complete secrecy until the end of 2004 when reports suddenly appeared in the media that PwC had placed a very low value on assets of the DJB.

Activists identified several problems with the 24/7 scheme:

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[1] An Indian crore is equal to 100 lakh or 10 million (10^7).

[2] Some activists and environmentalists argue that it is the faulty policies and recommendations of the World Bank itself that resulted in these crises.

1. World Bank's role in awarding a contract to Pricewaterhouse Coopers
2. Payments that would lead to tariff hikes
3. Loss of control by the Delhi Jal Board and the possibility of arm-twisting by water companies
4. Access to water by Delhi's poor and the possibility of water riots
5. Lack of accountability of water companies
6. Impact of the loan and the project on Government's finances

(1) WB's role in awarding PwC a Rs 7 crore (US$ 1.6 million) consultancy contract *in November 2001*The DJB approached the World Bank in 1998 for a loan. The Bank suggested they hire a consultant who would "suggest" basic reforms for the DJB to carry out. The Bank offered a US$2.5 million loan to DJB to hire a consultant.[3]

- DJB invited Expressions of Interest.
  - 35 consultants applied. Six of them were to be short listed.
  - An evaluation committee consisting of senior officials of DJB ranked each company on the basis of World Bank guidelines. PwC was ranked 10th. World Bank guidelines state that one of the short-listed companies should be from a developing country. This provision was misused to bail PwC out. PwC was treated as an Indian company because the branch of PwC which applied was incorporated into India. So, PwC was moved up from 10th to sixth position.
  - Technical and financial proposals were invited from the six short-listed companies. First the technical proposals were opened. A company needed a mark of 75% for its technical evaluation to qualify. An evaluation committee, consisting of senior officials of DJB, evaluated the proposals on the basis of World Bank guidelines. PwC again failed. Only two companies, Deloitte of the United States and TAHAL of Israel got more than 75%.
  - Results were sent to the World Bank for their "no objection". The Bank demanded an explanation from the DJB as to why such low marks were given to PwC. The Bank prescribed new sub-criteria and directed DJB to cancel this evaluation and do a re-evaluation. The DJB opposed this arbitrary interference. But the World Bank refused to relent. DJB had to comply.

- Fresh bids were invited.
  - A new Evaluation Committee was formed with the approval of the Bank.
  - However, PwC again failed to get a high enough mark. Only one company, M Watson of the United Kingdom, qualified.
  - The World Bank asked for detailed scores given by each member of the evaluation committee. It demanded that the scores given by Mr R K Jain, one of the members of the evaluation committee, be omitted. Interestingly, the Evaluation Committee mentioned in

[3] The loan carried an interest rate of twice the amount the Government would have to pay if it raised the money from the internal market. Besides, the loan formed just 10% of the amount that the Delhi Government spends on DJB every year. It is because of this that the Right to Water Campaign demanded the loan application to the World Bank be withdrawn.

its report that Mr R K Jain gave low marks to PwC and Mr S K Chhabra gave low marks to M/s Sogreah. But the World Bank demanded the removal of Mr Jain's scorecards only.
- The DJB was "requested" to recast the scores accordingly and PwC scraped through.

(2) Payments that would lead to tariff hikes

- Management fees of Rs 5 crores (US$ 1.2 million) per annum per zone (total of 21 zones)
  - Salaries of four experts @ US$24,400 (almost Rs 11 lakhs[4])per month per person
  - Rs 105 crores (US$ 25 million) for 84 experts for 21 zones
  - This is 40% of total revenues of DJB (About Rs 270 crores) (US$ 65 million)

- Unlimited operational expenses – to run zones on a day to day basis
  - Company to submit annual demands for operational expenses
  - DJB has theoretical power to vet these demands – company could be free of obligations if DJB denies/curtails these demands
  - Company could seek additional funds any number of times during the year
  - No upper cap prescribed

- Capital investments – to make improvements
  - Every year, company would present capital investment plans
  - DJB has theoretical powers to vet it – company could threaten adverse impact if money not provided
  - DJB has to provide the money
  - Company would then give out contracts, supervise implementation and certify quality and completion – DJB has neither any role nor any control over any of these processes

(3) Loss of control by the Delhi Jal Board and the possibility of arm-twisting by water companies

Once they sign the contract, water companies tend to be in a position of advantage from where they can blackmail and pressure governments. It is not politically possible for governments to ignore their demands or even to negotiate with them. In effect, DJB would have no control over what money is spent on, how much to spend and when to spend it. DJB's role would be limited to providing money.

(4) Access to water by Delhi's poor and the possibility of water riots

- Present sources of supply for the poor
- Water tankers
- Tubewells
- Leaking pipelines
- Community taps

[4] One lakh is equal to a hundred thousand (10^5).

All these sources would be shut. There would be no “free”, “illegal” non-revenue water

Project proposal & people’s concerns

One group connection for five families – won’t it lead to conflict? The investment plans suggested by the consultants do not suggest any plans to extend the water network to these areas so how would group connections be given? And why group connections? That would only lead to conflicts amongst neighbours. Why not individual connections? That would not mean any additional burden on DJB if the people paid for their meters.

(5) Lack of accountability of water companies

- Penalty to be imposed if they fail to meet targets
- Bonus if they exceed targets
- How much penalty? How much bonus? Procedure for imposition of penalty? *DJB refused to reply.*
- World Bank told some journalists that the total penalty would not exceed 30% of management fees in a year. Is this correct? Is this a sufficient deterrent?
- If a consumer is aggrieved, where would he or she go? Government would have no controls over day-to-day affairs.
- International experiences show that with such low penalties companies prefer to face penalties than improve services.

(6) Impact of the loan and the project on Government’s finances

Before the project:

- Government provides a subsidy of about Rs 350 crores (US$ 84 million) every year to meet revenue expenditure
- Government provides about Rs 700 crores (US$ 168 million) loan every year.

After the project:

- PwC recommends that Government provide a cash grant of Rs 1000 to 1500 crores (US$ 359 million) every year
- In addition, the Government will have to pay interest to the World Bank on this loan
- So, there would be much greater strain on government finances after this project.

Did we need the World Bank loan?

- Loan amount is just Rs 10 crores (US$ 2.4 million). But the World Bank has dictated entire agenda
- Shouldn’t we have first done our own study of problems and solutions with our own money and then approached Bank for necessary funds?

Cost of loan in foreign currency

- IBRD lends at commercial rate, roughly 0.5 to 0.75 % above LIBOR[5]

[5] LIBOR refers to the London Inter Bank Offered Rate. It is the most active interest rate market in the world. It is determined by rates that banks participating in the London money market offer each other for short-term deposits.

- LIBOR ~ 3%
- So, interest in dollar terms ~ 3.75%
- Foreign exchange fluctuations ~ 3-5%
- Therefore cost ~ 8%
- No tax flowback

Cost in domestic market

- Can easily raise this amount at lower cost
- 2.4% flowback as tax
- So, net cost is less than 5.6%
- No strings attached

Do we need the final loan?

- Loan amount less than Rs 700 crores (US$ 168 million) for six years i.e. about Rs 120 crores (US$ 29 million) per annum
- Government invests close to Rs 1000 crore (US$ 240 million) every year
- Do we need such a small amount at such high costs in terms of interest payouts and stiff conditions?

This process of questioning and understanding set the stage for Delhi's residents to spring into action to reclaim their democratic rights!

PEOPLE'S ACTIONS, STRUGGLES, STRATEGIES AND TACTICS TO STOP PRIVATISATION

The Right to Water Campaign, Citizens' Front for Water Democracy, Delhi Water Sewer & Sewage Disposal Employees' Union at the Delhi Jal Board, the Water Workers' Alliance and countless others conducted relentless public education and protest campaigns. These were to educate fellow residents and to put pressure on the Delhi Government, Central Government and the World Bank country representatives. Cross-class alliances were forged between the middle class residents of posh residential colonies and poor residents of slum clusters. A common set of concerns and demands was constructed after several rounds of meetings to ensure that everyone could come together on a common platform to oppose privatisation plans under the garb of providing water 24 hours a day, 7days a week (*24/7*) to Delhi's residents. Delhi's residents were determined not to allow one group to be played against another. A campaign that began with a handful of people grew to a room full of people, to hundreds of people debating in a community hall and finally spilled onto Delhi's streets with thousands protesting on a daily basis. The pressure was on!

LIBOR is used in determining the price of many other financial derivatives, including interest rate futures, swaps and Eurodollars. Due to London's importance as a global financial center, LIBOR applies not only to the Pound Sterling, but also to major currencies such as the US Dollar, Swiss Franc, Japanese Yen and Canadian Dollar.

Analysis of the thousands of pages of documents was distilled into a half-hour power-point presentation to explain the scheme to the residents of Delhi so that they could make an informed decision about the need and viability of the project. Presentations were made in community halls with resident welfare associations, on college campuses, in seminar rooms with professionals and government officials, on street corners through handbills and street plays, with reporters that led to extensive and informed coverage of the issues and of citizens' concerns. All these actions combined to turn the heat on all the agencies involved, the World Bank and the government. Based on their analysis, citizen activists even engaged World Bank country representative Michael Carter through a series of open letters. However, the response was disappointing and evasive. Still Delhi residents did not relent as there was too much at stake. They kept an eye on the Government and exposed its myths and games until finally, on November 23, 2005, the Delhi Government wrote a letter to the Central Government asking it to withdraw its loan application pending with the World Bank!

Residents did not rest easy even after this historic victory. They got together with water and management experts from across the country and sent a list of suggestions to the Delhi Government on December 5, 2005. The suggestions were to install water meters and to make the system transparent so that people can see on the internet web how much water is flowing into each one of the city's 21 zones. This would enable those who get step-motherly treatment to question their public representatives.

Status quo

There has been no response from the Delhi Government to these suggestions and there seem to be no plans at the moment to restructure and improve the DJB.

For more information please see for example www.delhiwater.org and
www.navdanya.org/earthdcracy/water/

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