

Creating Enabling Conditions for Governance Reforms in Urban Water Institutions

**Dr. A. P. Tiwari, Fellow
HSMI, New Delhi**



Context

- Water crisis is a manifestation of crisis in governance and institutions.
- Urban water reforms and realignment of institutions are key for sector sustainability.
- Private sector participation (PSP) is being recommended to solve the huge challenges.
- The focus needs to shift to decentralization and governance reform, impact assessment, access to the poor and sector regulation.

Debating Water Delivery

- Political-Economy dominates the public policy discourse as water is a basic human right, a socio-political good outweighing economics.
- Concerns of the distributional effects of reforms with private sector participation overshadow consideration of the positive efficiency gains.
- State policy should reform the governance and institutional framework through restructured organizational forms.

Institutional Setting

- The Urban WSS sector is within the functional domain of State government. Institutional arrangements vary from State to State:
- State-level Public Health Engineering Departments(PHEDs).
- Specialised state-level WSS Boards,
- Specialised city-level Boards
- Urban Local Bodies (ULBs)
- The 74th Constitutional Amendment Act of 1992(243W) envisages WSS to be one of the responsibilities of ULBs.

Institutional Arrangements

(Source World Bank 2005)

Agency type	Jurisdiction	Responsibilities O&M	Capital works	Examples
State-level Specialist Agency(SSA)	Entire State Large cities Small cities	City-level specialist agency Local Government	SSA SSA SSA	Kerala Uttar Pradesh Karnataka Maharashtra Tamil Nadu Uttar Pradesh Delhi
Public Health Engineering Departments (PHED)	Entire State Small cities	Local Government	PHED PHED	Rajasthan Andhra Pradesh
Municipal Department	Large Municipal corporations	Municipal Department	Municipal Department	Gujarat Tamil Nadu Andhra Pradesh
Metropolitan level Specialist Agency (MSA)	Metropolitan centers	MSA	MSA	Bangalore Chennai Hyderabad
Undertaking (SMU) Specialist Municipal	Metropolitan centers	SMU	SMU	Mumbai

Governance Challenges

Public sector model is characterised by :

- Poor and unreliable water services,
- Predominance of un-metered water connection,
- High level of water loss in conveyance/distribution leading to use inefficiency,
- Low tariff structure with an inherent cross subsidization between users/sub-sector,
- Poor water charge recovery and high coping costs affecting poor.

Governance Challenges

- Multiplicity of institutions.
- Institutions have rarely been designed to cater to large number of poor people/ SLUMS.
- The allocation of functions of policy, regulations, and operation management are not defined.
- Do not create the proper structure and incentives for improving operational efficiency.
- Do not encourage providers to operate in a commercially and financially sound manner.

Governance Challenges

- Continuous struggle between efficiency ,equity and effectiveness.
- Accountability is limited with indirect accountability of the executive and elected representatives,.
- Limited reference to experiments and knowledge.
- Limited engagement of stakeholders in change.
- Scalability and replicability issues.
- Less directed to partnerships.

Emerging Global consensus

- Decentralisation of service responsibility to the lowest appropriate levels of government.
- Autonomous utilities with a commercial orientation and financial viability.
- A community-driven and demand responsive approach
- Appropriate participation (PSP, NGO, RWA, WUA) in the delivery of water supply services in contracts.
- Redesigning the roles and functions through appropriate restructuring and regulation

Reforming Delivery in India

- Devolving of function to ULB as per 12th schedule.
- State governments to amend their Municipal Acts or enact Acts to facilitate partnership,
- Corporatisation of service delivery institutions
- Legislative reform for Smaller ULBs to come together for economies of scale.
- Use of e-governance, energy audit and SCADA.
- Institutional realignment in a partnership framework.
- Gradual application of market based principles
- Cost reflective tariffs.
- Public participation

HUDCO
As an
Institution of Change

Sector Focus

- Water Source Development
- Augmentation / Rehabilitation of Water Supply
- Quality Improvement
- Improvement of Distribution System
- Rain Water Harvesting
- Reduction of UFW (Unaccounted For Water)
- Recycling of Waste Water
- Improvement of Water Bodies,
- Riverfront development (Desilting of Ponds/lakes)
- Power /Energy Audit

HUDCO's Contribution

Project Type	No. of Project	Loan Amount (in crores)
Water Supply	424	17806.19
Sewerage & Drainage	109	6229.04
Power & commercial	408	36701.69
Transports	237	18608.65
Area development	115	3143.52
Social Infrastructure	336	4391.39
Total	1629	86880.48

Contribution in Water Sector

- Project sanctioned – 424
- Total project cost – 67735.6 crores
- Financial Assistance Rs. – 17806.4 Crores
- Disbursement Made – Rs. 7304 Crores
- HUDCO has contributed more than 60% of Institutional Funding to the Water Sector and taken lead in reforms through .
- Technology Innovation
- Financial strengthening
- Community partnership (Ahmedabad Sewa, Sangam Vihar)
- Institutional strengthening and Capacity Building (HMWSSB)
- Structuring of Project (Tirrupur, Pune, Borai Municipal)

Technological Innovations

- Conservation through rain water harvesting., Artificial recharge of ground water. (Shantagiri Ashram)
- Leakage detection and minimization. (DJB)
- Recycling of waste water for industries.(BWSSB)
- Low cost waste water treatment options.(Orissa State)
- Sustainable development of Jammu township based on optimum use of water resources using Check dams for recharge ground water.
- Unbundling of services and Distribution & collection of water charges through Group Housing.
- Involvement of NGOs in metering and O&M

Financial Reengineering

- Principle of full cost recovery
- Principles of “user-pay” and “polluter pay”
- Tariff Reforms
- Need to develop projects on commercial basis .
- Full autonomy to local bodies to determine tariffs
- Reforming the framework to promote the decentralization of functions in water utilities
- Resource mobilization through Capital Markets, Municipal Bonds, Financial Intermediaries.

Community Mobilisation for change

- Flexible technical standard to maintain acceptable level of service to all poor and slum consumers .
- Coverage and performance targets for community network systems (Slum project : Ahmedabad).
- Encouraging community contracts with community managing or sub-contracting distribution to communities.
- Development and use of community credit systems and community management organizations to support participatory approaches (Exnora - Chennai).

Sewerage Project of DJB

- Project Cost : 2566 crores
- HUDCO's assistance : 800 crores
- The objectives of the Interceptor Sewer Project was to provide a technically viable and feasible solution for effective abatement of pollution in the river Yamuna and improving water quality.
- The project includes provision of interceptor sewers along with associated works like intercepting chambers, new sewage pumping stations, rising mains along Najafgarh, Supplementary and Shahdara drains.

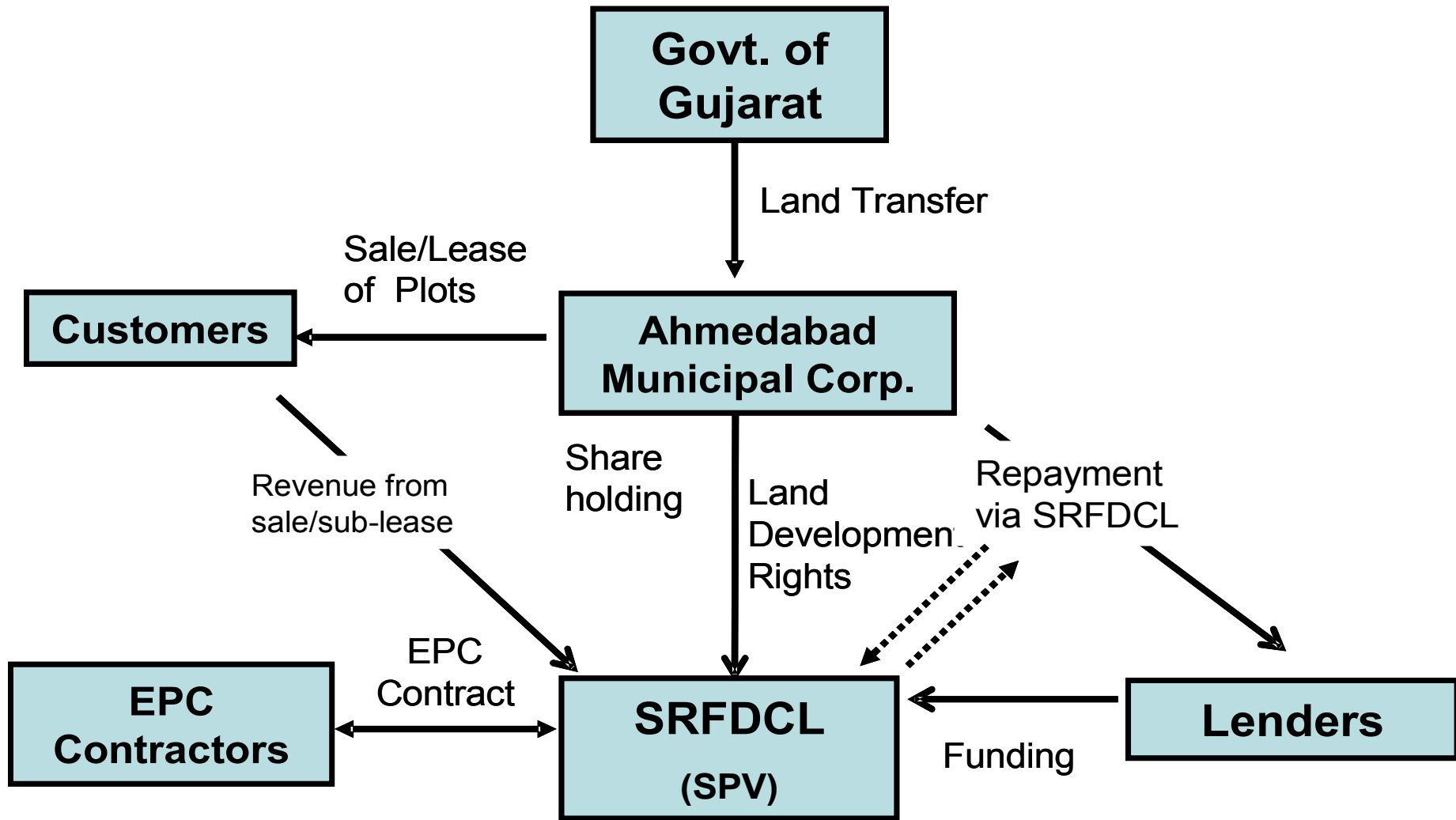
Major Improvements

- Standardization of all operations/functions of water supply with the help of Quality Management System.
- Delegation of responsibilities in the area of production, engineering and maintenance , water quality control, quality control engineering
- Formulation and execution of various SBU for distribution ,raw water, treated water quality control.
- Organisational restructuring for minimization of distribution losses through management contracts (Nangloi and Chitranjan Park)

The Project

- The riverfront project is a comprehensive environmental improvement project with Project cost of 1152 crores and HUDCO's loan assistance of 800 crores.
- Development of riverfront from Vasna Barrage to Upstream of Railway Bridge and involves ;
- River training,
- Constructing retaining walls,
- Storm water outfalls, ghats and jetties,
- Reclaiming 162 hectares of land,
- Providing interceptor sewers, creating parks gardens,
- Housing for economically weaker sections and informal markets and constructing utility buildings & structures.

Institutional Structure



Problems in Sustainability

- Inadequate Resources with Local Bodies
- Absence of reasonable linkage between cost of production and price of consumption
- Absence of qualified personnel and problem of poor staff strength for maintenance
- Need for regular maintenance of the system
- Inability to reduce losses and leakage
- A need for Technically feasible. financially viable bankable projects for sustenance is required

HUDCO'S Reform Agenda

- Tariff to include O&M and part of Fixed Cost
- Compulsory metering
- Adoption of telescopic rates
- Reduction in System losses
- Emphasis on Water recycling/ conservation
- Lifeline rates for poor
- Involvement of NGO's, water user association
- Automatic yearly revision in Water Tariff
- Up gradation of Institutional capabilities

Agenda for Change

- Re organisation of water utility by legislation setting out the separation of powers and the functions .
- Choosing institutional forms of delivery of urban water supply in local decentralised context.
- Developing practical and equitable models of participation where efficiency improvements and responsibilities are borne by stakeholders.
- Improvement of internal restructuring of operations to bring in greater clarity of roles and accountability.
- Establish cost-reflective tariffs while mandatory access to the poor.
- Progressive but gradual commercialisation of water services.

The Way Ahead

- “Peopl-isation” of reform process.
- Creating enabling legislation, remodeling governance structures decentralization of functions and devolution of power to local bodies.
- Scalability of decentralized models .
- Implementing Community Participation and Public Disclosure Law.
- Empowering Area Sabhas and Wards.
- Citizen Report Cards and Social Audits.

Solutions need vision...



But may be easier than we think...



**Thank You
for your
kind attention**



**Partnering Co-operation for
Sustainable Human Settlements**