



Public Services

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Restructuring DJB

Zonal Autonomy & Water User Associations

Delhi government's recent attempt at reforming the Delhi Jal Board, under the guidance of the World Bank and its consultant, has been stopped just in time by the opposition of civil society organisations. It is rather shocking that a democratic government would attempt to restructure such a vital service without publicly discussing various options and taking the people into confidence about a chosen method of reform. Hopefully the Delhi government, and all other governments, have learned a crucial lesson.

The water problems however still remain. The Delhi Jal Board has not been able to meet basic expectations of the people of Delhi. It needs to be reformed. Let's first start with the international experience in reforming water delivery systems.

International Experience on Water Reforms

Around the world, water delivery is facing problems of inefficiency, low consumer investment levels, and lack of financial viability as well as absence of orientation. Table 1 discusses some case studies of water reforms around the world. We look at some of the most controversial experiences, which have often led to a legal struggle and massive local protests so that correct measures can be taken while implementing water reform process in Delhi.

In most of the cases, the water services were contracted out to foreign multinational companies. Most of the contracts were concession contracts, which meant that the private companies were responsible for operation and maintenance as well as capital investments for the period of the contract.

There are several reasons for the failure of water privatisation models where they have been implemented. The reasons have been varied, for instance, breach of contract, inadequate services, price hike, insufficient investment in infrastructure and lack of transparency. However, there are two reasons that are most responsible: first, the drastic increase in the price of water supplied and second, inaccessibility

Table 1: Water Reforms Around the World

<i>Country</i>	<i>Company</i>	<i>Partners</i>	<i>Contract period</i>	<i>Reasons for failure</i>
Manila, Philippines	Ayala Corporation, Benpres Holdings/Lyonnaise des Eaux		25-year concession contract	Increase in tariff by more than 200%, retrenchment of employees, contract re-negotiations, delayed targets of decreasing unaccounted water.
Buenos Aires, Argentina	Aguas Argentinas	Vivendi, Suez	30-year concession contract	Increase in tariff, 64% population without sewage system, inability to pay interest payments
Mozambique, Africa	Aguas de Mocambique	Saur International	NA	Increase in water tariff, no cross subsidies and neglect of low-income consumers. Contractor himself responsible for Audit.
Puerto Rico	Suez	United Water de Ondeo	10-year contract	Deficiency in services, non-submission of reports, and wrong billings
Cartagena, Columbia 1994	Aguas de Cartagena	Spanish company Aguas de Barcelona, Suez (French Giant)	20-year contract	Allegations of contract irregularities and a lack of transparency
Cochabamba Brazil 1999	Aguas del Tunari	International Water Limited (Bechtel & Edison), Spanish and Bolivian partners	40-year concession	200% increase in water tariff. Use of tariff revenue for a different engineering project in Bolivia
Atlanta, Georgia, USA 1998	United Water, a SUEZ subsidiary		20-year	United Water asked the city for more money, and tried to add \$80 million to the contract
Nelspruit, South Africa 1999	Biwater	Greater Nelspruit Utility Company (GNUC)—a joint venture between Biwater and a black empowerment group, Sivukile	30-year water concession	Difficulty in raising necessary money and depended on public sector for finance; tripled service fees
Tanzania 2003	City Water	BiWater, Gauff Ingenieure		Alleged breach of contract by Tanzanian government, no infrastructure investment

of water to the poor and low income consumers accompanied by dismal efforts by the private party to increase water connections. Lack of transparency and adequate accountability are also some of the main areas of concern.

This failure of private sector participation in water delivery raises some interesting questions. Why private participation has not worked in water when it has been quite successful in many other public services, like telecom? How is water different from food or any other basic necessity of life? Is the delivery of water such uniquely difficult task that some of biggest multi-national companies have failed in providing it? Can all these failures be explained by the greed of private companies and corruption in the government? Generally the profit motive drives companies to give better services at cheaper prices, why does the same motive does not deliver the same outcome in water? Are the private companies involved in water somehow more greedy than other private companies? Are government water agencies and departments somehow more corrupt than other government departments? Is it the case that governments as well as private companies do not yet have enough experience to manage water delivery in partnership?

Types of Contracts

In the broad framework of private involvement in public services, the apparent problems are inadequacies of the financial systems and lack of a more systematic method of implementing privatisation. However, at a micro-level, it is the loopholes in the contracting processes that create multi-layered problems allowing the private multinational companies to take advantage of existing political and economic situation of the country. Thus, a major part of successful privatisation can be ensured by detailed and well-drafted contract agreements between private parties and governments. The various options for private sector participation in water are:

- **Service Contracts** seek to obtain private sector assistance in performing non-core services, such as installing or reading meters, repairing pipes, or collecting accounts. They are short in duration, under three years. Examples are Mexico City; Santiago, Chile and Chennai, India.

- **Management Contracts** transfer responsibility for operation and maintenance of a utility to the private sector generally for three to five years. Government retains responsibility for all capital investments. Examples are Cartagena, Colombia, Gdansk, Poland, Mali, and Johannesburg, South Africa.
- Under **Lease Arrangement**, a private operator (lessee) takes over operation and maintenance of a utility from the government and makes limited capital investments for up to 15 years. The lessee effectively buys the rights to the income stream from the utility's operations (minus the lease payment). Examples are Cote d'Ivoire, Guinea, Czech Republic
- In a **Concession Contract**, the private partner assumes responsibility for the operation and maintenance of a utility's assets as well as capital investments for 25-30 years and is remunerated through the collection of tariff. However, full rights to all the assets, including those created by the private partner, revert to the government when the contract ends. Concession contracts are a good option when investment requirements are large, but require a strong regulatory framework. Examples like Buenos Aires, Manila, Cancun.
- In a **Build-operate-transfer (BOT) Contract**, a private operator undertakes to construct a new dam or sewerage plant and operates it for a number of years. At the end of the contract period, the private operator relinquishes all rights to the plant by turning it over to the public utility.
- **Joint Ventures** have become common between governments and the private sector to run leases and concessions. A typical joint venture creates a new company, with the state entity holding 51 percent of the equity, more or less, (public) and the private operator or a financial institution or both holding the remaining shares (private).

The contract systems provide various kinds of partnership that can be used in designing better and more efficient water distribution system. Table 2 summarises public-private partnership in various kinds of contracting system.

Table 2: Allocation of Responsibilities for Private Participation

<i>Option</i>	<i>Operations and maintenance</i>	<i>Commercial risk</i>	<i>Capital investment</i>	<i>Asset ownership</i>	<i>Contract duration</i>
Service contract	Public and private	Public	Public	Public	1-2 years
Management contract	Private	Public	Public	Public	3-5 years
Lease	Private	Shared	Public	Public	8-15 years
Concession	Private	Private	Private	Public	25-30 years
Built-operate-transfer	Private	Private	Private	Private and public	20-30 years
Divesture	Private	Private	Private	Private or public and public	Indefinite

Source: Serving Poor Consumers in South Asian Cities, India Water and Sanitation Program, World Bank.

Successful PPP needs efficient and precise contracting process bereft of loopholes. Some of the main criteria that should be considered are as follows:

- A proposal request should include background and objectives of the project, evaluation criteria and their relevance, insurance and bonding requirements, financial responsibilities, responsibilities for obtaining and complying with licenses and permits, specifications of negotiations and penalties.
- Contract term should be clarified and the term should be decided on kind of services wanted from the contractor and the one that best suits the needs of the municipality. Terms and conditions regarding employees should be incorporated at the time of most public private partnership. Risk allocation between private and public organisation should be clearly defined in view of changing regulatory, political and economic situation as well as restructuring of the partnership. Proper bidding would involve that the companies do estimate their cost realistically and on the basis of extensive research rather than improper estimates. The bids should be on a realistic analysis of demand, which should neither be under or over estimated.
- Performance criteria should be clearly defined and no concession of any kind should be provided. The clarity should be in terms of

quality of goods and services, safety standards, compliance with applicable laws and legislations, cost control, adherence to schedule, incentives and penalties according to the level of performance.

- All contractual terms should have clear legal and technical definitions. Terms, which if not defined explicitly, can cause problems later on. Like "unsatisfactory performance", "uncontrollable circumstances", "consequential damages." Such imprecision leads to the maximum problems after implementation of the contract, when the consumers feel cheated and find a reduction in the service standards, and the official body cannot hold private players accountable for lack of specified measurable performance standards.
- There is a need for contract management and an oversight regarding the kind of information needed for evaluating the performance of the private companies, sources of information and the process of evaluation as well as penalties in case of non-compliance. Issues regarding the contract termination should be also addressed in a good contract so that either party do not get harassed.

There haven't been many successes in the private provision of water service across the world, and good contracting system can be a powerful tool to address the issues arising in private involvement in water delivery. The potential for the use of contracts would vary according to the contracting mechanism, types of obligations put on the operator and on the possible incentives and penalties.

Delhi Jal Board

The Delhi Jal Board (DJB) is entrusted with the responsibility of procurement and distribution of water as well as treatment and disposal of sewage in Delhi. It provides water in bulk to New Delhi Municipal Council (NDMC) and Delhi Cantonment Board for redistribution in their respective areas. Similarly, the Board receives sewage in bulk from these two authorities for final conveyance and disposal. In the areas under the jurisdiction of Municipal Corporation of Delhi, the Board is responsible for distribution of water, collection and disposal of sewage.

Some of the main problems that surround DJB and people in Delhi are as follows:

- Delhi has an adequate supply of water. With over 200 litres of water available per capita per day, it has more water than many other big cities in the world that provide their residents with 24X7 water supply. Despite this, the Delhi Jal Board (DJB), in its current mode of operation, is unable to meet the water needs of the nation's capital, and provides its citizens with an erratic and unequally distributed water supply that is well below international standards.
- Inequitable water distribution is also one of the most important problems. It is obvious that the supply, assurance and quality of water received (from tanker and community based hand pumps) by poorer sections of the population are lacking more than that to the middle and upper sections of the city.
- Delhi has 9000 km of pipeline network, 13.47 lac connections, but there is a lack of data, sufficient trained manpower and low quality of maintenance. The other problems that plague people are leakages of pipes, illegal connections, outright theft, non-meter connections and faulty meters.

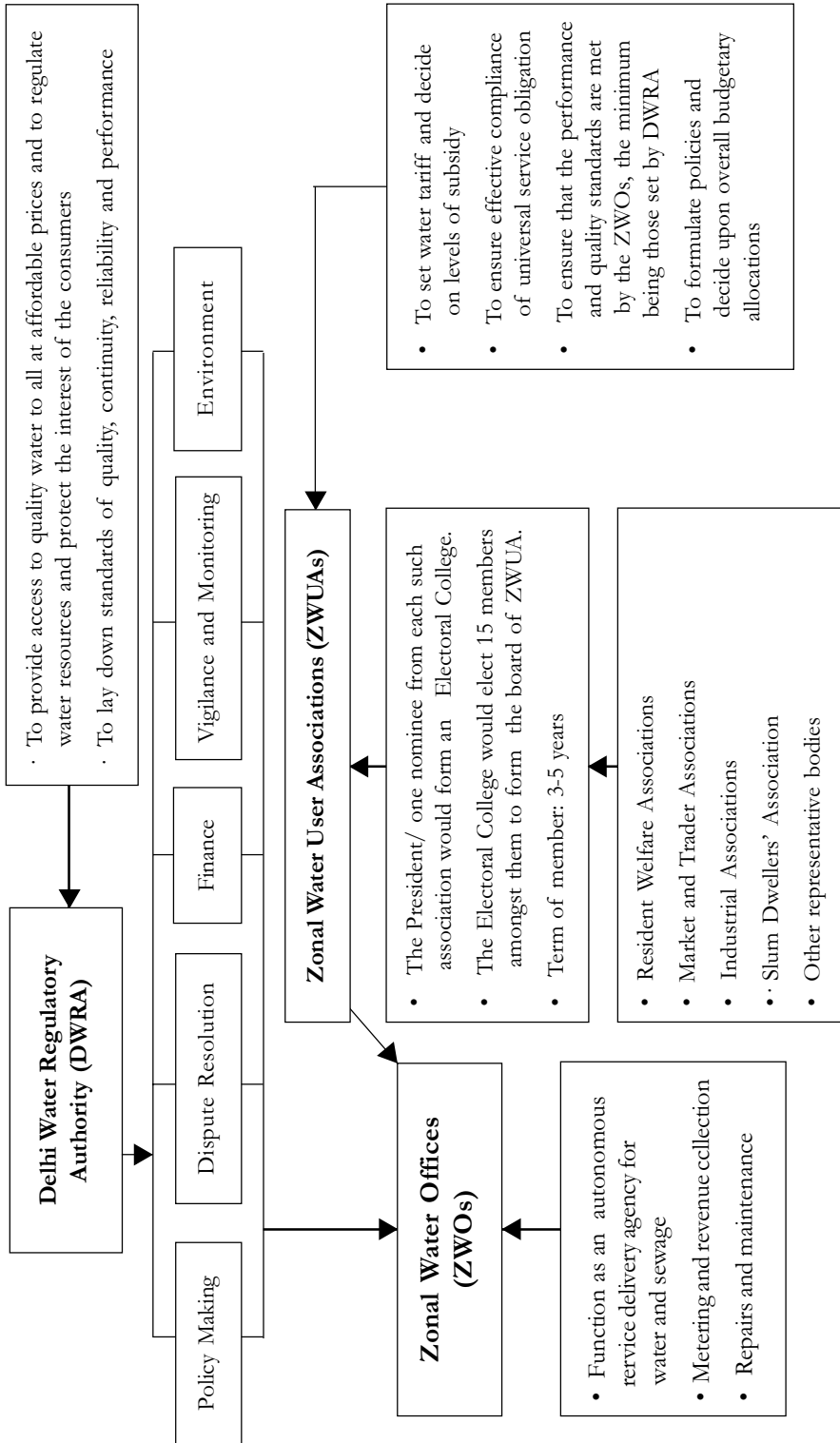
Delhi Jal Board Reform Model

The model proposed for the restructuring of the Delhi Jal Board is a three-tier model with Delhi Water Regulatory Authority (DWRA) as the central regulatory body; Zonal Water User Association (ZWUA) as a representative body with responsibility of fixing water tariff and subsidies, supervision, guidance, and budgetary allocations and the Zonal Water Offices (ZWO) responsible for the final water delivery. The scope of work and the functions of each are explained in detail in Figure 1.

Delhi Water Regulatory Authority (DWRA) will be an independent regulatory body comprising of various departments for policy making, dispute resolution, setting performance standards and ensuring compliance. The members of the Authority will be appointed by the government from amongst persons of ability, integrity and standing who have knowledge and adequate experience in dealing with problems related the areas of its work. Main responsibilities envisaged are:

- To provide access to quality water at affordable prices

Figure 1: Delhi Jal Board Reform Model



- To regulate the service providers, including conditions governing entry-exit, and protect the interest of consumers
- To lay down standards of quality, continuity, reliability and performance
- To own and regulate assets and properties, decide on overall investment levels
- To provide financial and technical assistance to 21 Zonal Water Offices and help them becoming efficient and autonomous and monitor their quality of service
- To enforce Universal Service Obligation and adjudicate disputes
- To aid and advise the Government in matters concerning water policy, water supply and distribution

Each zone will comprise of a **Zonal Water Users Association** which will be a voluntary association including people from RWA, MTA, industrial associations, slum dwellers' association and other representative bodies. Areas/ populations not represented by the above bodies would be encouraged to form associations so that they can get a representation on the ZWUA board. The President/ a nominee from each such association would form an Electoral College that would elect the board of ZWUA. The Electoral College would elect 15 (or some such number of) members from amongst them to form the board of ZWUA. The term of the members could be between 3 to 5 years. The scope of work of the ZWUA would be:

- To set water tariff and decide on levels of subsidy, ensure compliance of performance and quality standards by the Zonal Water Offices (ZWOs), the minimum being those set by DWRA
- To formulate policies and decide upon overall budgetary allocations
- To handle and investigate complaints from consumers that are not resolved by ZWOs, have a special regard for vulnerable sections of consumers and investigate any matter of interest to consumers that is not necessarily the subject of complaint
- To involve communities to create awareness about environmental,

health and sanitation issues

The Zonal Water Offices will be responsible for supplying water to their respective zones. The ZWO will function as an autonomous body and will have the following departments to enable it supply water and manage sewage and sanitation, proper metering, revenue collection and expenditure accounts, repairs and maintenance of the infrastructure.

The key features of the models include more autonomy to the organisations involved in water delivery. The asset ownership and policy making will be the responsibility of DWRA; supervision, guidance, and budgetary allocations will be done by ZWUAs; and operations and maintenance responsibility would be with the ZWOs. The ZWUAs will be the first consumer body to have been given the statutory duty to contribute to the achievement of sustainable and efficient delivery of water throughout the city. The zonal performance benchmarks will create **comparative competition** among zones; each year the best performing zone could be recognised with a bonus. There will be better targeting and transparency of water subsidy to consumers within a zone and across zones

Ingredients for the Success of Water Reforms

▪ **Independence of the Service Agency**

In most developed countries, consumers are generally satisfied with the quality and quantity of water they receive. It is typically 24X7 supply and people normally drink the water that comes through the tap. It is also true that in these places, local governments are in charge of the water supply. So the governments in these countries are able to deliver the service that people normally expect. Why are local governments in India not able to perform at that level? There are many reasons.

In addition to the long process of evolution and trial and error in the developed countries, at least two other elements that are common to them probably help explain their success. One, the water service is provided by a government entity that is quite independent in its structure and operations from day-to-day politics. This independence allows it to take decisions, which may not be politically acceptable at a given point in time.

- **No General Subsidy**

The second feature seems critical to the success of the government delivery of water is that the budget of the water agency is outside of the general budget of the local government. Except the one time massive investments, there is no operational yearly subsidy given to the water agency. The agency may subsidise some customers but that subsidy is provided by charging higher rates from other customers. So there is cross-subsidisation but no general subsidization.

In developed countries, overall water delivery is in the hands of local governments and not for-profit companies. We must first understand how they have made that possible before rushing into an untested territory of complete privatisation. Certainly there is scope for private sector participation but before that the governance structure needs to be in place so that design and enforcement of contracts with private parties is transparent and competent.

- **Incentive-based Employee Performance**

A performance based incentive system must be introduced in the working of the ZWOs. Each zonal engineer/manager would be responsible for fulfilment of targets with specific performance benchmarks. This contract would specify bonuses for performance, the minimum level of targets and penalty for non-compliance. The contracts would be negotiable at fixed intervals, subject to the performance of the zone.

- **Meeting the Requirements of the Poor**

Water is essential for life and the people who cannot afford to pay water charges should have access to it. The ZWUA would be most suited to determine the level of charges, if any, and the levels of subsidies. Possible solutions to cater to the requirement of poor would be to ensure minimum supply of water for areas where the poor live for free, and charging a tariff beyond that level of consumption, using cross-subsidies to keep the cost of water till a fixed limit low. This problem should be addressed at the contracting stage only, especially in the developing countries.

- **Demarcation of Responsibilities**

Three distinct responsibilities must be clearly demarcated. Policy

should remain with the state government; regulation should be given to independent and trusted organisation; decisions about water charges and subsidies should be taken by a representative community organisation; and the actual delivery should be done by a different agency. The business of governing, oversight and compliance should be separated from the provision of water and sewerage services.

▪ **Vigilant Regulator and Complaint Management**

Not only an independent but a vigilant and pro-active regulator is necessary to provide an effective overall framework within which individual suppliers can operate. Given that all players are new to the restructured management of water, the regulator would need to have the necessary skills and a flexible approach. Online Complaint Management System, as proved successful in Mumbai, can be an effective measure for consumer redressal. It is designed to enable citizens to register complaints and receive notification on the status of the complaints easily.

▪ **Alternative Models of Water Management**

Along with the proposed reform model, it would be instructive to consider some other options that are in use elsewhere.

User or consumer cooperatives exist in Santa Cruz where all customers are member of a cooperative. They have the right to vote for cooperative's Assembly that elects part of the administrative board and the supervisory board. The cooperative is financially independent and ensures that all costs are recovered from the water users (full-cost recovery).



An efficient public utility put under supervision of an accountable Assembly can also create better services. This is one of the models practised in Brazil. Thus it can be seen that the publicly owned services can be made efficient and competent if they are given more

autonomy and constrained by higher accountability.

A **Trade Union Cooperative** has been successful in Dhaka, where one of the zones was contracted out to the water departments' employees for a year and it proved to be more efficient than the other zone contracted out to a private party. The union cooperative's achievements included a considerable expansion of the number of people with access to running water as well as a sizable reduction in water losses.

Government-community partnership in Ghana is a good example of viable water management. The public company provides water and the community is responsible for pricing, distribution and infrastructure maintenance. The community gets a greater role in management and is able to negotiate better with the public company where as the company can obtain full tariff recovery rate for the water supplied while saving the cost of billing and collection of tariff.

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Allow pvt firms; pay more for better water: Centre policy draft
...holds must be only for city's poor

24x7 water idea fine, but bidders are 'tainted'
...ability of proper safety equipment. De- ... report recommendations ... action

Free flow: DJB detects 3,950 leakages
Residential Localities In Northwest, South Delhi Worst-Affected
By ANI/PTI/PTI

'Water table dips, fluorine content rises
... ...

