

PPIAF Case Study - Mumbai, India

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Public-Private Partnerships (PPPs) are the new fashion in international water aid and PPP projects are meant to replace water services from a public service into a corporate controlled enterprise. 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, by granting a pitiable amount as technical assistance, guaranteed the handing over of water services to private contractors.



Under pressure from the World Bank and IMF, India started privatisation of water in late 1990s, reducing this scarce resource, from a 'public' resource, into a 'tradable', 'profitable' and 'economic product' to be 'owned', 'exploited', 'marketed' and 'sold' to whoever can 'pay'. The process of liberalisation and privatisation in the water sector has aggressively been taken up with the adoption of the National Water Policy on 1st April 2002, which emphasises the role of the private sector in "planning, development and management of water resources projects for diverse uses" and "in building, owning, operating, leasing and transferring of water resources facilities". These provisions have simultaneously been adopted and incorporated in the water policy of the various states in India too. Based on this, the Government of Maharashtra took up private sector participation in a number of cities including Nagpur, Ulhasnagar, Navi Mumbai and others. Now it is the turn of the K-east ward, the profitable ward of Mumbai (the capital of the state of Maharashtra).

Mumbai, the commercial capital of India, is a rapidly growing metropolis (with a population of 11.91 million of which 55% live in the slums¹²) 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 MCBM¹³ (Municipal Corporation of Brihan Mumbai) has been toying with the idea of private partnership since 1999 in order to generate resources. The MCBM felt that private sector participation (PSP) is the need of the hour as public bodies face a lot of political constraints and can not raise water tariffs. It organised a roundtable 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 one of the wards of Mumbai.¹⁴ The MCBM 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.¹⁵ In mid 2004, the PPIAF approved a grant of US\$692,500¹⁶ 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".¹⁷ PPIAF also authorised the World Bank to be the executing agency for the grant.

The PPIAF grant did not come to the MCBM. It went to the World Bank which was operating the grant on behalf of PPIAF. The PPIAF and the World Bank, through its own selection process, 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 (a French consultancy firm). Castalia was supposed 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 operator. Moreover, the choice of selection as well as negotiations with the selected private water company (operator) lies with the World Bank and Castalia.

But why has the MCBM authorized 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 grounds can the World Bank authorize 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 MCBM to take an independent decision because the MCBM would need World Bank clearance "on key processing steps to ensure potential compatibility with World Bank procurement guidelines". Hence, in an exchange for a small grant of US\$600,000 the MCBM was deprived 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 the first stakeholders meeting on this project, held on 15th May 2006, the MCBM representatives denied that this project involves any privatisation and they would never outsource, sell, or privatise its water and water assets. But the reality is quite different. 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 however ready to consider any other option that would transfer more risks and responsibilities to the Operator...'¹⁸ 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". 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 Subconsultants 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".¹⁹ This indicates that even the sale of assets is not ruled out.

This raises a serious question on the intended objective of the study, i.e. to find out faults and ensure 24x7 water supplies. 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 MCBM 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 that “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”.²⁰

It is understood that the Castalia study found the average consumption of water in the K-east ward slums areas as 134²¹ liters per person per day (lpcd) which is as high as an average consumption in developed European countries like Germany (129 lpcd) and a little below the London (average consumption of 150 lpcd). It seems the report also mention that the K-east water supply is excellent. Despite this, Castalia, abiding by the contractual terms with the World Bank and PPIAF, recommends outsourcing the implementation of the WDIP in K-east ward to a single operator under a performance-based contract. Not only in Mumbai but also in Ghana, Gambia and Philippines, Castalia involvement has led to water delivery being contracted out to private companies and increases in tariffs.²²

The local government of Mumbai is now equipped with the study to adopt the failed ‘management model’ of water privatisation and hand over the water management of the K-east ward to ‘professional’ water companies like Suez, Vivendi, Thames Water, Saur International, Bechtel, Ondeo Degremont and others. Though the World Bank is acting as an agent for private companies to grab water management contracts but without any obvious reason, the MCGM has surrendered its sovereignty to PPIAF and the World Bank for just a small grant. In fact such a study could easily be financed out of the revenue collection from the K-east ward. After the humiliating exposé in Delhi²³, 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 MCBM has to consult the World Bank at every step. The 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.²⁴ 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.

Since the Castalia report is out, the MCBM attempts to privatise water supply and distribution in K-West ward has created ripples in the municipal corporation.²⁵ Some of the newly elected members of the Mumbai Municipal Corporations are staunchly opposing the water privatisation in K-east. They share the concerns of the Mumbai Paani in opposing water privatisation and revere water as common good.²⁶ 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”.²⁷

¹² All India Census 2001.

¹³ In English, it is known as MCGM (Municipal Corporation of Greater Mumbai)

¹⁴ Mr. Subodh 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).

¹⁵ Ibid.

¹⁶ Jyoti Shukla, Programme Manager (PPIAF) letter to Johnny Joseph, Municipal Commissioner of Mumbai, dated 17th July 2004 (document obtained under Right to Information). But we don't know when and why this figure was reduced to \$600,000 USD.

¹⁷ PPIAF: Fourth Quarter FY04 Report (Approved Activities for the period April 1 - June 30, 2004) Reported on August 10, 2004.

¹⁸ Terms of Reference of the Contract signed between the World Bank and Castalia Ltd. See:

<http://www.keastwardwater.org/FTP/MCGM%20Contract.pdf>.

¹⁹ Ibid, 3.2.2(a)(iii)

²⁰ DNA News paper, 4th May 2007

²¹ Currently the average water production in Mumbai is about 3000 MLD and in 2004, the per capita allocation was at 240 lpcd.

²² What's happening to your water in k-east ward-Mumbai? A fact sheet on Mumbai Paani, www.focusweb.org.

²³ 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 procured through RTI reveal that the term and conditions of the entire water reforms project in Delhi were dictated word by word by the Bank. The aim was to hand over management of each of the 21 zones to multinational companies (MNCs).

²⁴ Terms of Reference of the Contract signed between the World Bank and Castalia Ltd. See:

<http://www.keastwardwater.org/FTP/MCGM%20Contract.pdf>.

²⁵ BMC house divided over water privatisation move, The Financial Express, 14 May 2007

²⁶ A group of concerned citizens and organizations in Mumbai which took up the cause to oppose the privatization of water in the city and sensitize the citizens to fight to reclaim their democratic rights over water.

²⁷ BMC house divided over water privatisation move, The Financial Express, 14 May 2007