

Multilateral Agencies and Urban Governance: A Case of Water Sector Reforms in Mumbai

Since the ushering in of the liberalisation process in the early 90s, multilateral institutions like the World Bank (WB), International Monetary Fund (IMF) and the Asian Development Bank (ADB) have been pushing for reforms in the water sector in India. The behaviour of these multilateral institutions with the countries in the South undermines the autonomy of the provincial and local government of the latter. For instance, the World Bank and the Asian Development Bank have influenced the new National Water Policy, 2002 in India that emphasises the role of the private sector and its participation. The policy document states “private sector participation should be encouraged in planning, development and management of water resources projects for diverse uses, wherever feasible. Private sector participation may help in introducing innovative ideas, generating financial resources and introducing corporate management and improving service efficiency and accountability to users. Depending upon the specific situations, various combinations of private sector participation, in building, owning, operating, leasing and transferring of water resources facilities, may be considered”.

It is in this manner that Public – Private Partnerships (PPPs) have become the latest mantra in international water aid and PPP projects are meant to transform water services from a public service to a corporate controlled enterprise. Water – a life resource has been ascribed the status of 'blue gold' – thus commodifying it for profit. The Public-Private Infrastructure Advisory Facility (PPIAF) and World Bank are ensuring this change through funding conditionalities and facilitating takeover of water services by commercial, corporate interests. This has recently been demonstrated in Mumbai where PPIAF, has guaranteed the handing over of water services to private contractors, by granting a measly sum of US\$600,000 as technical assistance to the Municipal Corporation of Greater Mumbai (MCGM).

Mumbai, the commercial capital of India, is a rapidly growing metropolis (with a population of 11.91 million of which 55% live in the slums¹) spread over an area of 437 sq km on the west coast of India. The World Bank had already funded the three stages of the Bhatsa water supply project in the city and has a keen interest in water distribution. The MCGM has been toying with the idea of private partnership since 1999 in order to generate resources.

¹ All India Census 2001

Feeling Private Sector Participation (PSP) to be the need of the hour as public bodies face a lot of political constraints and cannot raise water tariffs, MCGM organised a round-table meeting on possible private sector operations in Mumbai's water supply operations on February 9, 2001 in Mumbai and expressed its intention to pilot a performance-based management contract through PSP in K-East Ward of Mumbai.² The MCGM also sought the support of the Ministry of Urban Development, within the Government of India, in obtaining assistance from PPIAF for detailed preparation of proposals as well as for a 'learning and innovation loan' from the World Bank.³ In mid 2004, the PPIAF approved a grant of US\$692,500⁴ for "assisting the Government in procuring suitable consultants with international experience in PSP in water supply services, specifically in preparation of bid documents and for pre and post qualification of bidders for the implementation of management contract in Mumbai".⁵ PPIAF also authorised the World Bank to be the executing agency for the grant.

MCGM was kept out of the loop in the most strategic areas. Through their own selection process, the World Bank and PPIAF appointed the consultants for the K-East Water Distribution Improvement Project (WDIP) study and the contract and terms of reference were signed between the World Bank and the consultant Castalia Strategic Advisors (a French consultancy firm). Castalia was assigned to study, design and develop a model so as to eventually curb water leakage, pilferage and contamination and ensure an efficient 24x7 water supply, as well as develop a bidding process that would result in outsourcing a medium term management contract to an international operator⁶. Moreover, the choice of selection as well as negotiations with the selected private water company (operator) lies with the World Bank and Castalia, through a pre-qualification and bidding process.⁷

Why did MCGM authorize PPIAF to hire a foreign private consultant, Castalia to hand over the water supply of Mumbai's K-East ward to a private multinational firm? And on what

² Mr. Subosh Kumar (Additional Municipal Commissioner- Projects, Mumbai) letter to Mr. S. Banerjee (Joint Secretary, Ministry of Urban Development, Government of India) dated 13th February 2001. (Document obtained under Right to Information)

³ *ibid.*

⁴ Jyoti Shukla (Program Manager, PPIAF) letter to Johnny Joseph, Municipal Commissioner of Mumbai, dated 17th July 2004 (document obtained through Right to Information). However, we do not know when and why this amount was reduced to \$600,000 USD

⁵ PPIAF: Fourth Quarter FY04 Report (Approved Activities for the period April 1 – June 30, 2004) Reported on August 10, 2004.

⁶ Terms of Reference of the Contract signed between the World Bank and Castalia Strategic Advisors Ltd. See website: <http://www.keastwardwater.org/FTP/TOR.pdf>

⁷ *Ibid*

grounds can the World Bank authorise Castalia to prepare bids for handing over management of water supply to an international operator? The World Bank, as per the terms of reference, leaves no policy space for MCGM to take an independent decision because the MCGM would need World Bank clearance "on key processing steps to ensure potential compatibility with World Bank procurement guidelines". Hence, in an exchange for just US\$600,000 the MCGM has let go of its capacity to take independent policy decisions. Such is the reform oriented 'democracy' of the World Bank and PPIAF, which bypasses the authority of the local government.

In fact such a study could easily be financed out of the revenue collection from the K-East ward. After the humiliating exposé in Delhi,⁸ the World Bank desperately needs to showcase a successful example for its failed model of water privatisation. And the profit making water services in K-East offers this opportunity to the World Bank. In Mumbai, the World Bank ensured not to make the similar mistake and therefore the contract was designed in such a way that MCGM has to consult the World Bank at every step. K-East is one of four wards in Mumbai, which generates a profit - a revenue collection of Rs. 400.43 million from water services while the operating cost is just Rs. 65 million.⁹ Technologically and infrastructure-wise, K-East is one of the best wards in Mumbai. The choice of K-East ward is therefore strategic because it is bound to result in successful implementation of WDIP.

The World Bank's latest farce has been to organize stakeholders meetings as if anyone has a say in the matter. This was most aptly displayed in all the 3 stakeholder meetings that were organized. In the first stakeholders meeting on this project, held on 15th May 2006, the MCGM representatives denied that this project involved any privatisation and that they would never outsource, sell, or privatise its water and water assets. However, in reality it was otherwise. The terms of reference state in '*A Precise Statement of Objectives*' that 'MCGM envisages to award a "*Water Distribution Improvement Contract*" to a 'Professional Operator' to demonstrate, in a selected pilot area, that it is possible to achieve an improved water supply service'....'MCGM wishes to develop a medium term contract, whereby an Operator will be paid a management-fee plus a bonus linked to its performance. MCGM is

⁸ PPIAF had funded the initial study of the Delhi 24x7 project which got stalled in November 2005 because citizens found that the World Bank had arbitrarily interfered in selecting consultants for the project. Documents retrieved through Right to Information revealed that the terms and conditions of the entire water reforms project in Delhi was dictated by the World Bank. The aim was to hand over the management of each of the 21 zones to multinational corporations (MNCs)

⁹ Terms of Reference of the Contract signed between the World Bank and Castalia Ltd. See website: <http://www.keastwardwater.org/FTP/TOR.pdf>

however ready to consider any other option that would transfer more risks and responsibilities to the Operator...¹⁰ Indeed, the very involvement of PPIAF indicates that privatisation is involved, for PPIAF has been set up with the express aim of “helping developing countries improve the quality of their infrastructure through private sector involvement”¹¹. Moreover, the contract between Castalia and World Bank further says that “For a period of two years after the expiration of this Contract, the Consultants shall not engage, and shall cause its Personnel as well as its Sub-consultants and their Personnel not to engage, in the activity of a purchaser (directly or indirectly) of the assets on which they advised the Bank and for the Recipient under this Contract, nor shall they engage in the activity of an adviser (directly or indirectly) of potential purchasers of such assets”.¹² This indicates that even the sale of assets is not ruled out.

Similarly last consultation held on 13th November 2007 was called by the MCGM to discuss the revised findings by Castalia. However, in course of the consultation, a new plan called “Sujal Mumbai” was released. With this plan it hopes to remove inequitable distribution of water, increase pressure levels, and deliver water 24x7 and worthy customer service. The public consultation turned out to be a mockery of all democratic values enshrined in our constitution. The MCGM had promised in earlier public consultations that no decision on the Castalia report will be made without due consultation with the general public. Contrary to these public statements, the Standing Committee decided to outsource water works, invited tenders and allotted six companies in six zones without public consultation and consent. Moreover the outsourcing decision was taken despite the total rejection by the citizen groups of the different water privatisation models recommended by Castalia at the 2nd stakeholders meeting on June 03, 2007. Even the Hydraulic Department has rejected the Castalia report saying that their findings are not new for them but their hands are tied by the functional constraints within the MCGM.

The MCGM recommends the setting up of pre-paid water meters for slums set up post 1995. It is a shame that the Municipality has done this without looking into the experiences of different countries where pre paid meters were introduced where the poor has been denied water because of poor purchasing capacity leading to epidemics like cholera and death.

¹⁰ Terms of Reference of the Contract signed between the World Bank and Castalia Ltd. See website: <http://www.keastwardwater.org/FTP/TOR.pdf>

¹¹ http://www.fdi.net/partners/fp_index.cfm?orgnum=34055

¹² <http://www.keastwardwater.org/Progress/Documents/Documents.html> (Castalia Contract PDF Special Conditions of Contract 3.2.2 (a) (iii))

While many people's organisations have expressed their willingness to pay affordable rates for legal access to water, Mumbai Paani believes it is the responsibility of the state to provide basic services to its citizens, especially the marginalised and the destitute. The matter has come up for discussion in the Standing Committee of the MCGM only after this consultation. The decision to introduce these prepaid meters for water lies in the hands of our elected corporators in the MCGM.

Our concerns about the intended objective of the study, i.e. to find out faults and ensure 24x7 water supplies was confirmed. If outsourcing the water management of the K-East ward to a private operator was the main objective, then what was the need for a study by Castalia? Strangely, the result of the study was already declared in the contract and the terms of reference but the study was actually meant to initiate a process for facilitating PSP in water services in Mumbai. And as expected, the Castalia report, which was submitted to the MCGM in early May 2007, recommended privatisation of water distribution as a measure to improve water supply in K-east ward of Mumbai. Castalia has recommended "the corporation let out its distribution on lease or contractual basis to private contractors.... It has also suggested that BMC should focus its attention on plugging water leakages, pilferage and specific consumer complaints".¹³

Since the Castalia report is out, the MCGM attempts to privatise water supply and distribution in K-East ward has created ripples in the municipal corporation.¹⁴ Some of the newly elected members of the MCGM are staunchly opposing the water privatisation in K-East. They share the concerns of Mumbai Paani in opposing water privatisation and revere water as common good.¹⁵ As one of the corporator has said, "Water is a living system, a life-giver, sacred to many communities. But private companies see water only as a commodity".¹⁶

Afsar Jafri and Surabhi Sinha

Mumbai Paani

¹³ DNA Newspaper, 4th May 2007

¹⁴ "BMC house divided over water privatisation move", The Financial Express, 14th May 2007

¹⁵ A group of concerned citizens and organisations in Mumbai which took up the cause to oppose the privatisation of water and sensitise the citizens in the city to fight to reclaim their democratic rights over water.

¹⁶ "BMC house divided over water privatisation move", The Financial Express, 14th May 2007