WATER DEMOCRACY:

RECLAIMING PUBLIC WATER IN ASIA

ESSAY COLLECTION PRESENTED BY THE RECLAIMING PUBLIC WATER NETWORK

NOVEMBER 2007

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WHAT IS THE 'RECLAIMING PUBLIC WATER' NETWORK?

The Reclaiming Public Water (RPW) network promotes progressive public water models and other alternatives to water privatisation. It is an open and horizontal network connecting activists, trade unionists, researchers and public water managers from around the world.

The RPW network builds on the collective work that resulted in the book "Reclaiming Public Water - Achievements, Struggles and Visions from Around the World". After the first English version was published in January 2005, new editions of the book have been launched in Indonesian, Spanish, Italian, Chinese, Korean, Finish, Hindi, Tamil, Malayalam, Japanese, and Portuguese (Brazil). Further editions are underway in Arabic, French, Kannada, and Urdu language. The book is available online at: http://www.tni.org/books/publicwater.htm

For more information, see:
http://www.tni.org/altreg-docs/water.htm
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Introduction

Water in Asia

Asia shows the highest number of people unserved by either water supply or sanitation. Seven hundred fifteen million people in Asia have no access to safe drinking water, while 1.9 billion or 80 percent of the population has no access to sanitation. Immense numbers give an indication of the extent of the problem, but the urgency of the matter comes from the understanding that this water crisis is largely a problem of 'governance', i.e. equitably sharing the world's freshwater while ensuring the sustainability of natural ecosystems. In achieving this balance, the main issue for many governments, water advocates, and stakeholders in the water sector is identifying the best model for improving peoples' access to safe and affordable drinking water.

Failed Privatization

While public utilities and communities are still the main actors for water supply and sanitation and resource management in Asian countries, governments and international financial institutions (IFIs) aim to expand the role of private water corporations in water delivery. With the pretext that the private sector has the financial, technological and technical capacities to improve water delivery, IFIs such as the World Bank (WB) and Asian Development Bank (ADB) continue to push for various forms of privatization, through conditions to loans, policy prescriptions or technical assistance. Unfortunately also the upcoming Asia Pacific Water Summit in Oita, Japan (December 2007) will reflect this stubborn bias.

The pro-privatization approach is primarily ideology-driven, as the private concession model of water service provision has been tried in Asian major cities, from India to the Philippines – and clearly failed. Far from ensuring universal access and coverage of water, the reality of many privatization projects has been skyrocketing water prices, unfixed broken pipes, laying-off skilled workers, exacerbating unequal access to safe and affordable water and improved sanitation, increased debts, under-investment, etc. Against the reality of these experiences, the last few years were marked with many social mobilizations, consolidation of forces, victories and hard-won battles for peoples and communities' water struggles, particularly in defending water as a human right.

Alternatives to privatization

This collection of 19 new essays written by civil society activists, trade unionists and other water practitioners, presents examples of ongoing struggles against water privatization and commercialization as well as inspiring examples of people-centered public water management from across Asia. We hope this compilation will not only be a source of inspiration for those struggling for water for all in communities all over the continent, but also that it will contribute to strengthening the discussion about the ways forward for public water delivery in Asia.

The papers show that the ideology-driven privatization wave has now also reached Asian countries where public water delivery has been very successful. Examples include like Malaysia, Hong Kong, Korea and Japan, where public utilities have largely achieved water for all. But despite universal coverage, high quality drinking water and sanitation, very low leakage levels and many other indicators of successful public services, the governments of Hong Kong, Korea and Japan are planning to boost the role of the private sector. In Malaysia, this process has already resulted in widespread privatization and predictable problems (such as tariffs hiking impacting the affordability of water for the poorest) resulting from this.

The essay collection also covers India, Cambodia, Indonesia and many other Asian countries where large parts of the population have for far too long remained without adequate access to water and sanitation, but where concrete, workable alternatives to water privatization exist. Public water solutions, the papers show, are being developed and implemented in numerous Asian countries, i.e. progressive public water management models, often involving new forms of local cooperation between public water operators, communities, trade unions and other key groups. Experiences in the Indian states Tamil Nadu and Kerala show that empowerment of communities and the democratization of

governance are strong positive tools for improving public water supply. Appropriate technology and a focus on sustainable water solutions, the Tamil Nadu experience shows, can moreover result in major cost savings that allow more people to get access to clean water. An important new trend is the emergence of public-public partnerships (PUPs), in which a well-performing water operator assists a utility in need of support. This essay collection includes examples of domestic PUPs from Indonesia and Cambodia. PUPs, including cross-border partnerships between utilities, are likely to get a major boost through the UN's new "water operator partnerships" (WOPs) initiative, which is geared towards facilitating cooperation among utilities on a not-for-profit basis.

Clearly, numerous public water utilities in large parts of Asia fail to supply safe water for all, but privatization is not the answer. The papers in this essay collection show that there is no lack of workable public service reform approaches that could dramatically improve access to water supply and sanitation for millions of people across the continent, if the political will would be there. However diverse these people-centered public water approaches are, the following words of an elected official from Tamil Nadu captures the essence:

"Only through a partnership between people who have suffered for want of water and water agencies who believe in democratic functioning can we ensure safe, equitable and adequate water and understand the need for conservation of resources and ensuring sustainable water systems".

The editorial team

1. The Asian Development Bank Water Policy: Privileging Private Sector Investment over Pro-poor Access

By Hemantha Withanage, Mary Ann Manahan and Olivier Hoedeman

Since its inception, the Asian Development Bank has been actively involved in various water sector projects in Asia and the Pacific. For the period 1998-2004, cumulative lending of the ADB in water totaled US$27.68 billion. This covered lending for water supply and sanitation, irrigation and drainage, flood control and management, hydropower, watershed management, and inland fisheries and transport. In 2005, ADB approved a total of US$1.4 billion in water sector loan components, amounting to 20% of ADB total lending.[1]

In March 2006 at the 4th World Water Forum (Mexico), ADB announced a new Water Financing Program for 2006–2010, which commits to a doubling of water investments in the region over the next 4 years, and the creation of the Water Financing Partnership Facility, which aims to raise $100 million in grants that will "support governments willing to take on reforms and develop skills within their institutions, utilities, and communities." The new ADB program focuses on three key areas - rural water services, urban water services, and river basin water management through closer collaboration with the private sector and civil society. ADB's water investments are expected to greatly increase to well over US$2 billion annually, making water "a core business area of ADB's operations."

ADB's stepped-up efforts flow directly from the report of the World Panel for Financing Water Infrastructure in 2003 (the Camdessus Report) and its 2006 successor, the Gurria Task Force on Water Financing. The various global estimates of the costs for achieving the MDGs, ranging from $6.7 billion to $75 billion per year, reflect the interests of international companies and bankers in estimating potential global water markets. As one such interest, it is important to scrutinize ADB's water sector policy as it seeks to expand its business in water, where critics claim that projects are being designed to match the needs of global financiers, rather than of local communities.[2]

Water for All?

The ADB's Water Policy, adopted in October 2001, has been criticized by civil society groups. Civil Society organizations from around Asia[3] have documented that ADB-funded projects in the areas of irrigation, flood control, watershed management, water supply and sanitation, and water management have led to ecological harm, the displacement of people, non-achievement of project objectives and disregard for people's participation. The NGOs concluded that the ADB continues to impose a top-down planning approach that discounts people's alternatives, making its water policy fundamentally and structurally erroneous.[4]

While the ADB policy states that it is pro-poor, the water projects it implements have not served the poor well. The policy, which sets the environment for ADB's engagement and investment in the water sector, promotes full cost recovery, tradable water rights and private sector participation which hamper its stated pro-poor approach. The policy is also used to promote local legislative and policy environment that facilitates the ADB's investments in the water sector of its Developing Member Countries (DMCs).

The ADB Water Policy aims to promote poverty reduction and claims to have a pro-poor approach. However, its strategies and practices have been to the contrary, leading to negative impacts on the poor. The ADB notion of water as an economic good is a departure from the long-held belief of water as a right and as a common. This reflects ADB's market-oriented paradigm in the water sector where, for instance, the problem of allocation is to be resolved by rates and prices.

[1] www.asiandevbank.org/Water/Operations/2005/2SEAWF/Water-Financing-Seetharam.pdf.

[2] Violata Corral, PSIRU

[3] For instance the Regional water conference held in November 2005, the civil society preparation meeting for the Regional ADB Civil Society Consultation held on the 18th November 2005.

[4] Hemantha Withanage, Civil Society join hands against Anti-poor ADB Water Policy, ARENA's bi-annual journal *Asian Exchange* for the year 2006.

This subjects water allocation to the vagaries of market forces and the powerful economic interests that dominate the sector. Following are among the many concerns raised on this:

- Private sector participation (PSP) as outlined in the ADB Water Policy in practice simply means promoting privatization. The PSP seduces big water companies to take over the fundamental role, duty and social responsibility of states to provide clean, safe and affordable water to its citizens. Past and present experiences of privatizing water utilities have led to increased water tariffs, depriving the poor of access to water and, in some cases, taking away a significant portion of poor peoples' income. Large water multinationals have since the 1990s worked to expand their grip on the water sector in the Asia-Pacific region. The big water companies that have big stakes in the region include Suez Ondeo and its subsidiaries Nalco, Degremont, Hydroplus; Vivendi; and Thames Water and its subsidiary RWE.
- The concept of tradable water rights has enabled private concessionaires to take, for profit, communities' right to water. Overall, implementing this idea will lead to the transfer of the right to water from low-value users (urban and rural and poor farmers) to high-value users (the rich, commercial and industrial users). Tradable rights have increased inequality between those who can afford (to connect and pay) and those who cannot afford; between urban centers and rural communities.
- The elements of full cost recovery and elimination of subsidies will only heighten social inequalities, and deprive the poor and other marginalized groups of good quality water. As ADB stated in its policy, consumers can expect to meet the full operation and maintenance costs of water facilities and service provision in urban and rural water supply and sanitation systems. While subsidies can be considered, this will be on a case-to-case basis. All of this will lead to water rate increases, and prevent the poor from connecting to ADB-funded water utilities.
- Integrated water resource management (IWRM) has been offered as the sole tool for water management. However, in its practice, ADB hires expensive technocrats and experts who have disregarded existing traditional water management mechanisms at the local level in project planning. This has led to failures in implementation.

The biggest concern yet as regards the ADB's Water Policy is the influence that the ADB wields over its DMCs.

Countries' water sectors are the targets of ADB's agenda. The ADB push to change DMCs water policies through Country Strategy Programs (CSPs), Technical Assistance (TAs) and Project Loans. Slowly but surely, without meaningful people's participation, these policy changes take place without attracting much attention. Although the ADB's Water Policy notes that "no single, common policy can serve as a model for all", the objective of "implementing national water sector reform" can be construed as ADB's intention to intervene and push for reforming the water sector of DMCs along its "one way highway" of Private Sector Participation as the only means towards development.

In steering DMCs along this "one way highway", the ADB fails to recognize the diversity of social, economic, and cultural values held by DMCs. The application of the ADB Water Policy should be sensitive to these values. Imposing conditionality on loans, sometimes even against national "constitutional rights of citizens and constitutional mandates of local and state governments" and without appropriate parliamentarian scrutiny and broad community and NGO participation in the decision making process, erodes rather than strengthens democratic good governance.

Problematic Involvement

ADB's Water Policy becomes even more problematic when one considers the amount of influence the ADB wields over the water sector of its members. ADB plays the lead role in water sector reforms in the Asia and Pacific region, including in Sri Lanka, China, Nepal and several Indian states. Sri Lanka has long been eyed by financial institutions as the "prime candidate to lead South Asia into PSP in water supplies" and

in 1997, ADB promptly provided lending support to change Sri Lankan legislation and policy on water. In 1999, ADB financed China's first water supply build-operate-transfer (BOT) project (in Chengdu) and promoted it as an "effective public-private partnership at the municipal level". The Cehngdu project is the Bank's first private sector project in the water sector. In Nepal, ADB helped prepare a PSP management contract as a precondition for the Bank's support to the controversial US$464-million Melamchi Water Supply Project, approved in December 2000 with co-financing from JBIC and other donors.[5]

These projects are problematic not only because of the lack and absence of meaningful peoples' participation but also of the many issues that surfaced from their implementation.

The ADB in India's Water

In 1995, ADB and the state of Karnataka undertook the project Karnataka Urban Infrastructure Development to formulate an integrated urban development strategy for the Bangalore sub-region, including developing four other urban locations – Channaptna, Mysore, Ramanagaram, and Tumkur. The idea is to decongest Bangalore City and even out population growth and economic activity among the other towns. Project components include environmental sanitation, road improvement, poverty reduction, and the development of industrial sites and services.

According to the NGO Task Force observation the poor quality of implementation work has created problems. Storm water drains were not done properly leading to water stagnation; the sewage treatments were not operational – while the underground drainage was ready in some cases, the treatment plant was not; there were delays in completing the roads and the water works. In Ramanagaram, the technical plan did not match the topography. There were places where the water connections were operational but the drainage was not yet done causing sewage to elevation, failed to work. In Mysore, the dumpsites were already polluting the ground water sources and water ponds.

From planning to implementation, the project has been non-participatory, non-inclusive, and non-transparent. The project ignores local knowledge and expertise, failing to check the adequacy of water sources in the state of Karnataka. (see chapter 6 for full case study)

The ADB in Nepal's Water

In some cases, ADB's involvement in projects result in pressures on Government to overturn itself. The case of the Nepalese Government reversing itself for fear of losing an ADB loan is a case in point. The case involves the Melamchi water project, which local groups claim to have serious environmental implications and severe design flaws.

Melamchi water project is an ongoing controversy in Nepal. ADB is presently the lead donor in a consortium supporting the Melamchi Water Supply Project and the Kathmandu Water Supply Reforms. The projects are meant to relieve water scarcity suffered by all residents of the Kathmandu Valley regardless of whether or not they are connected to the Nepal Water Supply Corporation. The first project aims to divert water from the headwaters of the Melamchi River via a 26-kilometer long tunnel to a water treatment plant and distribution facilities to be constructed in the Valley. The second package provides for the implementation of institutional and legal reforms in support of the first project. Most notable among the planned reforms is the condition to transfer management of the water utility to a performance-based Management Contractor from the private sector. Melamchi waters are expected to arrive in the Valley in 2010 yet, if not later. In the meantime, the citizens of Kathmandu face the following concerns: where to get more water as of now, how to ensure that the poor will have access to water despite future issues on tariffs for water connection, meter, standpipe and service, how to ensure that sewerage concerns are also addressed, and how to sustain civil society participation in the projects.[6] Meanwhile people in the Melamchi valley are opposed to removal of water form the river depriving water for drinking and irrigation.

[5] Violata Corral, Public Services International Research Unit (PSIRU)

[6] Based on the case study "Making the Expensive Kathmandu Valley Water Supply Reforms Work for the Poor" prepared by the NGO Forum for Urban Water and Sanitation, October 2005.

ADB insisted that the Government of Nepal should allow Severn Trent, a UK-based Water Company, to handle water delivery. As a result of the Civil Society opposition the Government rejected the bid in 2007. ADB then threatened to cancel the project which leads Nepal Government to reconsider their decision. (see chapter 14 for a full case study)

Civil Society Confronting ADB's Water Policy

As a response to the ADB Water Policy Implementation Review held in 2005, the NGO Forum on ADB, a civil society network involved in monitoring ADB produced several case studies and made a number of recommendation to ensure good water governance and to ensure that water is kept public. The resulting synthesis report, "*Running Dry*", outlined the following recommendations:[7]

- Water should be treated as an **inalienable human right, not an economic good.**
- Private Sector Participation should not be promoted as the only approach to managing water services. Where PSP is found to fail, the burden should not be transferred to the poor in the form of rising tariffs and decreasing quality of service.
- Tradable water rights should not be used as a management tool. Sharing of water resources should be dealt within the existing concepts of water as a common good.
- ADB should not, in any way, coerce governments to adhere to cost recovery principle, particularly by attaching this condition to loans.
- ADB should de-link loans from conditionalities. Financial and technical assistance must not be made contingent on legal and institutional reforms.
- ADB should recognize and respect existing indigenous and local water management systems before the so called IWRM.
- The notion of tradable water rights should be opposed where they infringe on peoples rights to water to fulfill basic needs including their own subsistence.
- Allocation of rights to water use should not be left to market forces.
- ADB should acknowledge that indigenous populations live and derive their livelihoods from watershed and wetland areas, and recognize and respect existing indigenous use of these areas within their watershed conservation plans.
- ADB should recognize that Governments have a constitutionally-mandated role to provide services to the people and in no way should ADB pressure Governments of DMCs to abdicate this role. ADB should stop unwarranted promotion of private sector participation.
- Loans should not be designed to be contingent on PSP. Alternative models of water service management, for example community management, should be promoted.
- ADB should ensure effective implementation of its safeguards on subsidies as they are needed in particular contexts to enable the poor to have water connections, and for providing services in areas that are not financially viable but where there is a real need for water.
- ADB should re-examine evidence for peoples' willingness to pay. Instead of using willingness to pay, the ADB Water Policy should focus on enabling access and achieving affordability.
- To implement a real pro-poor strategy, ADB should ensure meaningful participation from the design stage. Peoples' participation should not be used simply to legitimize projects, instead, it should relate to investment in local peoples' development needs and consent, and involve broad participatory local and regional development planning by multi-stakeholder representative platforms.
- Participation must be bottom up, making clear different development alternatives and their implications for loan conditions and the debt burden. Projects coming from this model will ensure co-responsibility and require participatory monitoring and evaluation schemes.

[7] Running Dry, NGO Forum on ADB, December 2005

- ADB's Water Policy should acknowledge and promote water governance at the local government level. However, the decentralization process should not exempt national governments from their responsibility for providing water services.
- ADB should implement its gender focus from project design, implementation, monitoring and evaluation with clearly disaggregated indicators.

Without heeding these points raised by CSOs, the ADB's Water Review Panel's major recommendation of "*Do more and do better*" will be an impossible task

The ADB and the UN Water Operator Partnerships: Twisting the Not-for-Profit Agenda

Years of obsession with promoting the role of the private sector have proven to be a dangerous distraction from the real solutions. This has resulted in the fragile beginnings of a more positive approach towards public sector water operators. An example of this emerging recognition was the report of Kofi Annan's Advisory Board on Water and Sanitation presented during the World Water Forum in Mexico City (March 2006). Among the board's proposals was the launch of a mechanism to facilitate public-public partnerships, described as Water Operators Partnerships (WOPs) on a not-for-profit basis.

As a result of political battles inside the Advisory Board, the WOPs mechanism does not exclude private operators. This is worrying, but clear statements on the not-for-profit nature of the WOPs (which would make it less interesting for the private sector) made most trade unions and civil society groups welcome the new initiative. After Mexico City, UN-Habitat was been given a very strong role in the development of the WOPs mechanism. UN-Habitat started drafting concrete proposals on how to shape the WOPs mechanism, leading up to the official launch during Stockholm Water Week, in August 2007.

UN-Habitat envisaged that the funding of WOPs would mainly come from (regional) multilateral development banks (MDBs) such as the Asian Development Bank (ADB). This is one reason why even before the WOPs mechanism had been officially launched, the ADB had claimed a very strong role in the preparatory process. For instance, the regional WOP's meeting for South Asia that took place in Islamabad was organised by ADB. This is clearly very worrying as the ADB has over the last decades played (and continues to play) a very problematic role in promoting privatization and commercialization of water delivery. This record and the ideological bias behind it makes these MDB's ill-equipped to promote public-public partnerships aiming to strengthen public sector water delivery.

An article published in the May 2007 issue of Global Water Intelligence confirms that the ADB has a somewhat different concept of twinning between utilities than the not-for-profit vision outlined in the Advisory Board report. Among the utilities selected by the ADB for twinning projects in South East Asia, are not only the Phnom Penh Water Supply Authority, but also the Manila Water Company (which has been privatized since 1997). GWI argues that "while it may seem like a very one-way relationship, these twinning arrangements could provide an ideal opportunity for well-performing water service providers to make inroads into developing markets. Manila Water has already stated its intention to break out of the Manila East Zone concession." [8] It was signals like these that sparked over 100 NGOs, trade unions and public water managers to express their concerns about the direction which the WOPs initiative was taking, in an open letter to UN-Habitat in July 2007. The not-for-profit principle, the groups wrote, is "fundamental to the success of these partnership schemes. As pressures emerge to allow the use of the WOPs mechanism for commercial purposes, the not-for-profit character of the WOPs must be vigorously maintained." The open letter also argued that "the active involvement of public water managers from developing countries in this process is of particular importance to ensure that the WOPs mechanism optimally contributes to the MDGs" and stated that "It is our impression that the process until now has been lacking in these qualities." It criticized the "over-reliance on a number of international financial institutions

[8] "Winning through twinning: SAWUN's vision", Global Water Intelligence, Issue 5, May, 2007

which have a reputation for operating in ways that are not in tune with the above-mentioned WOP principles" in the development of the new initiative.[9]

It is clear that ADB is on the lookout for every opportunity to advance its notion of water governance and its brand of private sector participation. If left on its own, the ADB will continue to do things in the usual way it does them. Civil society's role is to vigilantly keep watch and to wrest the initiative from interests like the ADB to ensure that water is kept in public hands.

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[9] Open Letter by over 100 civil society groups, trade unions and public water managers about the UN's Water Operator Partnerships (WOPs) initiative; to His Royal Highness Willem-Alexander, the Prince of Orange, Chairperson of the United Nations Secretary General's Advisory Board on Water and Sanitation (UNSGAB and Mrs Anna Tibaijuka, UN Under-Secretary General and Executive Director of UN-HABITAT, July 2007. http://www.corporateeurope.org/openletterwops.html)

2. Labour-Management Cooperation: A PUP in Benchmarking Water Utilities in Asia

By Violeta Perez-Corral

Water is a human right and access to safe, sufficient and affordable water is essential to equitable development. Across the globe, there is growing public resistance to 'public-private partnerships' promoted by international financial institutions (IFIs) that result in commodification and for-profit operation of water services. It has also become clear that neither private operators nor private capital will bring us any closer to the United Nation's Millennium Development Goal targets for water supply and sanitation (WSS).[10] Countries must assume their responsibilities in providing water services and all relevant stakeholders need to work more closely in 'public-public partnerships' (PUPs).

The key actors in the water and sanitation sector are and will remain public sector organizations, at roughly 95% of all water operators globally. The dominance of the public sector will continue as private multinationals retreat from many of their concessions and leases in developing countries, and from where there is little profit to be made in rural areas which are still served by local governments or community-owned enterprises.

Public Services International (PSI) unions in 160 countries demand safe and affordable water for all and are working to build quality public water services to all citizens. Water management must be public, effective and responsive to public interests. PSI also stresses the need to involve workers and their unions in all efforts to build quality public services (QPS) in the water sector.

Benchmarking is used to measure the performance of a water utility through a set of technical, financial, and social/environmental indicators (e.g., service level, service quality, operational efficiency and financial management). Also included are broader performance dimensions such as water resources management, policy and regulation, private sector participation, small-scale service providers, wastewater and sanitation, and urban flood management. Benchmarking is a management tool that can help to understanding how manager's performance compares over time, and with their peers. If benchmarking contributes to improving the utility's performance, customers will benefit from savings which result from improved service and/or lower tariffs. The goal is to improve the quality and performance of WSS service.

Benchmarking provides information to a range of stakeholders and can promote accountability by making information available to policy-makers, regulators and the larger public. Sector performance of water utilities can be compared within countries and with other countries, and key decisions can be made using performance data. Benchmarking networks of water utility operators and professionals have been established with funding and technical assistance from IFIs like the World Bank (WB) and Asian Development Bank (ADB).[11]

Benchmarking indicators are a practical management and decision-making tool. Low water supply coverage, for instance, could mean: (a) high nonrevenue water (NRW) [12], (b) a shortage of water resources for development, or (c) lack of access to finance for expansion. Strategies to reduce NRW include the following: 100% metering of production and consumption; repair of visible leaks; elimination of illegal connections; and identification and repair of invisible leaks. Financing issues may be addressed by increasing public expenditures for water or raising water tariffs to reasonable levels.

Currently, coverage indicators are not disaggregated in terms of access by poor households to water connections; 'connection fees' can be a proxy indicator. In a 2005 benchmarking survey of small towns water utilities in the Philippines, those surveyed agreed that a connection fee of PhP2,500 (US$55),

[10] Millennium Development Goal (MDG) Target 10 aims to halve by 2015 the proportion of people without sustainable access to safe drinking water and improved sanitation.

[11] The International Benchmarking Network for Water and Sanitation Utilities (IBNET) is an initiative started by WB in the late 1990s; it links performance information from utilities around world. In Asia-Pacific, the Southeast Asia Water Utilities Network (SEAWUN) was created in 2004 with ADB support; more recently, the South Asia Water Utilities Network (SAWUN) was also established.

[12] NRW is measure of operational efficiency; ADB data shows that on the average, NRW for Asian cities in 2006 is 30% (of water production).

payable in installments of 3-12 months, is a reasonable amount. A privately-run utility in the same survey charges a PhP5,200 connection fee, payable prior to connection.[13] If high connection fees are a barrier to access by poor people, then prepaid water meters should be made illegal.

Through performance benchmarking over a period of time, the ADB could make an informed answer to such questions as: *"Are Asian water utilities performing better in 2002 than in 1997?"* The Bank's findings: Only 'marginally' and in certain limited aspects – e.g., 'customer satisfaction' up; water resources management improved; human resources management generally better; gains in service coverage and NRW minimal. Overall financial management seems 'worse' and private concessions in Jakarta and Manila are among the poor performers of 18 Asian water utilities surveyed.[14]

KEY PERFORMANCE DATA SUMMARY (ADB, 2001/02 DATA)

	Coverage %	24-hour availability %	NRW %	Staff / 1,000 connections	Revenue collection efficiency (%)	Capex/ Connection (US$)
PUBLIC UTILITY						
Chengdu	83	100	18	33.8	100	176
Colombo	69	60	55	7.6	94.8	8
Delhi	69	1	53	19.9	70.4	78
Dhaka	72	0	40	11.6	82	140
Ho Chi Minh	84	75	38	3.5	100	72
Karachi	58	0	30	6.4	54	7
Kathmandu	83	0	37	15.2	70	17
Kuala Lumpur	100	100	43	1.4	95	173
Phnom Penh	84	100	26	5.4	99.7	18
Shanghai	100	100	17	5.7	93.5	38
Tashkent	99	100	27	5.6	76.8	3
Ulaanbaatar	49	48	36	823.3	90	1,978
Vientianne	63	50	28	10.5	76.8	47
Hong Kong	100	100	25	2.3	99.8	115
Osaka	100	100	7	1.7	87.2	224
Seoul	99.6	100	25	1.4	93	100
PSP CONCESSIONS						
Jakarta	51	95	51	5.3	98	47
Manila	58	88	62	4.4	97.3	18

[13] *Philippines Small Towns Water Utilities Data Book: Benchmarking of Small Town Water Utilities in the Philippines* (A Partnership of the Government of the Philippines, World Bank-East Asia & Pacific and Government of Australia), December 2005.

[14] *Water in Asian Cities - Utilities Performance and Civil Society Views*, Charles Andrews & Cesar Yniguez (eds), Asian Development Bank, January 2004 http://www.adb.org/Documents/Books/Water_for_All_Series/Water_Asian_Cities/default.asp

Through performance benchmarking, water rights activists can make objective comparisons of water services provided by public and private. From ADB's 2002 performance data, for instance, public operator Dhaka has achieved a lower NRW at 40% in 2002 than the Manila (62%) and Jakarta (51%) water concessions, which were under private hands for five years. Compare further NRW indicators with that of London (40%) which in 2002 had been private for 15 years, and one would think twice about the much-vaunted efficiencies of the private sector.

Reclaiming public water should also translate to reclaiming benchmarking parameters that reflect pro-public/community and pro-poor parameters. T-A-P (Transparency- Accountability-Participation) principles, for instance, could be integrated into benchmarking surveys, and indicators such as publicly available annual reports or public consultation mechanisms could be included in existing data sets. From the perspective of workers, an efficiency indicator like 'staff per thousand connections' should be balanced with the aim of nurturing a highly motivated workforce that is multi-skilled rather than 'multi-killed', as privatized utility workers are wont to say. Moreover, the existence of workers' unions and collective agreements on terms and conditions of work are an indication of harmonious relations at the workplace, which would likely redound to improved productivities, and can thus be included in benchmarking.

Labour-management cooperation (LMC) is another indication of multi-stakeholder collaboration to improve water services. When applied to benchmarking, LMC can be a very effective tool in ensuring quality water services. Both management and workers of a water utility are committed to the same goals – to deliver high quality and an efficient public service. In any benchmarking exercise, all knowledge in the water utility should be used. One of the most unrecognized and largely untapped resources is the utility's workforce. Workers are close to the "production process" and will know what services work and what services need to be improved or created. Workers will often have suggestions on how to improve productivity and avoid bottlenecks. LMC creates ways of bringing informal personal knowledge into common knowledge.

In the Philippines, the Alliance of Government Workers in the Water Sector (AGWWAS) and the Philippine Association of Water Districts (PAWD) have agreed in principle to collaborate in benchmarking activities.[15] Of the more than 500 water districts all over the Philippines, less than 200 have been benchmarked for performance. Clearly, there is a need for all stakeholders to contribute to the task of assessing and improving utilities' performance. A necessary first step is to enhance the capacities of both utility managers and workers to undertake benchmarking; this is where the academics, researchers and funding institutions can also play a role. In-house capacities to benchmark their water utilities on a regular basis will ensure that water managers and workers are kept abreast of performance standards in the WSS sector and, in the process, be more effective at ensuring safe, sustainable and affordable water for all.

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[15] AGWWAS is a PSI Philippine affiliate. PAWD is a formal network of water district managers in the Philippines and is a member of SEAWUN. It has recently undertaken a benchmarking survey of some 130 water districts in the Philippines.

3. From Bad Service to Outstanding Water Utility: Phnom Penh's Experience

By Visoth Chea

PPWSA has shown that in a transparent environment where water utilities have sufficient autonomy, where tariffs cover costs, where service is equitable and where there is the active involvement of staff and civil society, clean water targets can be met.

Water delivery in Cambodia suffered a serious setback during the civil war and the Khmer Rouge regime of the 1970's. Most of PPWSA's qualified personnel were killed, there was a lack of qualified staff and the service became weaker and weaker. Because of low water pressure and an intermittent supply of less than 10 hours a day, people have tried their own way, anarchically, to get water by breaking the distribution pipes and connecting them to their underground water tanks. Supply pressure decreased dramatically and water became a scarce commodity throughout Phnom Penh. In 1986, the government permitted PPWSA to collect a water fee. But no one wanted to pay even this very low fee. People were used to free water and the service quality was poor.

The water supply infrastructure, from treatment plants to pipes, was very old and badly maintained which resulted in high water loss. The distribution network served only 20% of down town inhabitants. While the number of connections was 26,881 only 13% were metered. This led to inaccurate and improper billing and the actual volume of water sold was only 28% of production.

A further problem was the large number of illegal connections, most of which were done by PPWSA staff. Formal applications for water connections were difficult or impossible. The market price for an illegal connection was around US$1,000. With all the above, it was no surprise that the NRW (non-revenue water) in 1993 was more than 70%.

The 500 or so workers had very poor conditions. They were under-qualified, under paid and lacking in motivation. Their work was inefficient; nepotism was rife and moral at rock bottom. Management was no better and abused the PPWSA's property. PPWSA's image was so poor that it was considered as a place of punishment for bad government employees. Financial difficulties meant the utility was unable to pay for electricity and the chemicals for the treatment process (lime, alum and chlorine). The utility operated under heavy subsidy from the government. The total annual income covered then only 30% of the operating expenditure. And though the utility was very poor, some of the management were, mysteriously, very rich.

After the Peace Agreement in 1993, a new government was elected and international organisations started to assist in the country's rehabilitation. Ek Sonn Chan, an electrical engineer, was appointed head of PPWSA and has been working since then to pull the water authority out of this dark time.

Measures to counter PPWSA's problems

Information

A comprehensive consumer survey was carried out to identify and correct the number of connections. In 1993 12,980 registered connections were not receiving water from PPWSA while another 13,901 were receiving water but were not registered and never billed. A computerized billing system has been introduced, which helps tremendously in customer management and billing. Water meter readers also report anyone suspected of stealing water and changes in customers' activity, especially changes from domestic to commercial use, because the tariff of commercial and industrial use is higher. A clear application procedure for new connections has been introduced and connections have to be established within one week. New connections must be registered in the billing system not later than one day after installation.

Reduce NRW

Five measures were introduced to deal with the problem of Non Revenue Water (NRW).

- All connections must have water meters. Today, all the 150,000 connections are metered.
- An inspection team has been set up to stop illegal connections. The public is encouraged, and rewarded, if any illegal activity is reported. Any staff of PPWSA found to be associated with illegal connections is sacked immediately. As a

result, the number of illegal connections dropped from one per day in 1993 to less than 10 a year.

- PPWSA is greatly concerned with reducing water loss. A repair team is on standby 24 hours days. PPWSA staff and the public are encouraged to call a free phone number to report leakages.
- A comprehensive programme to repair and replace the pipe network was carried out from 1993 to 2001 with assistance from international donors. This has cut down the real losses tremendously. At the same time, where the new pipes replaced old ones, all customers along the new pipes have been supplied with new, standardized connections.
- With the replacement programme, the supply network has been divided into small zones in order to record and compare the consumption of each billing period. The NRW teams have been trained to detect water leaks, even under pavements. In addition, a system has been introduced from Japan which enables online monitoring of water flow and pressure in each zone. Today PPWSA keeps the NRW rate below 10%.

Improve bill collection

The water meter readers are encouraged with incentives for good collection and penalties for bad results. Public education about why payment is necessary is also important. A threat of disconnection has been implemented for the non-paying customers. And a programme has been put in place especially to monitor the payment of water bills by institutional customers. But there is a policy of not disconnecting the poor. The collection ratio between issued and collected bills

implementation of the levy still needs to be enhanced."[18]

Water rate hikes and how the poor suffer

The privatisation of the water supply market has resulted in severe hikes in the water rate. A recent survey has shown that average water rates in 35 cities increased from 0,14 yuan per grade in 1988 to 1,26 yuan in 2003, an eight-fold increase in 15 years. In Beijing the hike has been more dramatic: between 1989 and 2003 water rates were raised nine times, from 0,12 yuan to 2,9 yuan, a 23-fold increase. According to state statistics, the average water rate paid by consumers is 2,29 yuan per grade in September 2005.

According to a study done in 1985 by Dong Fuxiang, when water bills reach 2,5% of monthly household income, water is deemed to be unaffordable and so there is a need to conserve it. In 2000, a survey of five provinces found that amongst the poorest one-fifth of households, water bills were 4,2% of monthly income.[19]

Guaranteed high return for water TNCs

Since 2005, China's water market has had an annual revenue of 50 billion yuan and 53% of water enterprises are profitable[20]. Foreign capital has been flocking into China for a share of the private water market.

Before 2002, the Chinese government only allowed foreign investment to develop water processing plants and sewage processing plants, leaving the government responsible for pipelines. This is why Suez is involved in the construction and operation of water plants only. In the past decade, Suez has built more than 100 water plants and directly runs 13 of them. Veolia started later, but in 1997 it was able to buy a 55% shareholding in a water plant operated by the Water Department of Tian Jin. This was the first time a foreign firm ran a pre-existing water plant.

These foreign companies earn enormous profits from the Chinese water market. This is primarily because of a system of guaranteed profits which range anywhere from 12% to 18% of the gross income of a given operation. In the past, operating water plants was one of the most profitable businesses in China. However, in 1997 the Chinese government announced the end of guaranteed profits for foreign capital in all business sectors, including water. Nevertheless, according to informed sources, many local governments still manage to circumvent this new policy and offer foreign companies guaranteed returns on investments, even if they are lower than in previous decades.

If the water TNCs suffered a setback in relation to guaranteed profits, then they were more than compensated by the further opening of the water market in China. When China acceded to the World Trade Organisation in 2001, it opened up the water market without any transitional period. (In contrast, Hong Kong has, until now, declined to do likewise.) In 2002, the Chinese Government announced the opening up of water pipe construction and direct water retailing to foreign capital. As a result, foreign capital now gets direct access to cash flows derived from household incomes. In the same year, the China Water Co. signed a joint venture with the Shen Yang Water Co. The contract covers anything from pipeline construction to water retailing to sewage processing. The table below shows that in 2005, foreign firms accounted for 8,5% of the water market.

Breakdown of gross output of water market according to ownership, 2005 (%)[21]

State owned enterprises	65,35
Foreign capital (including HK/Macau/Taiwan)	8,45
Collectives	7,96
Share holding companies	3,18
Private companies	1,55
others	13,51

The rise of domestic water giants

Even though foreign capital is pouring into China's water market in ever larger amounts, because of China's size, foreign capital only accounts for less than nine percent of the entire

[18] http://www.shuiziyuan.mwr.gov.cn/default.aspx

[19] Zhongguo shui wenti (Water Problems of China), by Li Qiang, Shen Yuan etc, China People's Press, Beijing, 2005, p59

[20] Zhongguo chanye ditu 2006-07 (Mapping the Chinese Industries), Social Science Academic Press, p.329

[21] Ibid

water market. The major players are still State-owned or State-controlled enterprises. The majority of the larger State-controlled enterprises are listed on the stock market or lining up to be listed. The largest enterprises have already emerged as major players in the water business e.g. the Beijing Capital Co.; the Shenzhen Water (Group) Co. or the Tsinghua Tongfang Co. Their influence extends well beyond their cities of origin and they are involved in the running of water plants or water supply services across entire regions. In some cities and regions, they are engaged in oligarchic practices.

These domestic water giants still look small when compared to the likes of Suez or Veolia. Nevertheless, their potential cannot be underestimated. The domestic water companies enjoy much stronger government support, both direct and indirect, than foreign water TNCs. After many years of granting excessive concessions to foreign capital, both domestic business and the ruling elites are determined to get their 'fair share' of the market. Table 2 tells us that while foreign firms or joint ventures are still ahead as far as numbers of branches are concerned - reflecting their scope of operation in China market - the domestic water giants are close behind.

Number of branches of the top five water enterprises in China[22]

Veolia	15
Sino-French	14
Beijing capital	11
Sound Group	9
General Water of China	8

On the other hand, common people continue to see their rights to access to clean and affordable water being eroded. For instance, in Zhuangzhou City, although water bills have been rising, the water quality is so bad that people who can afford it buy bottled water. However this issue hardly catches the eyes of the media and the academics, let alone officials. It is because there is no free discussion of important social problems. We may argue that in China alternatives to privatizing the water supply and freedom of speech have become so closely related that they cannot separated from each other.

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[22] Ibid

5. Hong Kong: A Role Model of Public-Operated Water Supply Services

By Government Waterworks Professionals Association

During the 150 years of publicly-operated water services, Hong Kong has successfully been transformed into a world-class metropolis. Today, over 99.9 % of the population receives a safe, stable and reliable supply of potable water. Successful schemes to increase natural water resources, the perfection of the supply systems and the ability to maintain excellent water quality standards have proved that the publicly-operated water supply services of Hong Kong are comparable to those of other major cities. This has been a success for the publicly-operated water supply services in Hong Kong.

Drinking water is not a commodity; it is a fundamental necessity of daily life

The Hong Kong Government has invested enormous resources and manpower to develop a sophisticated water supply system. Relying solely on water tariffs collected from Hong Kong citizens could not cover all the expenses of the infrastructure development and the water supply operation. The major source of income in the past came from property rates and taxes collected by the Hong Kong Government. In other words, property owners of Hong Kong and taxpayers have always been the financial supporter of the Hong Kong water supply systems and operations.

The cost structure for water supply in Hong Kong is similar to the 'social tariff' adopted by European countries and America. Every household can use the first $12m^3$ of water free of charge every four months. Water used after the first $12m^3$ is charged for in three incremental cost tiers. This type of cost structure embraces the idea of high-usage charges to compensate low-usage households. Low-usage households are usually those of the elderly and low-income families.

Considering that the majority of water charges are met by property owners and taxpayers, and the high users compensate the low users strategy, one can deduce that the Hong Kong government does not consider drinking water to be a commodity but as a daily necessity that shall be accessible to all citizens at a reasonably low cost. Even though Hong Kong's economy took off in the 1970s and 1980s and greatly improved living standards, the fundamental principle remains the same. This shows that the protection of the public's basic rights is vital and the key to regional prosperity and stability.

Water supply services in Hong Kong is under the threat of privatisation

With the reunion of Hong Kong with China in 1997, Hong Kong citizens were guaranteed their original rights given by the Basic Law, which provides for basic ways of living to remain unchanged. Unfortunately, financial turmoil in 1998 created tremendous financial pressure on the Hong Kong Special Administrative Regional Government (HKSARG). In order to reduce the investment and operational costs of the water supply, HKSARG considered completely privatising the Hong Kong water supply service. Options included contracting out part of the services to private business, "corporatisation" (a transition to privatisation) or complete privatisation.

These suggestions, however, were met with strong objections from Hong Kong civil servants at the time. The public also worried that were the changes to go ahead, the quality of water supply may be lowered and the water charges may be increased. In the end, the privatisation proposal could not get support from the majority of the public, and the HKSARG had no option but to drop the proposal altogether.

The threat of privatising Hong Kong's water supply service did not end here. Foreign governments, international private water companies as well as local private businesses continued to lobby the HKSARG about the advantages of privatisation. In the autumn of 2003, HKSARG suggested adopting the use of "Public Private Partnership" (PPP) as the mode of renovation and operation of the largest potable water treatment works in Hong Kong – the "Sha Tin Water Treatment Works". This PPP proposal required a private operator to be responsible for the design, the investment, building, operation and the future hand-over of the water treatment works. The PPP contract, if awarded, would last

for 20 to 30 years. In early 2004, the PPP feasibility study was further extended to cover the water distribution network from the south of Sha Tin, including the Kowloon peninsula, and the majority of the supply networks in the Hong Kong Island.

Up to three million Hong Kong citizens would be affected by this proposal. However, the HKSARG did not conduct even the most basic consultation of the public or staff. As the study was gradually unveiled, the civil servants in the Water Supplies Department of Hong Kong strongly opposed the proposal. They thought that this would be the first step towards corporatisation or privatisation. In May 2004, in a special meeting of the "Panel on Environment, Planning, Lands and Works" under the Hong Kong Legislative Council, the members of the panel also strongly oppose the PPP approach and requested the HKSARG re-study the PPP's feasibility and to conduct public consultations.

At present, Sha Tin Water Treatment Works is vital to Hong Kong as it accounts for as much as 40% of the overall treatment of potable water in Hong Kong. If PPP were to apply to "the Insitu Reprovisioning of the Sha Tin Water Treatment Works" and operation, it would certainly open the gateway for the complete privatisation of the water supply services. It is very likely that all the treatment of potable water in Hong Kong will be handed over to private enterprise. The water supply services may extend to distribution networks, customer services, users account application and eventually all the water supply services will become completely privatised.

HKSARG argued that the PPP could bring in innovative ideas in technology and administration, promote new technology transfer, accelerate progress of the project and reduce the administrative procedures. Consequently, PPP is not only a means to reduce HKSARG's investment in the water supply services but is also a tool to enhance control, efficiency and productivity.

In the past 150 years of water supply in Hong Kong, there has been demonstrable success of publicly-operated water supply services. Its contribution to the livelihood of society is unquestionable. For the past one and a half centuries, despite the severe shortage in water resources and the huge expansion in economy, HKSARG has shouldered its responsibility of providing drinking water to the public as a basic human right instead of as a commodity. HKSARG has always been keen to inject resources and to bring in new technology to maintain its world class water supply system to benefit Hong Kong's citizens and its economy. Yet the HKSARG now wants to shed its governance and try to radically change the present publicly-operated system by trying the ultra high risk PPP experiment.

Evidence of failed cases of PPP and privatised water supplies is everywhere. We should not blindly trust that the private sector provides better and cheaper water supply services. HKSARG should not reject the valuable experience and contribution made by the publicly-operated water supply. As a matter of fact, the Hong Kong Water Supplies Department initiated over 100 ways in which the water supply services were enhanced during a 15 year period from 1990 to 2004 and it continues to do so. The high quality of the water supply services in Hong Kong has already created a team of trustworthy professionals in the public service. We believe that the publicly-operated water supply organisation in Hong Kong has the capability to provide an outstanding water supply service comparable to any private organisation.

Government Waterworks Professionals Association (GWPA) is a civil servants association formed in 1990 by professional and senior professional staff persons in the Water Supplies Department of the Hong Kong Special Administrative Region Government (HKSARG).

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6. Struggles against Failing Privatization, for People-centered Model – Case of Bangalore, Karnataka

By Gururaja Budhya

Background:

Karnataka in South India has been a testing ground for economic reforms thanks to the influence of World Bank (WB) and the Asian Development Bank (ADB). The World Bank, through its project specific loans, and the state-level public sector adjustment, reform and restructuring loans (Karnataka Economic Restructuring Loans I and II) has led to the conversion of a state government and its economy into a corporate entity meant to generate funds for "private sector and enterprise development"[23]. On the other hand the Asian Development Bank through its sector specific loans on urban development has influenced the process towards commercialization of municipal functions in Karnataka[24].

Overall, loans from the international financial institutions (IFIs) and bilateral donor agencies have facilitated major reforms in the water sector in Karnataka.

The initiation of water privatization in Karnataka:

Water privatization has been brought about by changes of constitutional mandates by loan conditions of International Financial Institutions (IFIs). The IFIs pressed for a review of the national water policy, followed by the state policies. The new words in the changed water policy (such as private sector participation, cost recovery etc.) justify actions in the specific loan projects (to bring about changes on the ground).

In 1996, the Government of Karnataka (GOK) approved a budget for water supply schemes and rationalization of water rates. According to this order, urban local bodies have to introduce a meter system, revise and implement the fixed water rates, sewage charges and collect one-time connection charges for each new connection.

Thus the order[25] says 'it is necessary that the Board has to recover the charges in water tariff for servicing the debt charges to the financial institutions. The Asian Development Bank has approved the water supply and underground drainage schemes to Mysore/ Tumkur/ Ramnagaram & Channapatna[26] and one of the conditions is that the Government should revise and implement the water rates in the above urban local bodies for the maintenance of the schemes. Accordingly, the government in G.O.NoUDD 204 UMS 95 (P.II) Bangalore dated 12th March 1996, approved the minimum water rate'.

1	**Entire state covered by Karnataka Urban Water Supply and Drainage Board (except Bangalore city and 8 municipalities surrounding)** http://www.kuwsdb.org/_private/annul_rep.htm	**Towns**	**Population**
	Towns covered with surface sources	168	11.36 milllion
	Towns covered with sub-surface sources	45	1.49 million
	Population covered with drinking water	79%	
	Population covered with Under Ground Drainage facilities	28%	
2	**Covered by Bangalore Urban Water Supply and Sewerage Board (100 wards + layouts developed by Bangalore Development Authority** http://bwssb.org/assets_number_of_water_connections.html		
	Domestic connections in 2003-04	3,50, 049	
	Non-Domestic connections in 2003-04	11,071	

[23] Abstract of the deposition from Karnataka presented in Independent Peoples' Tribunal on the World Bank and group in India (WB-IPT), New Delhi on 22.9.2007.

[24] Information material by Gururaja Budhya, circulated in the event 'Environmental, Social and Livelihood impacts of ADB funded projects, by Bank Information Centre, NISIET, Hyderabad – part of Peoples' Forum Against ADB protesting on 5.5.2006.

[25] Government of Karnataka Order No.UDD 204 U 95 dated:15-11-96.

[26] Under Karnataka Urban Infrastructure Development Project (KUIDP).

After 1996, reforms were initiated such as 100% metering, disconnection of public taps, the introduction of the concept of beneficiary citizen contributions, user pay aspects.

The Government of Karnataka brought out a Water Policy in 2002 (simultaneously with the National Water Policy) and also Urban Drinking Water and Sanitation Policy in 2002.

'Water for All' from IFIs:

The state departments in charge of water supplies have made attempts to build systems for water storage and distribution in urban areas. The constitution of BWSSB in 1964 and KUWSDB in 1974 indicates the importance given to urban water supplies in Karnataka. Since then the KUWSDB has completed commissioning 430 water supply schemes and 42 underground drainage schemes. The Government of Karnataka has been constantly looking for financial support for its water projects. http://www.kuwsdb.org/_private/annul_rep.htm

The World Bank and the Asian Development Bank lend to India's urban infrastructure with a focus on urban water supplies in the name of 'water for all'.

The Asian Development Bank (ADB) has initiated structural changes to the role of the urban local governments through the loan conditions in Karnataka.

The financing is done by a combination of grants, loans, private financing through municipal bonds, and beneficiary contribution. Users have to pay three sets of charges to receive supplies from GBWASP, such as the minimum slab of Rs.2,500 [27] /- per property, separate connection fee and usage based tariff.[28]

Such processes have forced governments to convert constitutionally mandated functions to services – to charge from the urban poor. On the other hand, in the name proper water supply systems, the water supply lines have been expanded without considering the source of water, thus contributing to over-consumption of water in urban areas and contamination of ground water.

The first loan from ADB, Karnataka Urban Infrastructure Development Project (KUIDP) - the conditions of ADB on GOK was 'Cost recovery' of water supplies in all towns of Karnataka (increase water tariffs and sewage charges to ensure full cost recovery for operation & maintenance of water supply and sanitation services)[1].

The second loan from ADB, Karnataka Urban Development and Coastal Environment Management Project (KUDCEMP) – the conditions are revenue augmenting measures through new taxes (self assessment of property tax, solid waste cess & motor vehicle cess), reducing non revenue water, increasing further water charges, drainage surcharge etc[1].

The third loan from ADB, North Karnataka Urban Sector Investment Programme (NKUISP) – the conditions are – creation of adequate funds for O & M of project facilities, creating PSP (Private Sector Participation) fund to mitigate non payment risks to private sector contracts[1], review and revise water tariffs based on from flat rate to volumetric metered tariff, lay sewerage tariff, cutting of water supply due to non-payment, etc.

The World Bank is funding Karnataka Urban Water Sector Improvement Project (KUWASIP) in Hubli-Dharawad, Belgaum and Gulbarga towns to outsource the Operation and Maintenance to private sector companies such as CGE Veolia etc[1].

The latest Greater Bangalore Water Supply and Sanitation Project (GBWASP) have multi donor alliance including USAID (primary project designer, particularly financing and market borrowing underwriter), IFC (advisor on private sector participation O & M), World Bank (lender for sewage component) and Janagraha to bring in citizen participation (now left the project).

Public Water Supply in India:

The public water supply is managed by the government as mandated by the Constitution of India. The Gram Panchayaths (GPs) in rural areas and the municipalities in urban areas provide water. Though there are private water suppliers (mainly in urban India), the water supply is also

[27] US$1 equals to 50 Indian Rupees

[28] Position paper 1; Govt.of Karnataka's:Greater Bangalore Water Supply and Sanitation Project (GBWASP), Governance and Urban Reforms, by CASUMM, Bangalore, December 2006.

augmented through wells, ponds and lakes in rural India.

Though there are issues of irregular supply and management by the local government (and in some cases specialized government agencies), the public water supply is the oldest and reliable water supply system actively responding to the increasing need of water supplies in the country.

Impacts of water privatization on service delivery:

At local level:

- Hike in water rates,
- Disconnection of public taps,
- Water to those who have meters,
- Slum dwellers/urban poor (especially women and children) have to walk further for a longer time to fetch drinking water,
- Children of slum dwellers/urban poor do not attend schools during the days when water is supplied.
- 25 slums in Bangalore were metered[29] (100% metering was one of the reforms pushed) but water supply no where near[30].

At state level:

- Change of municipal legislations to charge for water supply,
- Sub contracting of municipal functions like water supply components to private,
- Bringing new acts to control the spending of governments on public welfare,
- Forcing local governments to take loans and implement legislative changes at local level.
- Conditions to release funds only if conditions are implemented by the municipalities.
- Reduced control of elected representatives over municipal functions such as water supply.
- Changing role of constitutionally mandated urban local governments to decentralized service delivery agencies.
- Slow shift over of decision making from elected governments to bureaucrat run 'special purpose vehicles'.

At national level:

- The review of national policy set the motion of water privatization process, which meant diluting the constitutional mandate of Indian government.

Peoples' Campaign – The Campaign Against Water Privatization – Karnataka:

The campaign[31] raised the level of awareness of citizens in Bangalore and also in other parts of Karnataka. The campaign sensitized the officials in the water utility boards about privatization. The campaign slowed down the pace of privatization efforts, but also cautioned various NGOs that are involved with the government in such a process.

The following activities were carried out by the campaign,

- Public awareness meetings,
- Cycle rallies,
- Information material distribution,
- Street plays in various localities especially in slum areas, schools, colleges and with resident welfare associations,
- Public protests,
- Published opinions of prominent citizens,
- A day long seminar 'water supply privatization and its impact on Bangalore's people' in 2005.
- 8 day 150km long walk across Bangalore to raise public understanding on privatization.

[29] The ADB claims high about a success story of BWSSB, Bangalore about two major reforms – rationalizing connection charges to reduce the actual fees and relaxing the land tenure requirement for installing piped connections. Country Action: India – Bangalore Slums get bargain connections, http://www.adb.org/water/actions/ind/bangalore-slums.asp ; Water Champion: Salma Sadhika – When water connection barrier disappears, http://www.adb.org/Water/Champions/sadikha.asp

[30] Urban water sector reforms in Karnataka, India by the Campaign Against Water Privatization-Karnataka (CAWP-K) – presented in the Karnataka deposition on 22.9.2007 in the Independent Peoples' Tribunal on the World Bank Group in India, 21-24 September 2007 at New Delhi.

[31] Urban water sector reforms in Karnataka, India by the Campaign Against Water Privatization-Karnataka (CAWP-K) – presented in the Karnataka deposition on 22.9.2007 in the Independent Peoples' Tribunal on the World Bank Group in India, 21-24 September 2007 at New Delhi.

Whether people-centred public water system is a dream?

The public water management in India is a model by itself in practice for many decades. Equitable, sustainable and environmentally friendly management of water supply or provision of water could be the characteristics.

In the present context, the water supply investments are made only by the urban local governments in India. The investments are made from revenues generated from urban areas. There is a mismatch of investment requirement at ward level and the actual allocation (equity). A proper equitable allocation of within available resources can ensure improved financial management and distribution of investments[32]. Once the initial investments in the water supply infrastructure are made by the government, the government must make allocations of water to the poor and the needy. The cost of water can be made a little higher to the rich and affluent communities or a slab rate to avoid over consumption of water. The poor must not be forced to pay, as they have limited sources of income and their livelihood issues still need to be addressed by the government.. The public water management must be managed by a committee consisting of community, bureaucracy, elected officials and the government.

Urban centres already generate huge quantities of businesses and also host the millionaires. The elite could be motivated to take responsibility for addressing such public issues (without private or business motives). The urban rich as well could be motivated to contribute a percentage of their earnings to cover the subsidy on water supply investments for the poor. This could be collected through an annual contribution or through water user fees as form of cross-subsidies or through sponsoring specific water infrastructure investment/upgradation works in the city. Other options are to route the finances from the national or insurance banks.

The public water system must be run by a mix of operators nominated from bureaucracy, community and the elected representatives. The control over people oriented policies and on water utility by the government is important to ensure continuity and sustainability of a people-centred public water system. A proper functioning of the government owned water supply system can provide improved access to water. The water supply infrastructure in the settlement must be completed.

Challenges?

The biggest challenge in India is the atmosphere created by the IFIs and new range of CSOs talking about water for all, water meter as a right – talking about efficiency, accountability etc. And the urban middle class immediately responds to the idea of change in the inefficient system.

The main obstacles are the mindset of citizens, elected representatives, bureaucracy and state/national governments, corruption and vested interests – local, regional and global. Currently, the Private Sector Participation (PSP) in the name of Public Private Partnership (PPP) is promoted as the only alternative to a people-centred public water system. It is not difficult to provide sustainable, affordable and improved access to water. For the people-centred public water to function properly, it needs an elected government, cooperative bureaucracy and proactive citizens to ensure the management of public goods on one side and strategies to counter the exploits of IFIs and the private sector on the other.

At ground level, the citizens/water users have the larger role to play in terms of proper usage of water and understanding the equity issues concerning the water supply. The citizens also have a greater role in ensuring the sustainability of water supply aspects considering the dependency on the rural watersheds. At the same time on the deterioration of water management systems within the urban settlements.

The legislatures and parliaments (both at state and national level) have to seriously debate such issues by the public. The IFIs must be kept away from tinkering in constitutional issues and delink conditionas from loans that they lend.

There is a domination of northern governments over southern governments in influencing economic and sovereignty issues. The agencies like WTO and all IFIs have to be brought under UN control. These agencies also have to be made

[32] Interview with Mr.Issac, APSA, a member of CAWP-K

accountable to national and international justice mechanisms.

The international water justice movement must familiarize itself with the communities engaged in the local struggles. The global information and knowledge must be disseminated periodically to update the local communities about the larger processes. A sustained and meaningful relationship thus must be built with the local communities to ensure just and equitable water allocation and distribution.

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7. Case Study of RWSS Initiatives under Decentralization in Kerala, India

By Vinod Kumar.P

Kerala is a small strip of land sandwiched between sea and hills and blessed with 3,000 mm of rainfall that comes in two seasons, and copious summer rains. There are 44 small rivers. Water is available at a depth of one to six metres in most areas. The state has got the maximum density of open wells in the world, almost one per each family. So for a long time rural water supply was not an issue in the state. But the population explosion; widespread deforestation, water exploitation and environmental pollution resulting from the industrialization and Green revolution altered the earlier scenario triggering water supply schemes by different agencies from 70's.

Donor agencies from the Netherlands, Denmark, Japan and the World Bank were the major backers of the different water utilities (all owned by the government) which predominantly worked with local governments. But in the 80's the World Bank insisted on creating a monopoly by merging all of the state utilities and depriving the local government's right of water supply. The state monopoly never achieved good service standards and was mired in corruption.

There are 991 rural local self governments and 58 urban local bodies in the state. These bodies have been given wide powers since 1996 as part of the democratic decentralization drive. Functions, funds and functionaries have been transferred to these bodies and an all out effort is being taken to transform them into true local self governments.

This move and the inefficiency of the state monopoly resulted in a decision to hand back the water supply schemes to the interested local self governments. Now, most of the WSSs are in poor condition due to inadequate care, (A recent study by the country's leading scientific institute, IISc, Banglore, shows that 90% of the water supplied by the state utility is contaminated with e coli.)
Local self-governments initiated their own WSSs since 96 and began to rehabilitate the existing RWSSs handed back by the state utility. During the last decade around 32,000 small schemes were built in this way. Most of them depend on a

borehole or open well as a source of water and water is supplied to between 50 and 100 houses, mostly from street taps and private connections if the community decides so. The operation and maintenance cost is mainly carried by the community whereas the major part of the capital cost is met by the local self-governments. The schemes were built by the local plumbers, entities and technicians with little help from the state utility. Olavanna Panchayath in Calicut District was the torch bearer in this initiative.

In this context, the World Bank offered its support to the State. By this time the Bank had discarded the state utility in favour of community participation and the involvement of NGOs. But the state government insisted on the Olavanna model of local self governments and the Bank had to adopt the existing model. But to improve the technical standards and community participation NGOs were included as a partner under the leadership of the local self-government.

The Erimayur Village was selected to try out this model in 1999. It handed over four schemes from the state utility and three schemes initiated during the last three years of the decentralization drive. All of them were supplying water through 256 public taps to around 1,400 households and were incurring a loss of 0.72 million rupees per year. (US$1 equals to 50 Indian Rupees)

Two initiatives were launched in this phase. One was to improve the performance of the existing schemes. This was achieved at a cost of 12.5 million rupees and water was supplied to 3,700 households through 124 public taps and 2,900 private connections. Each private user has to pay 360 rupees per year and the public tap user 120 rupees per year. (The lowest agricultural daily wage is 125 rupees). There are no water meters in the system and the water is supplied at specific hours only. The service level was improved from 14 litres per capita per day to 40 litres.

The entire system was organized and run by the local self government with full community participation. The tariffs are fixed in such a manner that the entities always break, and even have a small margin for unexpected repairs. The maintenance and operation is done by the local entities at a fraction of the cost of the state utility.

The second initiative was to cover stand alone communities of poorer people. Thirty-two small schemes were initiated to cover 1700 households at a cost 20 million rupees. Here, in addition to a tap in each household, a 1200 litre water tank was constructed to ensure water for 24 hours at a service level of 70 lpcd. There is no metering of water in these schemes. They are also operated and maintained by the local communities on par with others under the leadership of the local self government.

By the end of 2003, all households in Erimayur village (approximately 5200) had access to clean drinking water. The annual cost varies from one to three days worth of wages earned by the lowest skilled worker in the area. The systems are working without incurring losses and run by the community under the ownership of the local self government of Erimayur Village.

Out of the 390 million rupees invested (320 million for water supply, 20 million for sanitation, 20 million for capacity building and 30 million for implementation) 65 million was contributed by the community and the local self government spent 35 million.

The NGO involved in this work, Maithri, took a policy decision to involve the local community members as its staff. This resulted a skilled and dedicated force being available to sustain the initiative after the exit of the NGO. So the LSG with this additional manpower in Erimayur was able to earmark another 15 million during the last three years to make the systems drought proof. The work was done by the community itself.

Spurred by this, the state government decided to employ a team of skilled people under the leadership of the LSG to support in the building of water supply schemes, instead of the NGOs which will further enhance the local capacity.

All of the schemes were built on the platform of an ethics regarding natural resource management. Instead of metering water supplies, the water is being supplied at regular intervals at equal flow rates to all consumers. Each can collect water as they need it and have to share the operational costs equally. There is no commoditization here. Now the threat is from insensitive planners and pseudo left activists demanding water meters for

the sake of equity without bothering to learn what is happening on the ground.

But not all the state's LSG s have achieved this level due to various reasons; the main reasons are the lack of capacity at the local level, absence of political and administrative will, and the lack of confidence to initiate a process which will take years to complete. Another point is there needs to be more clarity about rural water supply that considers the geographical, cultural, social, economic and political features of each locality. There are no common solutions to all these other than democratic decentralization and process-oriented capacity building at the grass root level.

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8. Countering Water Privatisation in Mumbai: Evolving a Public-Public model

By Afsar Jafri

Residents in the K-east ward of Mumbai had planned a victory rally in November 2007 to celebrate their success in delaying water privatisation in their ward[33]. The war had been selected for a pilot study under the Water Distribution Improvement Project (WDIP). In the 2nd stakeholder meeting in June 2007, local communities rejected the water privatisation options recommended by the French consultancy firm Castalia. The firm had been appointed and funded by the World Bank and Public Private Infrastructure Advisory Facility (PPIAF). Castalia's report had recommended a number of ways to improve the water service in Mumbai, all of them based on a public private partnership. Moreover, their recommendations were based on insufficient research (not a single case of water theft or water contamination was found), unreliable technology (the use of obsolete flow measurement tools), and inaccurate methodology. The result was that the Municipal Corporation of Greater Mumbai (MCGM) themselves found their report unacceptable. Even the municipal body's hydraulic department questioned the authenticity and need for the study[34]. Citizens, labour unions and activists at the June meeting exposed the World Bank and Castalia's slipshod report as being based on flawed data (after a year long study beginning in February 2006) and which was going to be used to argue the case for water privatisation.

Water services under private hands

[33] K-east is one of the largest wards out of Mumbai's 24 wards with a population of 0.8 million (from 2001 census, this could have reached one million by 2007). Approximately 50% of people live in slums. K-east has 21,334 water connections (18,548 residential, 2,170 commercial and 616 industrial) which are serviced by 145 staff members of the MCGM. K-east revenue collection from water supply and sewerage is around 661.7 million (66.17 crore) rupees annually, while the total operating cost is only 65 million (6.5 crore) rupees per annum. Hence a revenue surplus of approximately 600 million (60 crore) rupees. (Source: Terms of Reference between the World Bank and Castalia)

[34] *BMC water meet a no-show*; DNA Newspaper, June 04 2007, Mumbai- URL: http://www.dnaindia.com/report.asp?NewsID=1101020

In October 2007, people were stunned when the MCGM Standing Committee [35] approved the zonal contracting of water supply-related works under "Sujal Mumbai" project. One of the newspapers[36] reported that in order to realise its dream of ensuring '24x7' (round the clock) water supplies in Mumbai by 2012, the MCGM proposed the following:

- Mumbai city's water distribution network contract six private companies.
- Special budget allocation of 20 crore (200 million) rupees annually for three years for each of the six contractors.
- Private contractors undertake works related to water distribution, the elimination of leakages, replacement and rehabilitation of water mains, laying of new water pipelines, supply and install meters, conduct meter readings, etc. The distribution system, the customer interface, billing and collection of water charges will remain with the MCGM.
- Telescopic rates for water consumption to be introduced setting a norm for 150 litres per person per day. Those who consume more will pay more.
- Slum dwellers settled in Mumbai slums post 1995 will get water through prepaid water connections, to check water theft and illegal connections.
- Technical consultant to be appointed by the World Bank on behalf of the MCGM to recommend measures to improve the city's water supply network.

Until now the MCGM Standing Committee cleared the proposal to outsource all work related to pipeline maintenance in each of the six civic zones in order to bring down leakage. The decision to outsource work related to metering as well as water audit (non-revenue water) is in the pipeline. Thus, outsourcing different aspects of water works could be an attempt to eventually privatise Mumbai's water utility and gradually shut down the government water department. Since the majority of corporators from different political parties in the MCGM support the proposal for outsourcing water services, its clearance in the MCGM House would just be a formality, unless it is defeated under pressure from citizen's campaign.

Learning from their failure to privatise water in Delhi (November 2005), the World Bank made a cautious move to privatise water in Mumbai by outsourcing water works to domestic private firms. In fact, privatisation of water services was provided for by the Contract (No. 8002529) and the Terms of Reference (ToR) agreed between the World Bank and Castalia for the MCGM, which envisaged "a public private partnership management model for bringing in water reforms. The Precise Statement of Objectives of the ToR said: "the proposed project should mostly be seen as a first step of a medium term process aimed at redefining MCGM's role in the provision of the WSS (water supply and sewerage) service, clarifying the role of the Regulator (when created), defining a pricing strategy to recover cost and manage water demand". Hence Mumbai's Municipal Commissioner's recent assertion[37] that "outsourcing of water services to private parties is not a privatisation of water" is just propaganda.

Castalia was appointed by the World Bank and PPIAF for the WDIP study in K-east and a contract and Terms of Reference were signed (on December 29 2005) between the World Bank and Castalia. Under the contract, the consultant was to design and develop (within 65 weeks) a pilot 'Public-Private Participation' model for water distribution to curb water leakage, pilferage and contamination and ensure an efficient round the clock water supply through outsourcing the services to a private operator. It was also authorised to prepare bidding documents for hiring private contractors. To do this study, the PPIAF (a multi-donor agency run by the World Bank) gave a grant of US$692,500 (approximately 30 million rupees) and authorized the World Bank as the executing agency for the grant.

The World Bank and the PPIAF involvement in the water sector reforms are always geared towards promoting privatisation of water supply systems. In developing countries, the World Bank

[35] An inner body of 26 elected corporators out of a total of 227 corporators in the BMC.

[36] *Pvt parties to handle waterworks*; DNA Newspaper, October 25, 2007, Mumbai: http://www.dnaindia.com/report.asp?newsid=1129755

[37] *Civil body denies privatisation of water supply*, The Hindustan Times, October 27 2007, Mumbai

pushes water privatisation by providing loans under conditions that require governments to privatise public owned utilities under the principle of "full cost recovery". In Mumbai, Castalia under its contractual obligation with the World Bank, did what the bank wanted, thus providing for outsourcing of water services to improve water system.

MCGM implements Castalia's recommendation

Castalia, in its final report submitted (in June 2007) to the World Bank and the MCGM, recommends five different non-departmental management options. These options are "outsourcing options" and "Public Private Partnership (PPP)", and ignores the option of improvement within the current structure under the Hydraulic Department of the MCGM. This is despite Castalia's finding that the "water supply in Mumbai is the best in South Asia" and the "water supply in the K-east ward is comparable to London and Germany". Under outsourcing, one of options is Multiple Small Contracts for one to two years with Integrated Water Loss Reduction Programme (IWLRP). The programme includes detection and repairing leaks, stopping illegal use, creating pressure zones, metering, bulk meters mains, and laying slum networks while the bill collection, operations, management of ward, customer service and the capital fund would remain with the MCGM.

The MCGM adopted this outsourcing model to contract out water services under the 'Sujal Mumbai'. But it raises several questions about, for example, under what obligations the MCGM accepted and implemented the recommendation of Castalia even though it was not a party to the contract? Secondly, under what obligation the MCGM introduced the outsourcing of water services at the Mumbai level when the contract, the TOR, Castalia's study, its recommendations was meant for the pilot area of the K-east Ward?

In Mumbai's water reform process, the World Bank plays the role of an agent of the private companies to procure water contracts for them. Without any obvious reason, the MCGM surrendered its sovereignty to the World Bank. The contract validates this: "World Bank clearance will be sought by MCGM on key processing steps to ensure potential compatibility with World Bank procurement guidelines", thus leaving no policy space for the MCGM to take an independent decision.

Tariff increase and prepaid meters

The Municipal Commissioner Dr Jairaj Phatak assured a delegation of the citizens group[38] on October 30 that the outsourcing "will not result in increase in water tariff". The ToR proposes for 'full cost recovery' which means 100% of all costs of production are passed on to the consumer. Currently the MCGM levies Rs 3.50 per 1,000 litres of water supplied to societies while it costs Rs 7.18 to deliver 1,000 litres of water. We could see a steep increase in water pricing in Mumbai soon because the MCGM would incur an extra cost of 1200 million rupees (Rs. 120 crores) per annum under the new arrangement. According to Additional Commissioner, "the MCGM water department average expense for the past decade was only 200 million rupees[39] annually". But now it will increase to 1400 million rupees, thus the tariff increase will be the only way to fulfil the 'full cost recovery principle' of the World Bank.

The "full cost recovery" model also means cutting the supply of water to those who do not pay water bills. To strictly implement "full cost recovery" and to ensure every drop of water is paid for, the MCGM decided to introduce pre-paid water meters in Mumbai, thus turning every "consumer" into a "customer" of municipal water. With prepaid water meters, every poor household has less chance of getting access to safe drinking water or may even lose the water access they had.

Conclusion

Despite community groups rejecting the World Bank privatisation models proposed through Castalia's report, the municipal body begins to implement its recommendation to outsource water works to private contractors. This decision was taken by the World Bank and the government behind closed doors and the citizens were not

[38] Memorandum to the Municipal Commissioner Dr Jairaj Phatak against outsourcing of water services and clearing plans to bring in Pre-paid water meters in Mumbai, by a delegation comprising members of Mumbai Paani and Paani Hakk Abhiyan (water right campaign).

[39] In last 10 years, the MCGM water department spent Rs. 174.55 crores (1.7455 billion rupees), in which Rs. 140 crores (1.40 billion rupees) was spent on salaries (Source: *Civil body denies..*, The Hindustan Times, October 27 2007)

consulted nor was their consent sought. This was done in spite of assurances on June 02 by the MCGM Additional Commissioner, as well as the World Bank representative, that they would consult with citizens before acting on Castalia's report. The MCGM ignored the report by the water department employees' union submitted to the Standing Committee that instead of accepting Castalia's recommendation, they would prefer to strengthen the present system, build staff capacity and remove management constraints, all of which would make the system efficient. The MCGM position appears to be dictated by the ideological views of the consultant and their paymasters, and shows no inclination to include the public.

There are several systemic constraints in the Hydraulic Department of the MCGM which were highlighted by the water employees on several occasions but, due to lack of will on the part of the corporation, these were never heard. One of the biggest constraints is more than 1500 vacancies in the water department. No recruitments in the past 15 years has ensured that the department lacks skilled staff in the numbers it needs. The rotating of engineers between various departments of the MCGM is another major constraint, making it hard to retain skilled staff for water works and creating difficulty in leadership and succession planning. The constraints in the system also extend to difficulties in accountability. Instead of addressing some of these internal functional constraints, the MCGM opted to outsource its water services.

In light of functional constraints and threat of total privatisation, the citizens groups plan to work with the water employees unions to evolve a public-public management system for the water department from a structural and operations perspective. One of the models could be social control of governance of water sector under which operations and management would be reorganised under continued local, public control. This participatory management model would help save money, reward employees and would ensure improved water quality and other benefits. In the privatisation model, MCGM allotted 1200 million rupees. If this amount is used in the public control model, it would help create jobs, keep water tariffs down and help in capital investment.

Mumbai's water services are marred by a performance crisis which is rooted in a management and governance crisis. Under the public control model, efforts will be made to ensure proper governance thus guaranteeing transparency, accountability and public participation to run the system efficiently. This would require forging a tripartite agreement for water distribution between MCGM, citizens group and the water union. Initially citizens, the MCGM and water workers partnership can identify a pilot area for providing water on the trial basis and eventually improve the water services for all.

To begin the alternate WDIP with people's participation, Mumbai Paani[40] plans to call two public meetings with local residents, MCGM corporators, water employees union and senior citizens of Mumbai to pressure the municipal corporation to drop their plan for water reforms through private participation and start a process of public-public partnership. In the first meeting, MCGM engineers, employees and citizens will speak about the different problems and challenges faced by them and give suggestions on operations and maintenance for managing Mumbai's water supply. In the second meeting the public will explore different delivery services and functions of a water authority, and what the appropriate structure for this service ought to be.

Water is a basic human right and our government has a responsibility to ensure universal access to water. But this will not be possible under any privatisation model proposed and pushed by external agencies and private consultancies. Mumbai has to evolve its unique water operation and management model and strengthen the public utility to ensure an equitable, efficient, round the clock water supply to the people.

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[40] Mumbai Paani is an initiative of concerned citizens and groups in Mumbai (India) to keep water under democratic control.

9. Solution for the Water Crisis – Democratisation, not Privatisation! Promising Stories from Tamil Nadu, India

By V. Suresh

"Our people may be poor in resources, but not in spirit! When you struggle to obtain a single drop of water, you also know how to save it. Share with the rest of the world, particularly in water starved regions, that what we need are partners to find solutions and not more funds or technical quickfixes which will enslave us to technology, hook us to external funds and alienate us from our own resources".

These strong words were said by Mr. Palanisami, the former Panchayat[41] President, or head man, of Palangarai village of Avinashi Taluka in the Coimbatore District of Tamil Nadu, South India. They are justified given the near miracle he helped to initiate in his village of 11,000 people. Palangarai, on good days, had a water supply of 10 litres per person per day. In the dry months ,this was once in a week; ground water was 1,200 feet deep and no one remembered water in wells. Illegal tapping of water by powerful villagers was the norm and arrears in tax payments were the practice.

The grim water situation posed a tough challenge to anyone seeking solutions to the water crisis. Water storage had to be augmented to raise the water table; vegetation and tree cover needed to be increased to help retain rain water; illegal taps had to be removed; water distribution had to ensure an equitable supply to all sections, especially the poorer and traditionally marginalized sections; the community needed to be mobilized to participate and own the changed water system.

The recipe required daring vision; boundless dedication; unquenchable enthusiasm and motivation; a willingness to be dareing and to take risks; and the discipline to follow through on time-consuming decisions. In short, the community, its leaders and the engineers responsible for the water supply had to change the way they did things.

In August, 2004 the Palangarai villagers launched an ambitious programme to change the water system in their village. In a year they held scores of meetings involving all social sections, from children to youth to the elderly in the village to explain in simple terms the importance of everyone's participation in solving the water problem. With the help of the water engineers of the State-run water agency, Tamil Nadu Water Supplies and Drainage Board (popularly known as TWAD) who provided technical know-how and information, the villagers created 32 water storage structures by deepening, repairing and constructing new dams. Over 7,000 tree saplings were planted by children, in their names and in the names of their pets and grandparents. They had a survival rate of over 85% at the end of the first year. Water tanks, ponds and channels that had encroached in water storage areas were removed. With everyone's consensus, illegal tapping of water was stopped. Water distributed on time and was of an assured quality, and the prompt response to distribution related complaints all generated confidence amongst people.

The well-planned efforts bore fruit within a year. By the end of 2006, the water table had risen by 400 feet, from 1,200 feet to 800 feet. An increase in plant and tree cover attracted birds which resulted in changes to the biological profile. Transparency and improved water distribution improved customer satisfaction so much that the village recorded 100% collection of annual taxes. In turn, this led to a State award for the village council.

The successful experiment in Palangarai was not accidental nor was it a solitary outcome. Palangarai is one of 153 village Panchayats in 29 of the 30 districts of Tamil Nadu state in south India. It is also where a unique process called `Democratisation of Water Management' had been launched by the TWAD Board. TWAD engineers were partnered with community-led efforts to improve water management in villages throughout the state and created many successful initiatives.

[41] Village Panchayat is the Village Council which includes the main village and a number of hamlets or habitations. It forms the lowest tier of the Indian Constitutional system. The Panchayat President is elected by the entire village.

In 2004 the need to find a more sustainable solution to the severe water problem in the state pushed the TWAD Board to launch a major reform process within the state level utility. This involved over 500 engineers at all levels of the organisation. The initiative was to change attitudes, to shift perspectives and to bring about institutional transformation, firstly within TWAD and secondly within community leaders and other stake holders.

The impact of water engineers examining their own practices, perspectives and paradigms led to a profound and fundamental shift in the way the TWAD understood its own vision and relevance. The TWAD engineers shifted from a technology and investment-centred approach, and committed themselves to get the best from existing schemes, to repair and renew traditional water sources, to improve water distribution systems and to make new investments only if all these measures did not improve the water supply. The changed mode of functioning covered the entire state. Additionally pilot change projects were introduced in 455 villages in 153 village Panchayats.

The results were stunning. Savings of about US$5 million in scheme implementation wa registered in the period between 2004-06. Sharing full information about water availability, appropriate technology and sustainable water systems reflected in the choice of water schemes in the 455 villages. While 41% of villages opted for new water schemes, 47% opted to extend existing pipelines, expand existing sources and rehabilitate old schemes!

Another dramatic impact has been on reducing `Operations and Maintenance (O & M) expenses'. More people reducing consumption, regulating hours of water pumping and ensuring repairs of leakage has resulted in reducing O & M expenses by about 40-50 % of previous rates. It has also improved the collection of water charges and made an almost 39% improvement in the rate of collection as a percentage of expenditure in the 153 village Panchayats. Most important is the report of a UNICEF-supported impact assessment study which concluded that:

- The TWAD democratisation experiment exemplifies finding solutions to deal with the water challenge. It does this by focusing on governance reform rather than by increasing technology or financial investments.
- The impact of the democratisation process lends support to the finding of the UNDP United Nations World Water Development Report, `Water for Life, Water for People', `Governing Water Wisely for Sustainable Development' that

  "The water crisis is essentially a crisis of governance … Weaknesses in governance systems have greatly impeded progress towards sustainable development and the balancing of socio-economic needs with ecological sustainability".

The clear results of the Tamil Nadu experience in water reform seriously challenge the current thrust by IFIs to privatize water utilities and focus on increasing financial investments, which is led by the World Bank, Asian Development Bank and other institutions. By definition, some things cannot be on the agenda for private players in the water sector. These are things such as reducing water consumption to ensure sustainability of water systems; scaling down system expenses to pass on savings to weaker social sections; ensuring equitable supply to marginalized people who cannot pay for water; and other, similar ideas. Reducing the cost of supplying water while ensuring equitable supply to all citizens can only occur successfully in water systems which function on the recognition that water is a community resource to be shared amongst all, and which is not to be regarded as a commodity from which profits are made.

For the last 25 years the IFIs have succeeded in creating myths about the efficacy of privatizing the water sector. They have used a variety of strategies, including media-campaigns and influencing research institutions through grants, and they have successfully created a seeming consensus amongst opinion shapers, law makers and intelligentsia against the public utilities. These groups now see public utilities as failed enterprises, beyond change and no longer to be trusted to deliver water. This is part of the same logic that says that when water is provided free it will be misused and wasted and that imposing a

cost on water will help reduce its consumption. The final part of the logic is the view that water is an economic commodity which has an economic value as a tradeable object in the water marketplace.

What is less known is that many of the IFI's assertions about water sector reforms - including price fixation and privatization - are not based on proven research. Yet decision makers have internalised the pervasive logic of the IFIs so much that part of the struggle to reclaim water as a common resource is to break free from the myths the IFIs have created.

The TWAD democratisation experiment becomes a critically important success in this context and can highlight the potential in focusing on governance reform in the water sector. While not diminishing the importance or need for improving technical or financial investments, the lessons learnt only underscore that these inputs will need to be seen as components of a wider plan for a solution, not as the solution itself.

The words of a Village Panchayat President of another democratisation village, Ramainahalli in Dharmapuri district, Mr. Raghunathan sums up best the critical core of the issue:

"Good governance and community participation in water management are the essential building blocks for water sector reform. Only through a partnership between people who have suffered for want of water and water agencies who believe in democratic functioning can we ensure safe, equitable and adequate water and understand the need for conservation of resources and ensuring sustainable water systems".

The unreached millions around the world who suffer for want of water should be at the centre of any effort to solve the water crisis. The Tamil Nadu experiment to ensure that water `reaches the unreached' in an `equitable' and `sustainable manner' is an example of how a partnership between public service providers and the community is not only possible but that it can also succeed.

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10. PDAM Tirtanadi Medan: The Pioneer of Public-Public Partnerships in Indonesia

By Nila Ardhianie

There are about 316 local government-owned water companies (PDAMs) across Indonesia. Two of these, PDAM Jakarta (DKI Jakarta Province) and PDAM Tirtanadi Medan (North Sumatra Province), operate at provincial levels. However there are striking differences between the two PDAMs in terms of performance. PDAM Tirtanadi, which is fully public owned and managed, performs a lot better than PDAM Jakarta which was privatized in 1998.

PDAM Jakarta is operated by PT PAM Lyonnaise Jaya and PT Thames PAM Jaya. Its level of Non Revenue for Water (NRW) is currently between 50-55 per cent, while at PDAM Tirtanadi Medan the NRW level is only 20 per cent. Despite its lower water tariff, PDAM Tirtanadi Medan contributes more to the province's revenues than PDAM Jakarta. With an average tariff of Rp3000/m^3, PDAM Tirtanadi contributed Rp3 billion (US$400,000) in 2006 to Sumatra Utara's provincial revenue. But PDAM Jakarta, with an average tariff of Rp6,900/m^3, could only contribute Rp2 billion (US$215,000) to Jakarta's revenue.

One of the most interesting features of PDAM Tirtanadi is the operation and management partnership between PDAM Tirtanadi and several local, government-owned PDAMs, all located within the province's territory. Some of these PDAMs are Deli Serdang, Simalungun/Parapat, Toba Samosir, Mandailing Natal, Tapanuli Tengah, Nias, Tapanuli Selatan, Labuhan Batu dan Dairi.

The partnership covers technical, managerial, and financial issues. It originated with the former CEO of PDAM Tirtanadi, Kumala Siregar, who ended his second term in May 2002. In an interview, he said he got the idea when he saw the level of operation of Local Government Development Bank which is at provincial level. He realised this could overcome some basic problems at most of Indonesia's PDAMs which have their bulk water resources located in other districts. He also said 1) some of the large surplus earned by PDAM Tirtanadi should be allocated to investment in other PDAMs as this can help ailing PDAMs to recover; and that 2) PDAMs should provide better career planning for staff.

Siregar then talked to North Sumatra Governor and Director General of Local Autonomy at the Home Affairs Department to ask for support and got a very positive response. The Director General wrote about the need to form a partnership between PDAMs, and the provincial government issued Provincial Government Regulation No 3/1999. This regulates PDAM Tirtanadi's branch offices in districts and cities of North Sumatra. The operational partnership lasts for 25 years from 17 July, 1999.[42] And in 2005, the North Sumatra Governor was commended by Perpamsi (The Indonesia Water Companies Association) for initiating and developing the partnership between PDAMs in one provincial territory.

Under the partnership agreement, PDAM Tirtanadi is obliged to rehabilitate and upgrade the assets; increase the quality and continuity of service; increase the quality and capacity of human resources at district PDAMs; provide funds for operational costs; and pay the long-term debt of district level PDAMs. Each month during the partnership period, PDAM Tirtanadi also has to pay compensation of Rp36 million (US$4,000) to every district-level PDAM involved. This is paid to district-level PDAMs because they gave some of their customer base to PDAM Tirtanadi (with the exception of PDAM South Tapanuli which handed over its entire customer base).[43] After 25 years, when the partnership is over, the original owners will resume all operations.

With this arrangement, the service in partnership areas is delivered directly by PDAM Tirtanadi. PDAM Tirtanadi also has to provide the funds needed to conduct all related activities within the partnership areas. Outside the partnership areas, district-level PDAMs are responsible for the service.

[42] Corporate Plan PDAM Tirtanadi Sumatra Utara 2006-2010.
[43] Independent Auditor Report PDAM Tirtanadi, North Sumatra Province, Year 2005. The Audit Board of the Republic of Indonesia.

Table 1. Production, Distribution, Water Sold, and NRW level PDAM Tirtanadi Year 2001 – 2004

No	Description	m3/year		
		Medan City	Partnership Area	Total
1	Production			
	2001	116,950,339	11,834,347	128,784,686
	2002	121,637,000	14,796,602	136,433,602
	2003	127,492,741	15,442,376	142,935,117
	2004	134,438,300	17,488,616	151,926,916
2	Water Distributed			
	2001	115,160,057	11,934,347	127,094,404
	2002	119,637,030	14,796,602	134,433,632
	2003	125,232,581	15,442,376	140,674,957
	2004	131,398,931	17,488,616	148,887,547
3	Water Sold			
	2001	88,414,515	10,525,186	99,939,701
	2002	94,856,355	11,254,524	106,110,879
	2003	100,446,315	12,323,938	112,770,253
	2004	102,936,263	13,293,273	116,229,536
4	Non Revenue for Water Total			
	2001	27,535,824	1,309,161	28,844,985
	2002	26,780,645	3,542,078	30,322,723
	2003	27,046,426	3,118,438	30,164,864
	2004	31,502,037	4,195,343	35,697,380
5	Non Revenue for Water Total (%)			
	2001	23.5%	11.1%	22.4%
	2002	22.0%	23.9%	22.2%
	2003	21.2%	20.2%	21.1%
	2004	23.4%	24.0%	23.5%

Source: Corporate Plan PDAM Tirtanadi Sumatra Utara 2006 - 2010

Performance after the Partnership

PDAM Tirtanadi's operational territory is divided into two areas: Service Area I (the original territory, consisting of Medan city and its surroundings) and Service Area II (operational and management partnership areas consisting of nine districts in North Sumatra Province).

In eight years, until 2007, two of the partner PDAMs have been able to become independent and make a surplus. These are PDAM South Tapanuli and PDAM Simalungun/Parapat for the year 2006 and PDAM Tapanuli Selatan and PDAM Pandan for the year 2005. The remaining seven PDAMs still experience losses and are therefore decreasing PDAM Tirtanadi's overall surplus, as can be seen in Table 2. Income before Tax Main Office and Partnership Office, Year 2005.

Table 2. Income before Tax (Year 2005)

No	PDAM	Amount (Rupiah)
1	Tirtanadi (Province)	11,237,678,746
2	Nias	-687,854,272
3	Parapat	-493,735,205
4	Deli Serdang	-3,396,533,985
5	Tapanuli Selatan	2,103,958,854
6	Mandailing Natal	-639,789,777
7	Pandan	670,630,856
8	Toba Samosir	-65,855,063
9	Samosir	-148,876,530
10	Nias Selatan	-338,292,615
11	Total	8,241,331,008

Source: Independent Auditor Report. Year 2005. The Audit Board of the Republic of Indonesia.

In general, the performance of partner PDAMs is increasing significantly, according to Ahmad Thamrin, SE. the head of Public Relations at PDAM Tirtanadi Medan. Apart from the two PDAMs that have become independent, other PDAMs have also increased their customers significantly. PDAM South Tapanuli district originally had 7000 household connections, but this has increased to 11,000 after the partnership began. PDAM Deli Serdang had 6,000 customers which has increased to 12,000. [44] Water distribution is also improving. Originally, water was only distributed for several hours of the day. Now, piped water is running 24 hours nonstop. NRW level in Service Area II is only 20-22 per cent, almost the same as in Service Area I.

Problems also exist, mainly in PDAM Tirta Deli, Deli Serdang district. The district's legislative body and PDAM's management believe that the partnership (coming into its eighth year) is not beneficial. Before and after the partnership, PDAM Tirta Deli experienced losses. In 2006, the loss reached Rp887 million (US$95,000). One cause of this is that PDAM Tirtanadi never paid its debts[45] and prioritized investing in the water pipe network. The President Director of PDAM, Tirta Deli, has said he is ready to end the partnership agreement and an opportunity to end the partnership arises when the evaluations are done every two years.

Improvement Efforts

Aside from information on PDAM Tirtanadi's positive performance, several criticisms have also surfaced. One notorious event is the protest conducted by students at Pancasila College in Medan. The protesters wanted a court to investigate allegations of corruption in numerous province-owned companies, one of them directed at PDAM Tirtanadi. It is suspected that a director in PDAM Tirtanadi will receive Rp1 billion (US$107,500) as a retirement payout.[46]

The allegation about the payout came at the same time as PDAM Tirtanadi public relations officer, Helmiati Batubara, said employees have not received any pay increase since the partnership began because PDAM Tirtanadi has to subsidize district-level PDAMs involved in the partnership.[47] This led to a protest by hundreds of employees of PDAM Tirta Lihou, Simalungun District (a partner PDAM) on September 3, 2007. They gathered in front of Simalungun District Office to ask for a raise. The employees said the highest basic salary is Rp650,000 (US$70) and the lowest is Rp190,000 (US$20). With such low wages (average minimum wage in Indonesia is USD 80), people find it very hard to make a decent living.[48] This is ironic because in the last few years PDAM Tirta Lihou has become financially healthy so a raise in wages is feasible.

[44] Performance of PDAM in Partnership Increase. Harian Sinar Indonesia Baru, 4 Agustus 2007.
[45] Operational Partnership of PDAM Tirta Deli – PDAM Tirtanadi will be cancelled. Bisnis Medan. 20 Juli 2007.
[46] Investigate the corruption at local government. Harian Waspada. Waspada Online, Kamis, 30 Agustus 2007
[47] Sinar Indonesia Baru, 24 Juni 2007.
[48] Hundreds of Staff of PDAM Tirta Lihou ask for raise. Waspada online. 4 September 2007.

And for the operational and managerial partnership, the writer thinks that participation from district-level PDAMs should be improved to make a more equal partnership, based on each PDAM's core competency. This way a partnership agreement that seems to act only as a territory acquisition by the bigger PDAM and the smaller PDAMs only "give" customers to the bigger PDAM can be avoided.

Medan is the capital of North Sumatra Province. It is the third largest city in Indonesia with an area of 26,520 hectares. To serve Medan's water service needs, the Dutch founded NV. Water Leiding Maatschappij Ajer Beresih in 1905. The company's headquarters were located in Amsterdam, Holland. In 1999, PDAM Tirtanadi Medan signed an operational and management partnership agreement with nine district-level PDAMs (all are located within the province). The partnership made PDAM Tirtanadi the only PDAM in Indonesia that conducts a partnership with other PDAMs by giving management, technical and financial support.

Based on 2003 data, the growing city of Medan is populated by almost two million people, 80 per cent of which is already connected to piped water. And the nine districts that are in partnership agreement with PDAM Tirtanadi are populated by 2.2 million people. In total, PDAM Tirtanadi covers an area inhabited by more than four million people, making it the second largest PDAM operating in Indonesia. In 2005, the Minister of Public Works gave a special award to Sumatra Utara Provincial Government for being ranked the highest in water service performance (in metropolitan city category) by PDAM Tirtanadi.

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11. Lessons and Challenges: Japanese Public Water Services Face Major Turning Point

By Sakuma, Tomoko

Post-war History of Water Services and Water Resource Development

Japan currently has 97 percent water supply coverage thanks to the enforcement of the Local Public Utilities Law and the Water Law soon after the end of World War II. The Water Law ensures Article XXV of the Constitution of Japan (right to life) and stipulates that, in principle, municipalities should operate water services. At the end of the war, it was imperative to improve people's sanitary conditions as a large part of Japan's infrastructure had been destroyed.

In the following decades there was a great migration of rural people to rapidly industrialized cities due to the high-growth. It became a priority to develop water resources to meet the growing demand. Since sectors such as agriculture had had conventional water rights, the government and municipalities built dams to create new water rights to be held by public sector, in order to distribute water to the public and new industries.

In 1960s and 1970s, dam construction was accelerated through policies that provided subsidies for regional (multiple municipalities) water resource development.

This was a solution for municipalities with less finance to develop water resources. Expensive dams were built because long-term projections were for high water demand. But the projections were not revised downward when the demand slowed. Also, other factors, such as flood control and power generation, were added to the purpose of new dams. This overinvestment caused a huge water surplus and large debt repayments which resulted in water rate hikes and a call for privatization.

Regional water supply authorities provide water to municipal water services, and the wholesale water prices have become high. Municipalities are tied to take-or-pay contracts, which force them to find ways to use these water surpluses instead of conserving water. Water storage capacity also decreases as sediment deposits, and dredging is another huge expense.

Revision of the water law and wide-spread private consignments

For private companies, Japanese water services are an attractive market because of the high water supply coverage rate and a concentrated population. Many companies are interested in management and operation contracts under public-private partnership in places like Kanagawa. There, water resources are secured, an infrastructure is in place and the service is well-managed. Kanagawa's water service also has a huge debt burden as a result of large-scale dam construction and other cost-saving ideas, such as PPPs.

The revision of the Water Law in 2001 enabled a third party (public or private entity) to be delegated to manage and operate water services. This so-called Article.24 contract was intended for small-scale public operators with technical and financial difficulties to seek economy of scale through public-public partnerships. But the type of contractors envisaged under Article 24 are not limited to public entities, and thus it is generally understood as approval of private sector participation.

Most of the water contracts are not based on the article, however, since the contractors are reluctant to take the legal and technical responsibilities the article stipulates. There is also a move to apply a Designated Administrator Scheme to water services. The scheme was adopted in Takayama, where a purification plant is now run by a private, special purpose company.

Because of the anticipated loss of skilled experts as baby boomers are retiring r,and increasing number of private consignments, technical expertise in public water is threatened. There are number of cases of water quality deterioration already reported. For example, in Iida, a city in Nagano prefecture, where the water purification plant is operated by a private contractor, the contractor consistently supplied water with poor quality which affected 55,000 people whom the city had to compensate.

Also, in June 2007, the water supply in Kitami in Hokkaido was disrupted and the city's 60,000 people were without running water for five days. Water quality was temporarily bellow the turbidity standard. In the same city, the water supply was disrupted two more times by the end of July. The city's water provider claimed it was because of the malfunction of turbidimeter, but an investigation by the city's commission for technical causes said it was city's inadequate handling that caused the incident.

Private consignment in metering is prevalent. When metering was done by public workers, mobile operation offices carried out all deferent kind of services such as checking water leakage during consumption surges, and complaints are processed on site. However, private metering operations do not do anything other than metering itself. Infrastructure repairs are contracted out. Now, management and operation of water purification plants has become the target of private contractors.

Design, construction and operation of purification plants through public finance initiatives (PFIs) are also taking place. Recently, the public utility section of Saitama prefecture offered a contract to a special purpose corporation comprised of several companies, each of them providing different expertise, to take part in the construction and operation of Asaka water purification plant.

Reaction of Public Worker's Union

There are public water services striving to balance the budget by reducing their workforce and underinvestment. Small-scale water services, in particular, face a difficult situation in terms of finance and expertise and are forced to look for private consignments as an option. But public water workers' unions promote the idea of public-public partnership with larger scale water works in surrounding municipalities.

There is an effort by public workers' unions to balance social and economic considerations in public contracts. Jichiro promotes local ordinances to be adopted in order to raise social standards in private consignments. The public contract ordinance is promoted mainly for getting across compliance with laws and regulations in private consignments, and for not awarding contracts at prices below their fair values.

Under the proposed ordinance, a tendering system must be based on a comprehensive evaluation and/or bidding companies' policies, rather than just a price. The ordinance also

promotes fair labour standard in private consignments, because labor cost is often a primary target of cutback in service contracts. A clause to allow only companies that meet the legal employment rate of handicapped people to bid for tenders could also be included. Likewise, it could stop contracts under which labor cost per man-hour is below the legal minimum wage.

In order to make the ordinance function, a review board to monitor the process, and a relief system to process claims from contractors or subcontractors individual workers must be institutionalized. Once adopted, the ordinance will reduce large-scale comprehensive contracts and contracts that focus too much on cost-effectiveness. This means residents must accept and bear higher prices for fairer public contracts.

Public workers' unions must also pay attention to the fact that there are various kind of non-regular employment in the public sector, and these non-regular workers suffer from low-wages, irregular hours and job insecurity.

Residents' participation and restoration of resident self-governance

It is important to strengthen residents' participation in and self-governance of public services. In general, Japanese residents are not aware of the risks associated with the privatization of public services. They accept any form of management and are in favor of private control as long as it brings 'efficiency' and reflects peoples' opinions.

However, we residents have to learn from privatization overseas, that privatization often leads to the deterioration of water services. Higher costs are often imposed on the public and public sector. In principle, private companies exist to make a profit. They are not obliged to disclose information other than to stockholder. And they are not willing to accept residents' participation in making decisions. Due to their nature, private companies only take part in public services when they are guaranteed freedom of withdrawal as well as a freedom of entry.

However, the public sector, generally, has also not been open to public opinion and participation,. People are not acknowledged as being self-governing, but are viewed as recipients of public services. Quality and quantity of service is decided on solely by public administrators. This culture of public service has led to public distrust of and detachment from public services, and has also partly contributed to the public's lack of interest in a social agenda.

It is critically important to bring about participatory decision making process in public services and importantly, for the public to decide policy priorities and, which service is done by the public sector. Concerned residents might choose some of the works currently provided by public workers to be shouldered by communities, or for individual residents to save taxes or charges, instead of contracting out to private operators.

Water service is obviously an important service with significant implications for health, the environment and averting natural disasters. We must take back our rights as residents to decide the way water service is managed and operated.

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12. Problems of Water Privatization and Responses in Korea

By Korean Government Employees' Union (KGEU) Joint Action against Water Privatization

1. Introduction

Korea's Government officially announced the 'Five-year Plan to Foster the Water Industry' on July 16th 200. Although the Water Law was revised in 2001 and 2005 to allow private and foreign companies to manage the water supply, it was the first time that the government had officially announced a comprehensive national policy. Civil society organizations immediately issued statements criticising it and even the mainstream media expressed concern about the government's water privatization plans.

Transnational water companies are also interested in Korea. Veolia signed a memorandum of understanding with the city of Incheon in July last year. The ISO international standards (ISO/TC 224) are about to be implemented and the Korea-EU FTA is also being negotiated, which will force privatization of water services.

In other words, water management in Korea is about to be fully privatized because of international agreements such as the ISO or the FTA on the one hand, and the introduction of public-private partnerships (PPPs) [49] and increased operation by domestic private corporations on the other.

2. Overview of water supply in Korea and privatization

Korea's 164 local governments are responsible for the water supply. Those that have a local source of water are responsible for the entire process of water withdrawal, purification and distribution. Those that do not have the resources buy water from K-Water[50], which is responsible for the 'wholesale' supply of water to 16 main regions of the country. The regional KOWACO headquarters builds and manages the dams that supply the water, and local governments for smaller cities and townships distribute the K-Water water to households.

Problems of water supply

Although the national coverage is high at 90,1%, there are many problems. Some of these are:

1) *Polarization in access to clean water:* Water is supplied to nearly all households in the largest cities, but in some of the smaller farming and fishing communities the coverage is only 37,7%. Fishing and farming communities run their own ad-hoc systems which are usually contaminated and poorly managed.
2) *Distrust of tap water and poor quality:* Less than 5% of the population drinks tap water because they distrust the quality. Facilities are getting old, water leakage is high and there have been cases of serious contamination. Negative marketing by private bottled water and filter companies fuel the distrust.
3) *Disparity in water prices:* The price of water is not fixed according to a single scale across the nation. In rural and

49) Public-private partnership in Korea involves local governments giving operational authority over waterworks to the private sector – at the moment primarily to Korean Water Resources Corporation (KOWACO; now renamed K-Water). The local government pays a concession fee to the company for its services. Formal ownership remains with the local government. After signing a basic contract, the two partners will go through a feasibility analysis, table the proposal at the local council, and then sign an execution contract. Concession contracts for waterworks last usually 20 to 30 years.

50) K-Water is a public corporation with 100% government ownership, so K-Water contends that the commissioning is 'public-public partnership'. However, the government has recently started to promote restructuring in all public organs to make it more profitable and more market-oriented. It is also important to note that commissioning to a public corporation is merely a stage towards full-blown privatization. Although there is no overt plan yet to privatize K-Water, it is just a matter of time in view of the Korean government's push to privatize major public corporations.

In the last few decades, particularly during the dictatorship, K-Water focused mainly on construction and management of dams, land development and construction. Korea is now experiencing serious environmental destruction due to indiscriminate development as well as over capacity. K-Water is challenged by lower profits because of an over-supply of dams, as it decided to venture into the area of water supply.

mountainous areas the production cost is high and the population is relatively poor. Because there is no cross-subsidization, the disparity is not evened out and smaller local governments continue to be financially burdened.

4) *Lack of morale and poor working conditions:* The government argues that local governments and civil servants are inefficient. However, the truth is that working conditions are poor, there is not enough professional training and workers' motivation is low. Also, managers tend to change often due to their political connections with the mayor.

Government's 'plan to foster the water industry'

The problems listed above are acknowledged by the government. However, the government's solution is privatization: the participation of private capital to finance waterworks, the operation by 'professional' water companies, the introduction of efficiency and market competition, etc.

The main elements of the Plan to Foster the Water Industry are very ambitious:

- ✓ Double the size of the water industry to 20 trillion won (about US$20 billion)
- ✓ Promote the growth of two water corporations to compete within the global top 10 by year 2016
- ✓ Structurally reorganize the waterworks services by commissioning the supply of water to either K-Water or the private sector and at the same time merge the 164 waterworks into 30 large areas
- ✓ Initiate a fund that will finance infrastructure improvements, develop core technology and train experts
- ✓ Strengthen the export capacity of bottled water, and foster a global brand in bottled water

At present, the main corporation taking on concession of smaller waterworks is K-Water. But there are also moves to expand the concession to include conglomerates or *jaebols* as well as water TNCs like Veolia. The process of privatization will go through an 'integration' period to become competitive and, in this transitory phase, private and public firms will compete and the final result will be 'total market liberalization'.

The Plan on Fostering the Water Industry's ultimate aim is to privatize water supply in Korea. The government has already sent directives to all local governments and it plans to legislate a relevant law to back up the policy in 2008.

3. Responses and struggles of the movement against water privatization in Korea

Trade unions and civil society organizations are resisting the government's plan on two levels. Firstly, there are struggles in different local areas against the commissioning of waterworks to K-Water. Out of 164 local areas, 30 have signed preliminary contracts with K-Water and nine have already been commissioned. So far, the KGEU and local unions have successfully managed to stop the process in five cities. In each case, unions and civic organizations formed a coalition and raised questions about the transparency of the decision making process and concerns about higher water prices, employment stability and the financial feasibility of the handover. Struggles at ground level will continue against all attempts to commission waterworks.

Secondly, activists and researchers from various sectors have come together to form a 'Joint Action against Water Privatization' to tackle the central government and to formulate alternatives. Conferences and debates with the government have been organized, active media work continues, education material has been published and briefs and booklets published on alternatives. It is also making tentative plans for national mobilizations next year, when the government is expected to table a Bill in Parliament. Although still in the preliminary stages, some of the strategies and alternative solutions to water privatization being discussed are to:

- ✓ Continue publicity and media work to educate the public on the government policy, mobilize more sectors and organizations
- ✓ Initiate a campaign to identify water as a human right and public good – either by inserting a clause in the Constitution or promoting a separate Bill on water rights rather than the proposed Privatization Bill
- ✓ Strengthen participation of citizens and

workers in the operation and assessment, and democratize authoritarian and corrupt public offices

- ✓ Improve working conditions for workers, introduce effective training courses, facilitate information and technology sharing among local governments
- ✓ Encourage the formation of cooperatives among small local governments in order to co-manage water resources and supply more efficiently and effectively
- ✓ Adopt a unitary pricing system through cross-subsidization among local governments and establishing a single body in the central government to finance and manage waterworks on a national level.

Korean Government Employees' Union (KGEU) is a national union of central and local government workers, accommodating more than 40,000 members. It was established in 2002 and was only legalized in November 2007 after long years of struggle for labour rights. It is also fighting against corruption, privatization of basic public services including water, pension liberalization, for reform of public offices among others.

Joint Action against Water Privatization (JAWP) is a coalition in South Korea, formed in September 2006 to fight against water privatization. As of November 2007, it accommodates 29 organizations, ranging from trade unions to environment NGOs. JAWP mainly implements policy analysis, formulates alternatives and strategies, and has continuously organized conferences and campaigns on water privatization.

13. Privatisation vs. Public-Public Partnership in Malaysia

By Charles Santiago

Introduction

The water sector is a multi-billion Ringgit industry. The 2000 National Water Resource Study [51] indicated that 62 water projects are projected to cost RM 51.6 billion (US$13.6 billion) until the year 2050[52]. Of the total, an amount of RM 15.4 billion was spent between 2000 and 2005. The business papers indicate that the total budget for the 50-year period could potentially increase to RM 77 billion[53]. A recent presentation by the Ministry indicated that the quantum would be RM100 billion including sewerage[54].

The Water Services Industrial Act (WSIA) and the National Water Services Commission were recently set-up and will empower the regulator to manage water in the country. This includes establishing tariffs, investments, financing including decisions on privatisation.

It is too early to establish the Water Commission's position on privatisation as it was only recently established. However, state policy encourages privatisation. Appointments to the commission have come from people who have a stake in profiting from the industry. Privatisation in the water sector was first initiated in 1987 and is presently in various stages of development in the country.

Privatisation is perceived as the most effective, efficient and sustainable option to manage the water supply system at a time when the country has problems of scarcity and high water stress, despite having very high rainfall.

[51] The Economic Planning Unit of the Prime Minister's Department entrusted the study to three companies that are involved in the water business and who are actively involved in privatisation. They include Ranhill Bersekutu Sdn Bhd, SMHB Sdn Bhd and Perunding Zaaba Sdn Bhd. This study is confined to Peninsular Malaysia only.

[52] 'Water Supply Achievements and Prospects (2001-2003)' Malaysia Water Industry Guide 2003. pg 29.

[53] Fernandez Evelyn 'The Water Dilemma' The Edge

[54] Presentation by Ir. Low Chee Par at the Public Consultation: The Future of Water management in Malaysia, 18th February 2006.

At present, there are three privatised water concession areas in the country. They include the industrial states of: a) Selangor, Putrajaya and Kuala Lumpur (Syabas), b) Johor (Ranhill) and c) Penang (Perbadanan Bekalan Air Pulau Pinang (PBA). Syabas and Ranhill are privately run corporations; whereas the Penang government controls and manages PBA.

Here we argue that public utilities can manage and distribute water in an efficient, affordable and profitable manner as opposed to the private sector. We compare the experience of a privately managed water utility (i.e. Syabas) with a publicly managed utility, the PBA

Why water should not be privatised?

On December 15, 2004, the federal government and the state government of Selangor signed a 30-year concession agreement with Syabas to supply water in Selangor, Kuala Lumpur and Putrajaya. As part of the privatisation arrangement, the federal government offered a RM2.9 billion payout to Syabas to undertake the water privatization exercise. The breakdown includes:

- RM1.34 billion to be partially used to settle PUAS' debts to three water treatment companies – Puncak Niaga, ABBAS and SPLASH;
- RM250 million government grant to reduce non-revenue water;
- RM250 million to Syabas in the form of a soft loan;
- RM1.07 billion to be given to Syabas as loan for its capital expenditure requirements.

The state provided grants, loans and guarantees running into billions of Ringgits to the private sector but refused to extend similar financial support to resuscitate the public sector.

The concession agreement stipulates a 15% increase in tariffs in the first 12 months and a 37% increase at the end of the third year into the concession period. This would result in an additional RM 100 million in pre-tax profits for the concessionaire.

If the federal government does not approve the stipulated tariff hike, the concession agreement ensures that the state government compensates - the difference between the stipulated amount and the approved hike - to Puncak Niaga Berhad[55]. Either way, the water concessionaire will secure RM 100 million in revenue.

In addition, the concessionaire has to be compensated if the state does not announce the increase in tariffs on the scheduled date. Last year the state had to pay RM 125 million as penalty to the private company for delaying the announcement by 10 months.

The Malaysian Parliament earlier in the year was told that there were 364,200 disconnections in the concession area in the past two years. The revenue from reconnections at RM 50 per reconnection fee was RM 18.2 million. The private company is profiting from disconnecting peoples' access to water.

The Coalition Against Water Privatisation has filed a court case demanding a review of the state's decision not to declassify the report. The state argued that the information contained in the report is confidential and comes under the purview of the Official Secrets Act.

Public-Public Partnership: The PBA (PWA) experience

This is an arrangement that ensures that water management continues to be under the state and public control and demolishes the widely held notion that a state-controlled water utility is inefficient and loses money.

The PBA model reconciles social responsibility with economic efficiency. In fact, the PBA is a profitable and efficient water provider without imposing full-cost recovery, a phenomenon that turns the privatisation logic upside down.
At present, the state of Penang enjoys one of the lowest water rates in the country[56] and the world. A 1999 comparative study of water charges in 65

[55] *Op. cit.*
[56] Since 1993 till presently, the Penang domestic water rates for the first 20,000 litres is 22 cent per 1000 litre and between 20 000 and 40 000 litres is 42 cent per 1000 litre. The tariff rates introduced in the year 2001 maintained the same tariff structure as in 1993. Based on the 2001 tariff increase, about 75 percent of consumers in the state of Penang did not have to pay more for their water as opposed to 1993.

cities and towns in 38 countries in Asia, Europe, Africa and the United States, shows that Penang recorded the lowest water rates[57]. The PBA recorded the highest profits among all the water providers in the country. In the last few years, the company recorded profits between RM 40-50 million[58].

In addition, water is accessible 24 hours a day and reaches about 99% of the population in the state. The NRW is the lowest in the country at 18%, a target reached one year ahead of schedule (2005).

Its employee-to-connection ratio is about 1:373. The PBA has attained a 99% billing and collection efficiency, another national high. The company's strong operating profit margin of 50% owes a lot to its low NRW and good revenue collection rate of 99%.

The ownership and the controlling stakes of the PBA are in the hands of the state government although the company is a privatised entity. The state government – directly and indirectly – controls 75% equity of the company. The Yayasan Bumiputera Pulau Pinang Berhad and other companies hold another 10% of the shares.

The Employees Provident Fund Board owns 7.29% of all shares in the company. The remaining shares are owned by workers and consumers in the state.

Although privatised, the PBA is controlled by the state government and is theoretically responsive to needs of the people. The state can still exercise political control of the PBA in the interests of the public. The state's social and political commitment to the people is not compromised. The privatised entity PBA will not be able to exploit its monopoly position in order to raise tariffs to make enormous profits. The state has to be politically sensitive to the demands of the people. Put differently, the people of Penang can exercise their right to water with the state and the state has an obligation to meet the demands of its people.

Since 1973, the PBA operated autonomously and without political interference from the state, albeit that the water utility had to follow federal government policies on staff recruitment and other matters.

Already in 1973, the Penang Water Authority adopted a 'commercial outlook with social obligations' strategy. This involved increasing access to water at affordable prices while ensuring high revenue efficiency. It ensured accessibility of water at affordable rates, yet ensured that the provisioning of water is a cost-effective and profitable venture.

A commercial outlook involves the organization being budget conscious, adopting a commercial accounting system, internal and external audit, a customer-friendly service, accurate recording of payments, billing and collection system. In addition, it involves developing a reliable and accurate integrated customer and engineering data system. Such a system will allow for correct recording or identifying burst pipes in different locations. It also entails putting in place leak detection and rehabilitation system. Essentially, a commercial outlook involves cutting costs and enhancing revenue efficiency.

Currently, the state of Penang has a remarkable 99% universal access to drinking water at the lowest prices in the country with a 98% revenue efficiency. It is important to note that the efficiency requirements were met with no substantial tariff increase, and with a subsidy and cross subsidy in place[59]. This was because profits were reinvested[60] and new infrastructure investments are self-financed.

A strong commitment to public service influenced the management, operations and

[57] 'The comparison of annual water charges for a family living in a house consuming 200 cu m/ year' study shows that the Penang water charges is only ECU 10.13 for a household consuming 200 cu m/ year. International Water Association's International Statistics for Water Services 1999. Cited in Water Malaysia Issue No: 4 (April 2003)

[58] The group's net profit was RM 41, 587 million, RM 50,292 million and RM 40,631 million in 2001, 2002 and 2003 respectively. The drop in the profits between 2002 and 2003 was due to the SARS scare and the war in Iraq, which required companies to consolidate as opposed to expand. Corporate customers contribute to about 60.7% of water sales revenue in the state. PBA Holdings Bhd Annual Report 2003. p10-12.

[59] The cost of producing per cubic meter of water is RM0.35 cent. It is sold at RM0.22 cents for the first 20 cubic meter of water.

[60] In 2002 and 2003, the PBA invested RM61.4 million and RM85 million respectively in capital expenditure for water resource development. Sourced from Annual Report 2002 and 2003.

delivery of services of the organization. Interviews with workers, unions and management staff show that a commitment to public service excellence was inculcated at every level of the company. In fact, working for and serving the *rakyat* (people) was internalised by the staff and represented a key commitment of the organization. It also seems there is a real sense of commitment among the staff to a work culture that promotes excellence in public service.

The PBA's day-to-day operations and management decisions, including its policies, are autonomous of political interference. Thus, the water utility is able to focus on its core responsibility and commitment of balancing profitability with public interest.

This short account demonstrates that state-controlled water utilities can be viable, efficient and profitable, provided they are politically accountable and transparent, embrace social responsibility and include a strong commitment to public service.

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14. No More Severn Trent in Nepal: A Case Study of ADB's Lending Conditionalities

By Ratan Bhandari and Rabin Subedi

Nepal's Kantipur newspaper reported on January 10, 2007, that the Minister of Physical Planning and Works said that the latest water privatisation bill was enacted because of heavy lobbying and pressure from the Asian Development Bank (ADB). It is widely known that ADB officials threatened to withdraw from the Melamchi (river diversion) water supply project if Members of Parliament and Ministers failed to adopt the water privatisation legislation as designed and recommended by the bank.

Melamchi is the ADB's largest ever project in Nepal and will divert 170 MLD of water from Melamchi River to Kathmandu Valley through a 26.5 km tunnel. The project's initial cost estimate was US$464 million (by 2005 it was US$531 million). The project is co-financed by the ADB, NORAD, SIDA, OPEC and the Government of Nepal among others. NORAD and SIDA withdrew their support because they were disappointed with the project's objectives and revised implementation plans. Publicly, it was reported that NORAD and SIDA were concerned about the human rights situation in the country after the royal coup on February 1, 2005.

The privatisation of Nepal Water Supply Corporation (NWSC), a public utility, is a pre-condition imposed by the ADB to fund the Melamchi. The private operator, Severn Trent Water International (STWI), a notorious British multinational corporation, will replace the existing public water management structure. STWI turned out to be the sole bidder. It has an unsavory record in water management that has attracted criticism in the United Kingdom as well as in countries of Africa and South America. All the major political parties except the Communist Party of Nepal (Maoist) support privatization.

The ADB used strong measures to influence the government to accept the water privatisation condition. Handing over the management of Kathamandu's water supply to a private company, replacing the NWSC, and without checking its performance record created serious doubts about whether Kathmandu's people will be served with

affordable water. The NWSC is unable to meet the valley's water demand and has been unable to upgrade its technical capacity. This the result of a deliberate policy pursued by the bureaucratic and political elites in order to profit from the privatisation deal. The NWSC was deliberately run down to justify neo-liberal policy implementation. At no stage was it given the necessary autonomy and financial help to reform itself to upgrade capacity, improve management and provide adequate supply. Not surprisingly, this poor performance of the NWSC was used by the liberal and privatising elites to point to the need for the ADB-driven reform. Despite the ADB's immoral arm twisting, the government, especially the former Maoist Minister for Physical Planning and Construction, Hisila Yami, cancelled the contract with the STWI despite opposition even from within the Cabinet.

Since Kathmandu has a voracious appetite for water, there are many in the capital, the country's most politically influential area, who supported these measures at the expense of the rest of Nepal, particularly the diversion of Melamchi waters. However, the proposed indefinite tariff increase had the potential of being divisive, particularly among the less affluent residents.

What makes the linking of these two dubious projects (Melamchi river diversion and water service/utility privatisation) questionable is that the management contract for privatised water supply in Kathmandu was at the behest of the ADB and mysteriously the only bid was by the STWI. Experiences from other countries have shown that water privatisation has been a disaster, with increased tariffs and poor service delivery. In a typically piratical strategy, the STWI has made it a habit of front-loading tariffs by hiking water rates immediately after taking over supply management. In Kathmandu it has not been slow off the block. Tariffs in the city were tipped to go up by an exorbitant 50% in the immediate future.

The ADB's notorious interference in the internal development affairs of Nepal has become a serious problem. On more than one occasion it has inflicted its sectarian market fundamentalism on Nepal, to the extent of financing projects that other multilaterals had withdrawn from because of public pressure. In the case of Nepal, the ADB's push for the privatisation of Kathmandu water services goes against the Comprehensive Peace Agreement (signed between Seven Political Parties Alliance and the Maoist) as well as the fundamental rights provision of the Interim Constitution 2007 where water as part of health is recognised as a human right.

To oppose these lending conditions, Water & Energy Users' Federation-Nepal (WAFED) with Federation of Drinking Water and Sanitation Users' Nepal (FEDWASUN), NGO Federation of Nepal and Consumer's Rights Protection Forum filed public interest litigation in the Supreme Court. This challenged the legality and the constitutionality of the water privatisation law. However, the Court chose to quash the writ petition even before examining the merits of the argument in detail and without proper hearing from both sides.

As the unions of the NWSC have repeatedly pointed out during their protest strike actions, they have the capacity and the will to manage Kathmandu's water supply system without any foreign involvement if the government allows them the same financing opportunity and privilege is offered. But the political sabotage of functioning public systems is the first condition for receiving kickbacks from foreign companies while handing over national assets to them.

There are, however, some civil society organisations and movements that opposed the ADB lending conditions and the management contract to a foreign company.. The former minister Yami has publicly opened discussions with these organizations which set a precedent for a national ministry of instituting a system of holding consultations with stakeholders in the decision-making process. WAFED played a crucial co-ordinating role in disclosing the details of these conditions and the consequences there of since 2003.

This is particularly important since supporters of the ADB policy emphasised that what was envisaged was not privatisation but merely a management hand over. WAFED was pro-active in highlighting the real meaning of such obfuscating terminology behind which the government, the ADB and the media sought to hide the hand over of national assets to a profiteering multinational. WAFED also pointed

out the discrepancy of various groups and individuals who were against STWI but were not against the ADB, including joining of the public protest in front of the STWI headquarters in the UK with the World Development Movement - UK's leading research and campaign group campaigning globally. This affected the final aim of the campaign, which was able to put pressure for nullifying the contract with STWI but was not able to fundamentally reduce the ADB's power in Nepal, nor improve the situation with regard to other Melamchi-related conditions. It has always been WAFED's position that if the ADB cannot conduct its investments according the Nepal's requirements then Nepal does not need the ADB anymore.

Nevertheless, there have been gains for Nepal apart from the termination of the SWTI contract. Though the judiciary, legislature and executive have at a systemic level surrendered en masse to foreign interests, the fact that one minister and one party could take up the cause and oppose the donor mafia's design has set an important political precedent in Nepal, where the general tendency over the years has been to surrender tamely to anyone with money to give. Hisila Yami, whose ministry handled both Kathmandu's water privatisation process and the Melamchi project, publicly came out against the latter project. She said there are better, cheaper and quicker options for water collection and management in Kathmandu Valley and, therefore, Melamchi is not the best option. She also stated that the water privatisation deal is not an acceptable one and would have to be scrapped.

In Melamchi Valley, local people have intensified their struggles against the unjustifiable diversion of Melamchi waters to Kathmandu because this will adversely affect their agriculture, their established livelihood systems and their ecosystem. Besides, land compensation and rehabilitation issues are still pending. The protesters face police and legal action. But while there is harassment of people who are deprived of their natural resource to feed a profligate, consumerist city, the corruption scandals associated with the project, which have a long history known to all, are yet to be properly investigated by the government or the ADB. Both government and the ADB are intransigent since it has become both a prestige issue and a well-established source of pelf for many vested interests and hence the conflict with the local people will intensify.

In the face of mounting opposition the troubling question is why the ADB or any other donor should push for such a bad project so strenuously when the country cannot afford it, when the people are against it, when the constitution does not permit it, when some members of the executive, legislature and political class oppose it, and, most importantly, when there are better alternatives. These alternatives include the Dhulikhel community-based water distribution system, and the revival of old sources of Kathmandu water supply, the introduction of new techniques for harvesting rainwater and the implementation of measures to discourage wasteful use of water.

The ADB has an insidious record in Nepal. Its lending and development practices are repugnant, vulgar and distasteful. It has a ferocious development agenda, a merciless approach and a penchant for promoting crooked enterprises by enticing crooked office bearers. It is the most important link in the chain of corruption in Kathmandu. Hence its exertions on behalf of known offenders like the STWI-UK.

Unless the ADB eschews its current approach to development in Nepal, withdraws from the Melamchi project and stops its interference in the Kathmandu water management system then it risks inviting the ire of the Nepali people. There are better approaches to water use and these are being pursued actively by right thinking people. But institutions like the ADB only create obstacles in the way of developing constructive ways of addressing problems.

If the ADB projects in Nepal are to be measured by the established standards and practices of their human rights and development effectiveness, they simply cannot stand and justify their investments and operations as effective and meaningful. There are many such examples in Nepal and the region of South Asia.

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15. Baptizing the Bantu State: Water and the Ethnic Cleansing of Palestine

By the Palestinian grassroots Anti-Apartheid Wall Campaign

On August 13, 2007, Israelis bulldozed the Palestinian Bedouin villages of Al-Hadidiya and Humsa making 200 people homeless. The attack on these villages is just one episode in a campaign of expulsion, dispossession and apartheid waged on Palestine since 1948, in which control of the water resources is a key weapon of the Occupation.

Since Israeli occupation expanded to the West Bank in 1967, parts of the Libqeya plains in the Jordan Valley, where al-Hadidiya and Humsa are located, were declared military closed zones or military training areas; others were swallowed up by settlement construction. Palestinians were prohibited from using water from the Jordan River, allowing the Occupation to divert water further upstream, and annexing the water resources for the Israeli water system. The villages' traditional well has been destroyed by the Occupation and replaced with a deeper one built for the Israeli settlers: it is surrounded with high fences and Palestinians risk prison if they use it. They are also prevented from drilling any wells. Al Hadidiya has no water supply and must bring water in a water tank from 35 km away. In the months before the demolition water tanks were repeatedly confiscated. In 2006, Israeli settlers of the nearby Ro'i colony petitioned the Israeli Court to enact a demolition order against the villages, claiming that the Bedouin community, who have grazed their animals there for generations were a 'threat' to Ro'i. Palestinian communities were expelled over two days, on 13 and 23 August 2007.

Israel uses its control over water to further the strategic goal of cementing economic and social apartheid. It does this by pushing Palestinians into the role of impoverished consumers and labourers, while it makes the Palestinian Authority the debt-collector and maintenance contractor who facilitates the sale of water to the Palestinian people by their occupiers. This system has developed gradually since 1948, when Israel was created on 78% of Palestinian land.

Israel began building the National Water Carrier in 1953, diverting around 75% of the Jordan River's water to the Occupation, to the detriment of Jordan, Syria and the Palestinians. The project laid the foundation for the seizure of all Palestinian resources. After 1967, the Occupation seized the rest of Palestine and controlled the planning system in the newly occupied areas - the West Bank and Gaza, and East Jerusalem. Israel refused permission to build water pumps and controlled all water resources through a succession of military orders: setting pumping quotas and making it illegal for Palestinians to build new wells without permission from the Israeli authorities. Between 1967 and 1994, the authorities issued just 38 permits to build new wells and replace existing wells.[61] Many existing Palestinian wells were destroyed and deeper wells were dug for Israeli use, which dried up older Palestinian wells. Immediately after 1967, Israel put pressure on major cities such as Ramallah and Hebron to join the Israeli water and electricity grids in order to annex them effectively into the Jewish state.

Israel further formalized water apartheid in 1982 when it gave the National Water Carrier ownership of the water network of the West Bank and Gaza. In 1986, Israel reduced by 10% the amount of water the growing Palestinian population could pump from their wells which resulted in widespread water scarcity. After 1987 licenses were not issued for any new wells.

Israel's strategy was to gain control over distribution by annexing West Bank and Gaza water resources and then to sell water back to the Palestinians through the Israeli infrastructure. This destroyed much of the Palestinian collective water usage and, today, Palestinian water has been expropriated and turned into a commodity. This prevents Palestinians from developing an autonomous water infrastructure, and makes them permanently dependent on the Israelis.[62]

[61] Globalization and water resources management: the changing value of water, August 6-8 AWRA/IWLRI-University of Dundee International Specialty Conference 2001, p.2

[62] Globalization and water resources management: the changing value of water, August 6-8 AWRA/IWLRI-University of Dundee International Specialty Conference 2001, p2

Once Israel had secured control over the water, it enforced discrimination against Palestinians across the board. It allocated between three and five times more water to 'Israeli citizens' – including residents of the illegal settlements – than it did to the Palestinians. It prioritized illegal settlements in the West Bank and Gaza over Palestinian communities during times of water shortage. Pipes supplying water to Palestinian communities were, in general, far narrower than those serving the settlements.

By the time of the 1995 Oslo Accords, the water distribution network was largely discriminatory. The Accords established a Joint Water Committee for 'cooperation and coordination' of water resources and sewage in the West Bank and of the development of further water infrastructure. International observers held up these agreements as a major breakthrough towards peace. In fact, they reinforced and gave legitimacy to the existing framework: the Israeli authorities would be the only possible 'suppliers', Palestinian authorities and communities the 'purchasers'.

The new regime allowed the discriminatory practices to continue, but with additional benefits for Israel.

- The Palestinian Authority became responsible for debt collection from Palestinians who had not paid their water fees, an amount which rose from US$4.5 million in 1995 to US$24 million in 2002. The Palestinian Ministry of Finance now has to cover this debt. By handing financial risk of non-payment to the Palestinian Authority, the Occupation is able to devastate the Palestinian economy without risk to Mekorot's profits.
- Secondly, Israel is not responsible for much of the groundwork of supplying water to the Palestinians.
- Finally, the arrangements of the Joint Water Committee gave the Occupation a powerful new lever over the Palestinian Authority. The Occupation allowed licenses to be granted for infrastructure development of the Eastern Aquifer on condition that the Palestinians agree to the construction of enhanced water supply systems to the settlements that steal their land and water.

Since the establishment of the State of Israel, its leadership had always made it clear that it intends to annex as much Palestinian land as possible without incorporating the Palestinian people and therefore being responsible for them.[63] The Oslo Accords suited them well: the agreement removed Palestinians from Israel's direct administration and enabled Israel to maintain control of the aquifer, to continue land annexation and settlement expansion. The involvement of the Palestinian Authority allowed for a discriminatory regime with increased charges for Palestinians. Oslo saw the creation of a Palestinian Bantustan state, in which the Palestinian Authority exercised nominal power as a middleman providing the service on apartheid lines.

The 1994 Oslo Accords state that discussion of the definition of "rights" and "ownership" of water sources "in the West Bank" is to be done during "permanent status negotiations". These negotiations were to be concluded before 1999 and were to address all key issues, such as the Palestinian refugees' right of return, the status of Jerusalem and the allocation of resources. These negotiations never happened and soon it became clear that the enforcement of Palestinian rights would be delayed until doomsday.

Since 1994, Israel's water management has not changed. It facilitates Israel's apartheid policies and its colonisation in violation of international law and Palestinians' rights. Academics, which provide the research and development in support of Israeli water management, and Israel's political negotiators, who steer discussions of water resources away from the issue of apartheid, focus instead on the development of new resources. These include desalination, water recycling, large projects such as the Red Sea – Dead Sea canal, and the further commodification and marketisation of water resources. Unfortunately, the World Bank and other international development agencies support this approach.

The creation of high-tech water solutions, monopolized by Israeli companies, is the natural evolution of this strategy. Israel is in a strong

[63] In 1992, Israel's Prime Minister Yitzak Rabin told a reporter: "Primarily, I do not want to annex, of my own free will, 1,8 million Palestinians so that they become Israelis. But that does not mean that I will relinquish all of the territories.

position to develop new resources and to profit from delivery to their Palestinian client without relinquishing any control of the appropriated water. The Occupation is a world leader in water technologies. It recycles 75% of its water while the second largest water recycler, Spain, recycles only 12%.[64] The regime supports developing the industry still further and venture capitalists increasingly put money into water facilities. [65]

Israeli promotes water apartheid in the West Bank through its government-supported technological incubators. Kinarot Technological Incubator, for example, is based in the Jordan Valley and its remit includes "work with regional companies and institutions to the benefit of Kinarot start-up companies and of the entire Jordan Valley region."[66] This further entrenches the colonization of the Valley and the exploitation of Palestinian water for settlement use. Meanwhile, Palestinians are not even allowed to dig shallow wells to irrigate their farmland.

Given the lack of capital and infrastructure in the Palestinian economy after decades of occupation, Palestinians will not have any significant role to play in the development of new resources in the near future. The development of high-tech water solutions in this context serves only the Occupation's material control over water, rendering Palestinian autonomy unviable. Any genuine cooperation agreement is unfeasible under these circumstances. The Occupation will manipulate joint projects to further their political ends, exactly as has happened with the Oslo water agreements.

For decades Palestinians have advocated an 'economy of steadfastness' (*sumoud*). During the first Intifada, Palestinians implemented small-scale projects to meet the needs of the population. They combined local resources and created projects through cooperation and solidarity. Being forced to live for months at a time under continuous curfew, communities started agricultural production for village needs. The strikes and boycotts of Israeli employers drew Palestinian attention to their capacity for self-sufficiency. Small scale industries filled the markets when the Palestinian consumers stopped buying Israeli products. The development of *sumoud* does not bring about a significant increase in GDP or profits within the market economy, but it does constitute a viable and sustainable alternative to address people's immediate and humanitarian needs and breaks the cycle of dependency.

Around the globe, ecologists, water campaigns and environmental research institutions seem oblivious to the fact that Israeli water technology and projects have nothing to do with "sustainable development" but are for the theft of Palestinian water, the colonisation of our lands and the expulsion of our people. It is time for campaigners all over the world to unmask the Israeli "development" discourse and to exclude any Israeli academics, campaigners, organisations and institutions whose work contributes to the strangling of the Palestinian people.

The Palestinian grassroots Anti-Apartheid Wall Campaign is a coalition of non-governmental organisations and committees. One of its aims is to stop Israel building a controversial wall and to dismantle it. The campaign can be contacted through www.stopthewall.org

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[64] Israel is Rapidly Becoming the World Leader in Water Management, 27/02/06 http://www.export.gov.il/Eng/_Articles/Article.asp?ArticleID=3037&CategoryID=640

[65] The Millennium Materials Technologies Fund has allocated at least US$20 million to the water sector.

[66] Israel Life Sciences Industry, http://www.ilsi.org.il/companies_financing_company.asp?ID=638#Scene_1
See also Feature Article: Going Clean I http://www.chamber.org.il/english/articles/item.asp?categoryid=112&articleid=4059

16. Water Management Challenges in Palestine

By PENGON – Friends of the Earth Palestine

Background

For the past five decades of Israeli occupation, water management in the West Bank and Gaza has been constrained by several political, technical and economic factors. Management of public resources, including water, has been completely within Israeli hands; decisions were made with little or no regard for Palestinian interests and needs. Even before the occupation, civic regulations were frequently over-ruled by military orders that confiscated water sources and banned public works to improve water and sanitation services to Palestinian communities. Israel's strict restrictions on the quantity of water supplied to Palestinians and the lack of investments in the infrastructures (physical water losses reach 50% in some areas), have created a distrustful, antagonistic relationship between the public and the authorities Furthermore, it has distorted public perception of management and protection of public goods and properties. Getting involved in public decision making became increasingly controversial as it was seen as implicit acceptance of the Israeli occupation.

This has adversely affected the performance of the water sector and has resulted in a large gap between the services provided and those demanded. It has also created a fragmented and uncoordinated water supply management structure. The main characteristic of this is a top down approach with little or no room for public participation. It has also kept water use levels in the Occupied Palestinian Territory (OPT) at their lowest minimum with a decreasing mode, without considering the growth and development needs of the growing population. Despite all of that, there were few successful public water management models, which was a de facto operating bodies prior to the occupation. They managed to continue their operation with relative success under such harsh conditions.

However, the shift from the era of full occupation by the Israelis to an era of partial occupation during the Oslo process in the early 90s, has resulted in further complication and confusion for the public. On the one hand, the values about managing public goods and properties which people internalised as a result of a long-term occupation were not easily discarded. On the other hand, Israel remained in full control of the process of water management. Despite acknowledging the Palestinian Water Rights, Israel never agreed to quantify such rights. Nor did Israel agree to develop an independent mechanism for the Palestinians to manage their own water resources.

Palestinians, however, developed national plans and laws to govern water management in the OPT. The law proposes to establish four public water and wastewater management utilises in the OPT. However, until they can be realized, the current management systems, in which municipalities and village councils provide water and sanitation services, will continue. Most of these councils lack adequate infrastructures, technical skills, and human and financial resource capacity. Therefore, they operate under a year round deficit.

current statistics show that 29% of the Palestinian communities (7% of population) are not connected to drinking water. In the areas connected to a water supply, 15% of the population are not served. This results in 23% of the total population not being supplied with water supply in the West Bank (PHG 2003). In addition, 60% of the urban areas are connected to sewerage systems while almost all rural areas and 40% of urban areas are not yet connected. The existing on-site sewage disposal in rural areas does not accommodate the vast increase in wastewater generated by the population. (Almost 96% of households in the West Bank villages use cesspits.) Thus, untreated sewage contaminates groundwater, wadi beds and agricultural fields which causes serious community and environmental health problems.

Despite the fact that the total renewable water resources in the West Bank and Gaza is estimated at 722 MCM / year, in the form of groundwater resources (Palestinians are not allocated their rightful shares from surface water), Palestinians are allowed to use only 250 MCM / year and the rest is used by Israel.

Current water management models

In the West Bank, the private sector is given no opportunity to interfere in the water supply sector. Public water utilities, municipal and village councils both own and operate the water supply sector. Water supply management can be grouped into two main categories:

1. Delegated public management model

In the delegated public management model, the system is built up and operated by a water utility. A water utility also operates the infrastructure as a permanent concessionaire. In this model, water utilities are owned by group of municipalities (shareholders) and thus it is a public organization, although it may be operated on a commercial basis.

This model was developed in the West Bank during the time of Jordanian rule prior to 1967. Two major utilities have been established. The Jerusalem Water Undertaking (JWU) currently runs the water sector in Ramallah and part of Jerusalem Governorates. The Water Supply and Sewage Authority (WSSA) runs the water supply and sanitation sector in the Bethlehem Governorate.

2. Direct public management model

In the direct management model, the municipalities or village councils manage the water services. Municipalities are responsible for funding the current investment and capital cost. Capital investments are almost completely funded by external financial aids (national or international development agencies), and municipalities are the owners of the infrastructure and the operators of the system. Direct public management is the most dominant management mode in Palestine.

The following table summarises the number of water supply providers in Palestine, and the populations they serve, with their supply volume under both management models.

Table (1): Size of the current management models in West Bank

Management Mode	*Service volume Mcm..*	*Water Supplier Number*	*Number of Served communities*	*Served Population*
Delegated Public Management	7.744	2	59	272873
Direct Public Management	30387	272	299	1188776
Non served	0	132	150	110017
Total	38131	406	508	1571666

Source: Modified from Salih, 1998

Opportunities and challenges

Both public models are functional in the OPT but the first model is more efficient as it is able to provide better services.. This is because delegated public management is more autonomous, it has more technical capacity and runs on a cost recovery basis for the services provided.

Efficiency is lower with the direct public management mode. The customer base is smaller in general, most of the municipal and village councils do not have a separate division to run the water management. Budgets are not differentiated among the various services provided or the revenue collected. It is difficult for this management model to be run on a sustainable basis. Development in the infrastructure needs financial support from external sources. This is also the case in the first model, though to a lesser degree. Donor agencies provide money as grants and loans, especially the World Bank and the European Investment Bank. Although such loans are soft and long term, they increase the national debt. Palestine is becoming yet another country with huge external debt that ensures it will remain underdeveloped and dependent on charity and other, longer-tem loans to repay their current loans.

In this context, and with the special situation in Palestine where Israel still controls almost all

important issues, a clear economic policy must be adopted whereby the production sector borrow money rather than the basic services. Then the Palestinian production sector might invest locally in the services sector and the Government would be responsible to regulate and facilitate the issue in transparent and efficient manner.

In addition, there is a need for democratic tools and mechanisms whereby public sector performance is clearly monitored and openly reported. The public must play its role as responsible actors. For this to happen, awareness campaigns are needed to educate people about their rights and obligations and to help them move from the misconceptions inherited from the pervious era of occupation to those of national institution building and management.

The message

Accumulated knowledge and capacity can create the potential for sustainable management of both resources and supply services in Palestine. However, with continued occupation, oppression, control of resources, and destruction of infrastructure, investment opportunities and sustainable management cannot be expected. Economic deterioration will continue, poverty will increase as will social unrest, all of which will render any services provided unsustainable. Hence, no matter what programmes are introduced, they will never provide the level of development that enables people to move from being consumers to being producers. Development will merely be a reaction to humanitarian issues and no more. Accordingly, we urge our friends and solidarity movements to increase the pressure to end the Israeli Occupation. This will enable the Palestinians to run their lives with dignity and freedom. And to be able to claim their civic, political, legal and other rights as do other nations around the world.

17. Philippine Experiences in Alternatives to Privatization of Water Services

By Dr Buenaventura B. Dargantes *and* ***Marx Anthony L. Dargantes***

1. Introduction

The dynamics of natural resources management and utilization inevitably give rise to conflicts in the control of ecosystem components and in the implementation of the control mechanism itself (Dargantes, 1993). Water resources have not been immune to these conflicts, and the process of allocating control has become a point of ideological and operational contention.

Within this perspective, privatization can be viewed as an ideological orientation within which the process of allocating control over a natural resource can be effected. In the Philippines, this process gained official impetus when the Board of the National Economic Development Authority (NEDA) decided that the privatization of existing water districts (WDs) should be vigorously pursued. Also, that large commercially-viable water service areas like Metro Manila, Metro Cebu, Zamboanga and Davao be formed or converted into Securities and Exchange Commission (SEC)-style private water corporations. These would be independent of the Local Water Utilities Administration (LWUA) and other government funding institutions but subject to regulation by the National Water Regulation Board (NWRB).

This paper reviews the context of the official policy and examines some of the operational contentions to support privatization. It also provides examples of community initiatives to guarantee access to a minimum quantity and quality of water.

2. Context of the Official Privatization Policy

A NEDA Board Resolution 4 (s.1994) would provides some insight into the official policy to pursue privatization. Firstly, the targets of privatization were specified to be large commercially-viable service areas. Although privatization is premised on market forces, the policy itself would provide a form of state intervention in the delivery of water services. Such state “guidance” would become conflictual

when superimposed over another decision arrived at by NEDA Board Resolution No. 4.

Paragraph (g) ruled that with respect to responsibilities in the sector, NEDA Board Resolution No. 5 (s. 1989) was to be amended to allow local government units (LGUs) to implement all levels of water supply projects consistent with the decentralization and devolution process. This is while mandating LWUA to implement only financially viable projects. (LUWA is a specialized lending institution created to promote, develop and finance local water utilities.) The intention might not be sinister, but the impression is that:
1) commercially-viable service areas should be turned over by government-owned and -controlled corporations (namely water districts) to private corporations;
2) LWUA should keep its hands off projects that are not financially-viable;
3) all other projects are the responsibility of the LGUs.

Such a policy provides a framework for the much vaunted interplay of market forces that is supposed to underpin privatization. Operationally, it provides a platform for effecting a reduction of subsidies to the poor while increasing subsidies to the private sector through concessional loans and sovereign guarantees to water financing. (See e.g. AGWASS, 2005)

Such rule would, inevitably, affect the delivery of water supply services to concessionaires. In 2005, for example, the Philippines had a total of 1,639 water utilities, 26% of which were water districts. (See Table 1.) According to a creditworthiness rating undertaken by the LWUA, 14 of these water districts were identified as creditworthy, 26 as semi-creditworthy and one as pre-creditworthy. Creditworthy water districts are potential commercial investment opportunities (in other words, targets of privatization). Based on this rating system, LWUA would then confine its concession funds to the development of semi-creditworthy and pre-creditworthy water districts, so that these could graduate to become creditworthy). The other 390 or so water districts (categorized as "non-creditworthy") would have to wait until "non-traditional financing" mechanisms are put in place "to further enhance the flow of funds into the water sector."

Table 1. Philippine Water Utilities by Type of Management Model as of 2005

Type of Management Model	**Description of Model**	**Number**	**Percent**
Water District	Quasi-public corporations formed pursuant to the Philippine Provincial Water Utilities Act to operate and maintain water supply and distribution systems	430	26.24
Local Government-Operated	Water supply systems owned and operated by provincial, city & municipal governments	700	42.71
Privately-Operated	Water supply systems owned and operated by private persons (individual and corporate)	9	0.55
Managed by Users or Communities*	Water supply systems owned, operated and/or maintained by communities and/or community-based users groups or organizations	500	30.51
Cooperative	Organizations formed pursuant to the Cooperative Code of the Philippines to operate and maintain a water supply system		
Barangay Waterworks and Sanitation Association (BWSA)	Non-stock, non-profit organizations composed mainly of residents of a village envisioned to operate and manage Level I water supply facilities		
Rural Waterworks and Sanitation Association (RWSA)	Non-stock, non-profit organizations composed of residents of a village or of adjoining villages envisioned to operate and manage Level II water supply facilities		

Source of Data: Philippines Small Towns Water Utilities Data Book, 2005

The bias of the development of water districts for privatization underlines the urgent need to strengthen water supply systems that are operated by local governments and by users groups and

community-based organizations. Usually, the area of coverage of local government-operated systems corresponds with the political-administrative boundaries of the LGU. Community-managed systems, on the other hand, would operate in areas not covered by water service providers based on agreements reached by the affected households. Organizationally, these systems could take the form of cooperatives registered under the Cooperative Development Authority (CDA), BWSAs registered under the Department of Interior and Local Government (DILG), or RWSAs registered with LWUA. Although these types of water supply systems make up more than 70% percent of providers in the Philippines, and have been in operation longer than all privately-operated systems, their financial resilience and capacity to take on social and environmental costs as integral components of water supply service delivery need to be publicized to provide a counterpoint to privatization.

3. Financial sustainability in community-based water services

One of the arguments supporting privatization is the misconception that poor people's resources would not suffice for capital investments and could not sustain the recurrent maintenance and operating costs of water supply systems. This stems from the view that water is a commodity and that the provision of water services should operate on a full cost recovery mode. The misconception comes from underestimating the capacity and willingness of the poor to pay a fair rate. But some BWSAs in Samar, for example, were willing to pay more to be sure of efficient delivery of water services. In many cases, moreover, local officials offered to charge the cost of new installations and of repairs to public funds. These are costs which would have been funded by local infrastructure budgets or by congressional allocations. Although advocates of privatization see this as a manifestation of a weak billing system and political interference, this reflects a mechanism wherein the cost of providing water service could actually be implemented without privatization.

Many consumers were already paying higher rates and were still willing to pay rates that approximate the actual costs of service delivery. From a governance perspective, the arrangement allows LGUs to fulfill their mandate to maintain water supply systems or to establish infrastructure intended to service the water needs of the residents. In the process, LGUs minimize any negative impacts that might be brought about by poor water supply, and generate dividends in terms of lower expenditures for health care. (A more in-depth study would have to be made regarding this as water service providers normally would not divulge lapses in the water quality maintenance, and local governments are not yet used to computing savings generated by preventative measures.). As a pro-poor intervention, the arrangement assures water consumers of a socially acceptable pricing and collection mechanism, especially when prices are not based on marginal cost computations

Considering that such forms of local government–community arrangements are prevalent not only at the village level but also in municipal, city and provincial levels, the financial viability of water supply systems not only rests with the pricing of water as a resource, but also on the worth of a good water service delivery system as it contributes to human welfare. Of course, privatization advocates would see these variables for valuing water as functional components of costs that could be subjected to shadow pricing methodologies. Communities, however, would look at these variables as integral parts of the social and ecological domains of a sustainable water supply system.

4. The social and ecological components of water supply systems

In many community-level (barangay/village, municipal and city) discussions on ensuring sustainable supplies and maintaining water quality, one common topic was the protection of water sources. Local government units, BWSA members and water district consumers usually showed their willingness to rehabilitate and protect watersheds and practice conservation. These include tree planting and implementing watershed-compatible farming systems, local legislation to regulate land use, and community-based protection and law enforcement. Such activities show that communities look at these social and environmental costs as integral components of a functional water supply system—and are not external to it.

This contrasts with the officially-segregated financial transaction for the management and protection of identified critical watersheds. Taking the official government proposal to privatize the Metro Cebu Water District as an example, its implementation would effectively segregate the development costs for the Mananga-Kotkot-Lusaran Watersheds from the other component costs of the water supply system. Whereas the financial burden for repaying the loan incurred to develop the watershed would remain in the public domain (considering that it is a sovereign indebtedness), the financial returns that would be derived from harvesting the water would then accrue to the private entity that acquires operational control over the natural resource. Some LGU officials complained that such an arrangement would make the LGU responsible for ensuring that the watershed remains productive, but would undeservedly give a private entity the entitlement for the abstraction of the water yield.

5. The conjunctive use strategy

Many advocates of a pro-poor strategy for improving access to and equitable allocation of water wonder why affluent communities have enough good quality water to flush their toilets, while economically-depressed areas do not have enough for basic consumption. Pro-privatization advocates find the answers quite obvious and simple: the rich can afford it and the poor could have it if they could pay for it. And this situation is supposed to have been brought about by economic inefficiencies and excessive administrative centralization inherent in state control of water.

Data from selected sites of Samar and Southern Leyte, however, show that households obtain water from a variety of sources. If a piped system exists, people get their water from this source, even if they have to stand in line at communal taps. And, they will wash their clothes and dishes and shower there. They will even use the water from piped systems to flush their toilets, water their plants or clean the pigpens. But when a piped system is not available, people will get their water for drinking and cooking from safe sources like springs and pumps. For other purposes, water from streams, rivers and open dug wells would be good enough. (Please see Table 2.)

Table 2. Highest Percentage of Households in Selected Barangays of Salcedo, Eastern Samar Getting Water for Various Uses from Different Sources as of 2002

Uses of Water	**Identified Sources of Water**					
	Open Dug Well	Stream/ River	Spring	Shallow Tube Well Pump	Deep Well Pump	Piped Water System
Drinking	9.73	7.69	41.60	40.76	7.98	100.00
Washing Clothes	26.55	47.06	17.31	24.79	7.98	95.56
Washing Dishes	27.43	32.35	17.31	29.83	8.40	95.56
Showering/Bathing	24.78	32.77	17.31	24.37	7.98	95.56
Flushing Toilets	27.43	27.73	10.50	24.79	7.98	86.67
Watering Plants	30.09	28.99	11.76	21.01	7.56	91.11
Cleaning Pigpens & Poultry Houses	9.73	32.69	17.31	11.34	2.10	50.00
Washing Cars & other Vehicles	0.42	2.10	2.10	2.10	2.52	5.00

This data shows that water use depends on availability and access, which in turn determines convenience and time allocation. Water quality is critical for consumption but for other applications, only a certain level of acceptability is required. Although such a multiple system of water supply has been in existence in many societies, an insistence on single systems has led to the notion that economic efficiency should be an overarching concern to improve the delivery of high quality water. Unfortunately, this adherence to a single system of water delivery has diverted attention away from the optimization of access to various sources to facilitate the conjunctive use of water for various purposes.

The adoption of multiple supply systems to accommodate conjunctive uses of water in urban settlements necessitates, nonetheless, a rethinking of water quality standards, distribution infrastructure (including house construction standards), water abstraction regimes, and price determination methodologies. The tasks ahead would definitely be daunting.

Although communities and local governments have been doing multiple sourcing and conjunctive utilization of water for some time, the adoption of this system would require a corresponding capacitation of stakeholders to prepare them for the task of scaling up. Once again, the incipient benchmarking process could provide opportunities for identifying and designing competency-based staff development programmes for both labour and management. Disregarding capacity-building could again lead privatization advocates to capture and appropriate the reform initiative to the detriment of the water consuming public.

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18. Struggles for People-centered Models: The Case of AGWWAS and its Role in the Campaign against Privatization in Cebu

By Victor G. Chiong

The process of privatization as state policy in the Philippines started in 1990 through a World Bank funded study by Lead Tasman Ltd. One of the study's recommendations was to privatize major water districts (WD) in the country.

In 1992 the Supreme Court declared WD's a Government Owned and Controlled Corporation (GOCC). In 1997, for the Metro Cebu Water District, Phase I of the LWUA-ADB assisted programme paved the way for the construction of the Mananga Dam. In 1999, House Bill 6126 "An Act Creating Cebu Water Resource Mgt. Authority and Senate Bill 1829 "An Act Creating Cebu Water & Sewerage Authority" ushered in the entry of Independent Water Producers (IWPs) in the province. We now have Abejo, Foremost, Helpmate, Mactan Rock and the proposed Carmen Bulk Water Supply Project handling water sourcing and distribution. This is done in the guise of augmenting the effort of government units in making water accessible to the community. Last year, to facilitate the entry of private interest into the Local Water Utility Administration (LWUA) & privatization of Water Districts', resolutions were passed in the province and the congress. The national government, through strong control of foreign monopoly corporations, tried to concoct a scenario that the water districts all over the archipelago failed to deliver services to the community. Despite the absence of national subsidies or annual national budget allocation, WD's are able to sustain its expansion programmes and continuously deliver efficient water services to the public.

Contrary to the rosy images painted by privatization's proponents, privatization schemes threaten the security of both unionized and non-unionized workers. This is especially true for the union which has the role of being the bargaining representative. Corporate control over water resources, as experienced by the privatization of MWS, resulted in a rate hike of 357.6% (Maynilad) to 414.4% (Manila Water) between August 1997 and January 2007. It made water more and more inaccessible to the poor majority. Various international financing institutions of Northern governments played an active role in the deterioration of the concept of water service being a social service. For example, the International Finance Corp, the transaction advisor and private financial arm of the World Bank, assisted Metropolitan Cebu Water District (MCWD) in a review of the Carmen bulk water supply project & conduct 'fair & transparent' selection process for Private Sector Participation (PSP), it is interesting to note that IFC has 7.4% shareholding in Manila Water Co. The project sponsor of the Carmen bulk water supply. Clearly, This is a case of conflict of interest: MCWD should not have used the services of the IFC because the independence and credibility of its advice is compromised. The IFC consultant/advisor's fee of US$325,000 is being paid by MCWD. Our water district paid US$40,000. The IFC recommended that US$285,000 or P14.535M should be awarded to the winning bidder. Guess who won?

To counter privatization schemes and privatization's agenda, we have relied only on the strength of the union and the broad masses of the people. In 1994 we started an aggressive campaign against privatization and corporate control and began the arduous task of consolidating our ranks and linking our efforts with grassroots organizations. We were one of the convenors of the initiative to form community alliances (PATUBIG), provincial alliances (PATAK Sugbo), and to nationalize the campaign we organized the Alliance of Government Workers in the Water Sector (AGWWAS). Through a strong advocacy programme we were able to pursue government resolutions both in the local and national settings, we have (1999) HB 6126 & SB 1829, (2006) HB 6076 & SB2595. To further strengthen our campaign, we decided to bring the issue into the international arena. It is also our organization's intention that our campaign make a significant contribution to global initiatives against privatization. Our direct actions and timely mobilizations were successful since other sectors and stakeholders were involved in the campaign, we have the Congress and Senate, church leaders, media, peoples' organizations, local government officials, university, community, and the media.

Our movement strongly advocates that the only viable and long-term solution to the water crisis is people's effective control over water systems and resources. People's control ensures the equitable, sustainable and rational use of water for the general social good. To make concrete such proposal, it is important and logical to pursue Public-to-Public Partnerships. The local water district (MCWD) should engage in joint agreements with the Local Government Unit (LGU) where the source of water is located. Similarly, the Cebu city government will develop the project through a joint agreement with the Cebu provincial government. On a national level there is a need to reform and develop water policies that are responsive to the needs of the majority. There is a need to promote the Filipino People's Water Code, which has guiding principles for implementing pro-people policies and programmes on water services, water supply infrastructure management and water resource utilization. The lack of a law that would confer upon the people absolute control over public water system is one of the main obstacles to a people-centered public water becoming a reality.

Water infrastructure projects must be financed by the national or local government through the annual budget since the barriers where it is anchored can be attributed to wrong prioritization of the annual budget allocation in which almost 40% of the annual budget is intended to debt-servicing. To ensure this has a significant international impact there must be concrete recommendations and aggressive lobbying by water activists internationally to pressure the WB, IMF and other financial institutions to stop its policy of privatizing all basic services. The international movement for water justice should join the campaign against privatization and promote Public-to-Public Partnerships. More support against privatization, for the implementation of the people's alternatives and to exert pressure is needed for our government to stop its privatization policy on local water districts in the Philippines. We would like the following to happen:

- Ensure public to public partnership (PUP), with a framework that details the partnership of Local Water Districts with another Local Water District (LWD), or LWD with the LGU, or between an LGU and another LGU (the user and source of water) and link public water managers by promoting PUP mechanisms,
- Create mechanisms to allow systematic water operator partnerships on a non-profit basis.

Unions are making alliances with citizens' groups to demand the tools to implement the Human Rights to Water. In the Philippines, AGWWAS is introducing the concept of PUPs to publicly manage local water districts and local governments, and for them to jointly develop bulk water supply projects, rather than go the risky, and in many cases failed, BOT route.

We are still in the process of negotiations with the top-level management and decision-makers of the local water districts. In October 2007, we held workshops in the benchmarking of LWD performance and the PUP mechanism to hopefully lead to the realization of the project. We started this when PSP proposals became rampant. It involved workers' unions, management and PSIRU staff. The concept is new and there is still room for improvement. There are some instances that decision makers are hesitant to push through the project for lack of technical capacity to handle the uncertainty as well as the sustainability/viability of the project. The threat to its success is the strong lobbying of the private sector with full backing by the WB & IMF. Among us, the workers and the community, PUP is more viable and is on higher moral ground, PUP ensures that LWD remains public and it is purely for service compared to public-private partnership where everything serves the interests of profit. More than ever, we need to tune in all our efforts to bring the water to the people, let us mobilize to defeat and frustrate the evils of privatization. We shall overcome. Pursue PUP now. Long live the people's movement. We shall overcome.

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19. Privatization of Waterworks in Thailand

By Montree Chantawong, Payungsak Khachasawat and Kannikar Kittivejakul

Overview of privatization in Thailand

Privatization has been heavily promoted in Thailand by the World Bank and the Asian Development Bank Following the guidelines in the Asian Development Bank's report (2000) entitled Beyond the Crisis: A Strategy for Renewing Rural Development in Thailand, the World Bank proposed a thorough system reform. Significant components of the reform were the development of administrative and institutional mechanisms, including introducing a system of tradable property rights over water. The reform envisaged a minimal role for the state, while the private sector would step in to manage water resources within a free market system. This would be on the principle that "water should be used by those who can provide the highest economic return" (see box).

The WB and the ADB claim that privatization is necessary in Thailand due to the government and people's failure to manage the water. They argue that while the state's welfare system has incurred high water management costs to the state, water prices do not cover the real costs.

The influence of the Banks was at its highest in the immediate aftermath of the economic crisis in 1997, when an IMF rescue package set strict conditions, insisting on government cost reduction policies the introduction of private sector concessions, leases, and expanded joint investment opportunities in several state enterprises. However we need to look back to the early 1990's to witness Thailand's first steps towards privatization.

First steps

In September 1992, the Anand government issued a cabinet resolution to establish the East Water Co., Ltd. This was a company 100% owned by the Provincial Waterworks Authority (PWA) (see box), and was responsible for the management and development of major raw water supply pipeline to Thailand's Eastern Seaboard, which covered seven provinces [67]. The aim was to address water shortages and to serve the rapidly increasing demand for water due to the expansion of industrial sector. A contract for the administration and operation of the major pipeline system was signed between the company and the Ministry of Finance for a period of 30 years.

Under this contract, the East Water Co., Ltd. operates as a form of monopoly. Water in the Nongkho and Dokkrai reservoirs is allocated exclusively to the company. The company has exclusive rights and powers over water management including water diversion, and can sell water for the highest economic return. However, water is mainly extracted from reservoirs built by the Department of Irrigation with taxpayers' money.

East Water - a win-win situation for all in Thailand?

In its 2001 publication Water for All which promotes water privatisation, the ADB said: "The Government established East Water as a subsidiary of the Provincial Waterworks Authority in 1992. The objective was to expand the system and manage it with resources from the private sector. The Government took all the water supply facilities it had invested in on the eastern seaboard and leased them to East Water for 30 years. East Water is making profits annually, the quality of service has improved, non-revenue water is less than 5 percent, the company is listed on the Thai stock exchange, and the Government is not burdened with expenditure for water supplies – a win-win situation for all."

Experiences in Thailand show that under this neoliberal approach, water becomes unaffordable for the poorest.

Second phase of privatization

In 1994, the Asian Development Bank funded a Water Privatization Project (TA No.1907) which, along with other studies, recommended that water prices reflect the real costs; that adequate and continuous water supply must be managed through market mechanisms;, legislative reform and massive water diversion projects; and that measures must be put in place to prevent underground water, a major cause of land subsidence. Under the guidance of this ADB project, contracts were signed in various forms in Nakornpathom, Samutprakarn, Ratchaburi, Samutsongkram, Phuket, Nakornsawan, Rayong, Chachoengsao and Chonburi province.

In July 1995, the PWA signed a contract to establish a joint-investment company with the Thames Water International (Thailand), Ltd. Group, registered under the name Pathumthani

[67] The 1992 Private Sector Joint-Investment in State Enterprises Act in 1992 facilitated this development.

Waterworks Co. Ltd. The joint-investment was carried out on a BOT (Build Operate Transfer) model that carries a number of responsibilities on the part of private companies. The group also has to transfer the property to PWA once the contract period ends.

The PWA signed a 25 year contract to operate the waterworks with the Pathumthani Waterworks Co, three years later. Present shareholders of the Pathumthani Waterworks Co are: Thames Water International Co. Ltd. - 43.5%, Chor Karnchang PLC - 28.5%, Berli Juker PLC -15%, PWA - 5%, Thai Military Bank, PLC - 4%, Krung Thai Bank, PLC - 4%.

One of the conditions in the contract is a guarantee of the minimum purchase of water - 140,000 m^3 per day or pay compensation to the company. The company is permitted to adjust the price of water annually in accordance with the consumer price index. At present, the water price sold by the company to the PWA is 8.19 baht per m^3 while the initial price in 1998 was 7.95 baht per m^3.

A summary report of the Pathumthani Waterworks Co., Ltd., shown on its webpage, indicates a number of problems. Industrial users, who are the major targets of this project, still use cheaper underground water with permission from the Department of Mineral Resources. The Pathumthani Waterworks Co., Ltd. and PWA have not yet constructed more distribution systems as agreed because of limitations and budget conflicts. There are significant water leakages. The PWA hired Thames Water International (Thailand) Co., Ltd. to lower the level of water loss to 25% within five years at the cost of 975 million baht. Since the PWA could not buy water as planned, it had to pay 118.285 million baht as compensation to the Pathumthani Waterworks Co., Ltd. in 1999.

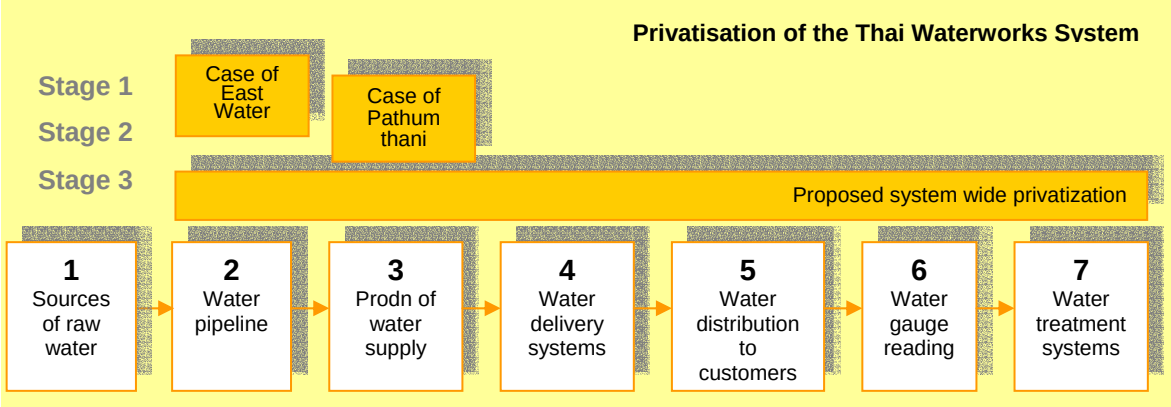
The PWA tried to solve problems in many ways. Public relations activities were launched; water prices and fees for setting up the pipelines were reduced; the number of household users was increased; service areas were expanded to another province - Ayutdhaya; and the Department of Mineral Resources was persuaded to cancel permission for underground water use. However, the illegal use of underground water is increasing. Essentially the 25-year concession of the Pathumthani Waterworks Co., Ltd. does nothing to provide opportunities for free competition that would benefit consumers. It simply serves to transfer the monopoly on waterworks management from the state to the private sector.

Thailand's water management institutions

At present, waterworks in Thailand are under the responsibility of two major state enterprises: **Metropolitan Waterworks Authority** (MWA) responsible for the provision and production of water for people in Bangkok and adjacent areas, and the **Provincial Waterworks Authority** (PWA) responsible for urban areas through out the country. **Local waterworks** systems managed by municipalities and villages. The construction of these waterworks is usually supported by several government organizations such as the Ministry of Health, the Office of Acceleration of Rural Development while water management is carried out by village communities.

From joint investment to full concession

A study on the privatization of waterworks business funded by the World Bank and conducted by the Tasman Asia Pacific Co., Ltd in 2001 led to a rethink of the water distribution system. In March 2002, the government approved the Pathumthani-Rangsit Waterworks Project under which private companies received full concessions. These include the rights to produce, distribute and maintain the waterworks system, including reading the gauges, releasing notifications and receipts, collecting money, and



providing customer services. The companies would take full responsibility for the design, construction, and investment within the budget of 2,525 million baht (around US$60 million). In this way, the waterworks business in Pathumthani-Rangsit area was transformed into a form of administration under full control of the private sector. One notable difference being that the company is no longer obliged to transfer property rights to the state once the contract ends.
It is possible that the company operation will lead to higher water prices. The Ministry of Interior suggested to the government that the price in the first year after the concession was granted should be, on average, 16.49 baht per m^3 of water. This is much higher than the current price in areas under the Pathumthani-Rangsit Project which stand at 11.25 baht / m^3 of water. However, it is consistent with results of the Tasman study on waterworks privatization which recommended that the water price be adjusted to fit the real cost of production. This would mean about 15 baht / m^3 even without privatization.

Plans for full system privatisation

The Tasman study on the privatization of provincial waterworks recommended that five companies be formed according to the State Enterprise Capital Act 2002, to divide up the country's waterworks management between them, along with a Water Regulatory Commission to be responsible for licensing and managing waterworks and water treatment.
The plan first required the transformation of the PWA and MWA into companies to be ready for registration with the Stock Exchange by 2003 and 2004 respectively. The new companies will have to raise their own income and the easiest way is to raise water prices. It is expected that water prices will be adjusted by up to 50% or approximately 18-19 baht/m^3. All new investment costs will also be passed onto the customer in this way.
However the extensive plans and strong imperatives, developed around five years ago, were all put on hold. The government had its hands full tackling the massive campaign against the privatisation of another crucial state enterprise, EGAT., which resulted in the decision to privatise EGAT being overturned.
To date therefore, there is still no privatisation of the entire waterworks system. The plans for the PWA and MWA have not been laid to rest, however. Several versions of a new investment bill that would facilitate privatisation have been drafted, and will take time to be debated following the 2007 elections. The plans for privatisation will no doubt be revived, and Thai civil society must stay prepared to challenge any proposals which transfer control of essential public services to powerful private monopolies. Fair allocation must be provided to all water users and the only way to ensure this is to allow for proper participation in the decision making at all levels including large, medium and small scale river basins.

Alternatives to privatization

People must be allowed to participate in the MWA and PWA, and the plans must be transparent and based on consultation. The waterworks could be reorganized separating producers and suppliers, but the private sector should only be brought in where there is no danger of monopoly. Priority should be given to household use. For industrial use, the private sector could be brought in as managers, supervised by an independent committee. An autonomous body for water management and monitoring should be created with civil society participation and guidelines should be created for reducing water demand. Local organisations should be supported to develop their own waterworks systems, including small scale waterworks.
Proposals have been put forward by the local peoples' organizations, supported by academic studies as well as practical experience. These suggest that the unit of water management must be a real unit based on an eco-systems or river basin approach, which requires people's participation at all levels. Rights to water management should be based on a multiple rights system, not a monopoly or private ownership. Fair and efficient management should be promoted through the establishment of administrative organisations at the river basin level and an autonomous regulatory committee.

Montree Chantawong, Payungsak Khachasawat, and Kannikar Kittivejakul are all with the Foundation for Ecological Recovery.

This chapter is an updated synopsis of a study published in 2003. Rebeca Leonard's contribution to that work is acknowledged.