

PRESS RELEASE

Urban Water and Sanitation in India Report Launch, 26 November 2013

It is not public *versus* private but the public *and* private sector *and* civil society need to together ensure access to drinking water and sanitation for all, says new report

New Delhi, 26 November 2013: An independent report, published by the Council on Energy, Environment and Water (CEEW), has concluded that the urban water and sanitation sector in India needs concerted effort from both the public and private sectors as well as civil society to ensure access to water and sanitation for all.

The report, *Urban Water and Sanitation in India: Multi-stakeholder Dialogues for Systemic Solutions*, was released here today by Mr Arun Maira, Member Planning Commission. It follows a series of discussions that CEEW convened with key stakeholders in the urban water and sanitation (UWS) sector. The initiative was supported by Veolia Water India. The report calls for greater emphasis on the UWS sector from the central and state governments, and sustained deliberations between public agencies, water utilities, private companies and nongovernment organisations to find systemic solutions for ensuring access to water and sanitation services for all.

In India, water supply and sanitation utilities are government bodies, which struggle to recover the costs incurred in operation and maintenance, let alone generate revenue for capital investment. Municipalities have, therefore, selectively outsourced water service tasks through management contracts but the multiplicity of contracts is time-intensive and reduces oversight and accountability. The involvement of the private sector is limited and, to the extent available, it is mostly technical and management support rather than investment in infrastructure.

In recent years, a few experienced private sector firms have started signing long-term contracts or financing investments in the urban water sector. But there remain high degrees of trust deficit between utilities and private firms as well as consumers and civil society. ‘Any attempts at reforming urban water management in India must begin with a critical appreciation of the problems and rigorous data to inform public debate,’ said Dr Arunabha Ghosh, convenor of the roundtables and CEO of CEEW. Patrick Rousseau, Chairman and Managing Director of Veolia Water India said “There are numerous operational, financial and political risks associated with urban water projects, which the public agency and the private service provider have to deal with. They need to work together to get the best results out of a public-private partnership.”

Given the status of water and sanitation infrastructure in the country, large capital investments will be needed either to repair or upgrade water systems or install new systems where none exist. Much of these investments will have to be paid upfront, whereas the benefits and revenues would accrue over several decades. Therefore, innovative financing

models have to be developed and both public and private sectors have to complement each other to design the lowest cost investment strategies.

The report finds that successful public-private partnership (PPP) projects have benefited from a combination of public funding, specialised project expertise and ownership, support from diverse stakeholders, strong demand for the project, reduced revenue risk, and high degree of interest among private operators for the project. Meanwhile, the most important risk is associated with lack of specificity in contracts or of shifting targets once contracts had been awarded. Standardised provisions in contracts would help create common understanding among all parties about the technical, operational and financial risks to address in an urban water management PPP.

On pricing for services, while there is the case for increasing revenue for water services, there was still the need for flexibility in choosing water pricing mechanisms, such as linking to electricity tariffs, indexing tariffs to inflation, differentiated tariffs for residential, commercial or industrial users, subsidies for poorer households, spreading payments for connection charges over time, and separating operations and maintenance accounts to cover full maintenance costs. The report recommends that water PPP contracts should strictly mention that the level/quality of services should be the same for all, even if a dual tariff system or a subsidised service delivery system for urban poor is offered.

Civil society organisations also have a role in mobilising awareness among communities, building their capacity (through self-help groups), developing alternative models of service delivery, and strengthening local supply chains for water and sanitation services.

The report recommends that regulatory agencies should focus on the quality of services for the poor. This would include ensuring that services demonstrably improved *before* tariffs were raised, reducing the heavy burden of connection charges for poor customers, and bringing informal vendors within the scope of regulation. ‘The choice between public or private agencies or identifying clear roles for civil society organisations and regulator should be premised on the ultimate aim of ensuring that everyone has access to sufficient, safe, acceptable, physically accessible and affordable water,’ emphasised Dr Ghosh.

ABOUT THE REPORT

From December 2012 to July 2013, the Council on Energy Environment and Water brought together a range of stakeholders for a series of roundtables on urban water management. Water utility managers from different parts of the country, public officials, private water companies, financing institutions, credit rating agencies, nongovernment organisations, think-tanks, academics, architects and town planners had the opportunity to deliberate on the challenges facing the urban water and sanitation sector in India. The report, *Urban Water and Sanitation in India: Multi-stakeholder Dialogues for Systemic Solutions*, contains research that informed the discussions, the proceedings, essays written by individual participants, and recommendations on key issues: water utility management, the

roles of the private sector and civil society, the roles of urban water regulators, improving the quality of water data, and the opportunities in building capacity in the sector. The report and related information material are available at: <http://ceew.in/water>.

Overall, the report recommends that policymakers should focus on three priorities:

- Increasing policy emphasis on UWSS in future given the pressure of urbanisation and lack of access: The increasing pressure of urbanisation, coupled with lack of access to treated water supply and sanitation among a significant section of the urban population, is adding to the stress on water resources and challenging the fulfilment of the right to water. The focus has to be on households, especially poor households, which pay more for less water in India's cities. Governments at various levels must give top priority to the UWSS sector and regulators need to oversee quality of services to the poor.
- Going beyond the public versus private debate and focusing on common challenges: India's urban areas need to focus on challenges that are common to public utilities as well as private contractors. The ultimate responsibility for the provision of water for human needs is that of the State. However, the responsibility of the State does not necessarily translate into the State becoming a service provider. Although public private partnerships (PPPs) are not objectives in themselves, PPP targets have to be realistic, unambiguous and set on the basis of verified data before private parties are able to offer services as per flexible contracts based on standardised principles.
- Strengthening the quantity, quality and analysis of water data: What cannot be measured cannot be managed. The current status of water data collection in India – quantitatively, qualitatively and analytically – is poor. Reliable data needs to be gathered on water service delivery, water consumption, status of the water and sanitation infrastructure, and overall condition of the main water sources. Utilities need to develop the database before starting a contracting process with private contractors.

Dr Ghosh said, “The strength of the process has been to convene stakeholders from a range of different backgrounds, interests and experiences in the sector. There is a need for neutral forums where stakeholders may exchange frank opinions, contest others and yet find consensus on key principles and specific actions.’

The **Council on Energy, Environment and Water (CEEW)** is an independent, not-for-profit policy research institution. Ranked as India's top climate-related think-tank, CEEW addresses pressing global challenges through an integrated and internationally focused approach. It does so through high-quality research, partnerships with public and private institutions, and engagement with and outreach to the wider public. For more information, visit ceew.in.

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