

## Abstract

### **Implementation of ADB Water Policy in Karnataka Urban Infrastructure Development and Coastal Environment Management Project (KUDCEMP) in South India,**

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Coastal Karnataka is located between the Arabian sea and ecologically sensitive Western Ghats. An infrastructure development project is being implemented in 10 towns on the coast (2001).

The first project was 'Karnataka Urban infrastructure Development Project (KUIDP)' (1995, in 4 towns) to decongest Bangalore . As the 'success' leads to the coastal project, the third project is now in queue to cover 24 northern Karnataka towns. All projects have aimed at providing and upgrading essential urban infrastructure and services including development of slum areas.

The civil society organizations on the coast and in other cities have been opposing the implementation of the projects for being top-down, high cost planning and non-participatory. This case study looks into the implementation of Karnataka Urban Infrastructure Development and Coastal Environment Management Project (KUDCEMP) being implemented in Coastal Karnataka.

The case study looks at the component of water supply and sanitation in the project. The policy reforms has lead to tax open lands, solid waste and motor vehicle cess, to 'raise' resources, hike water charges; expand the water supply infrastructure; bring in Private Sector Participation (PSP) through the projects. The case study observes that the components of ADB water policy are reflected in the water policy of Government of Karnataka. .

# **Implementation of ADB Water Policy in Karnataka Urban Infrastructure Development and Coastal Environment Management Project (KUDCEMP) in South India.**

By Gururaja Budhya, Urban Research Centre, Bangalore, India.

## **Chapters:**

### **1. Introduction-Back ground on Water issues in your country. Local debate of the water policy and water related issues campaign:**

Agriculture is a major livelihood activity in most of the developing countries including India. As the water dependency has been increasing all the time, the ecological impacts and the social inequalities have deprived the marginal and small farmers' water for agriculture, as big farmers captured water for their water thirsty cash crops. One important fact is that mega hydro projects are constructed in India on grounds of irrigation and food security (like Tehri and Narmada) displacing and destroying livelihoods of millions of people. India is the third largest dam building nation in the world, after USA and China. No river in the country is fit for human use today owing to pollution from industrial and municipal sources (Singh, 2004, p.16).

The present debate in India generally excludes the animal population. The Government is the custodian of natural resources and is responsible to protect and safeguard the common property resources. The emerging worldwide trend, India too has started making a gradual shift towards privatization in the water sector. India had no water policy till 1987, a fresh water policy was drafted in 1998 and finalized in 2002.

The reframing of National Water Policy (NWP) – 2002 (prepared draft policy in 1998) to fulfill an international obligation (India became a signatory to World Trade Organization (WTO) in 1995, thus reframed water policy in accordance with WTO legislation) coincides with a review of water sector of India in collaboration with World Bank in 1995. The reports emphasize the need for reforms in water sector to fill deficiencies, provide resources, improve management and improve the performance of the sector (Singh, 2004, p.60).

The policies of International Financial Institutions like the World Bank (WB) and the Asian Development Bank (ADB) reiterate their commitment to the privatization of water resources. The World Bank Water Resources Sector Strategy (WRSS) 2003 claims that water utility reform usually means substantial benefits for the poor and also make water sector attractive to private investors. The Asian Development Bank's Water Policy is approved in 2001 which seeks to promote water as a socially vital economic good that needs a careful management to sustain equitable economic growth and to reduce poverty (Asian Development Bank, 2001).

The mentioning of encouraging Private Sector Participaton (PSP) in planning, development and management of the water resources projects for diverse uses in the National Water Policy – 2002 (No.13) and the consistent efforts in India resulted in handing over rivers and water bodies from Government ownership to private ownership, such as

- ♥ Ownership of a stretch of 22.7kms of Sheonath River to Radius Water Limited to supply water to the Borai Industrial Growth Centre, Durg (then in Madhya Pradesh, now in Chattisgarh) (agreement signed in 1998 and withdrawn in 2002);
- ♥ Coca-Cola factory in Plachimada (Moolathara village, Chittur taluka, Palakkad District, Kerala) allowed to consume 0.5-0.75 MLD (million litres per day) of water, etc.

(Singh, 2004, p.74, 86)

The National Water Policy 2002 is being criticized for not having well defined aims and objectives, emphasizing on consumption of water and not envisaging peoples' participation. The NWP does not reflect the priorities and concerns for social justice or environment in the actual policy measures that the document puts forth. The lacunae are that the emphasis is on surface waters, ignorance of regional disparities, centralized – expert oriented and participation of private (Vikas Adhyayana Kendra, 2004, p.7-9). The objective of NWP should be to enhance and achieve a democratic availability of water across and within sectors making all the completed water infrastructure projects subjected to performance review and the reports placed in the public domain with consultation (Vomhatkere, September 2005). There is a national call to review the NWP-2002 to frame a new policy through a nation wide consultation that must include clearly defined policy about transparency, accountability and participation in planning, decision making and implementation etc (Thakkar, The People's Movement, 2004).

**In Karnataka** too, the water based conflicts and concerns exist. The well known dispute of river sharing is between Karnataka and Tamilnadu for Kaveri waters and between Karnataka and Andhra Pradesh on Krishna waters. There have been protests by people on the water exploitation and pollution caused by industries such as, Pepsi factory outskirts of Bangalore, Distilleries and Paper mills in Nanjangud (Kaveri river), pollution of Kali river by West Coast Paper Mills, Tungabhadra by Harihar Poly Fibers, Bhadra by Mysore Paper Mills, Kudremukh Iron Ore Company Limited, Mangalore Refineries and Petro Chemicals Limited etc.

Government of Karnataka framed the State Water Policy in 2002 and the Urban Drinking Water and Sanitation Water Policy following the NWP – 2002. The State policy says that the surface waters have to be exploited as the ground water sources are either contaminated or not available. The State Policy contradicts by aiming to increase the irrigation potential on one side and that water supply to farmers may have to be stopped to cater drinking water to cities, on the other side. The Urban Drinking Water Policy discriminates the urban to rural on the basis of per capita water consumption. The emphasis is on extracting as much water from the source, recovering operation and maintenance costs, private sector participation, and without emphasizing the responsibility of safeguarding the water sheds on the urban area.

## **2. ADB relationship to local water policy, local water projects. How many water projects ADB is involved etc:**

The Ministry of Urban Development, India undertook an Urban Sector Policy Analysis in 1994, facilitating the commercialization of urban infrastructure and alternate forms of service provision, including privatization and public private partnerships as one of the general agreements arrived between the Government of India and the ADB. The agreement of Karnataka Urban Infrastructure Development Project (KUIDP) is considered as a milestone for urban development because of the inclusion of policy reforms intended to support the central and state governments' efforts to decentralize urban management responsibilities, including resource and revenue generation and improving Operation and Management (O&M) of assets.

The RRP: IND 30303 recognizes that the most challenging reforms are in the urban water supply and sanitation sub-sectors; In the Karnataka Urban Development and Coastal

Environment Management Project (KUDCEMP) it is agreed that a framework must be created to provide the basis for government action in the regulatory and operational areas, and to establish the context for action by NGOs and individuals. The RRP further expresses that the difficulty lies in transforming the traditional mindset of government and consumers that water is a free commodity to be provided by government. Efforts are now being made to support demand-side management by raising tariffs, so that water supply and sanitation agencies may at least cover the O&M expenditures in the short term and debt repayment liabilities from the service charges in the long term (22, page.7).

RRP: IND 30303 states that to promote greater cost recovery for urban services and in line with discussions with the Bank, the Karnataka State has established a block tariff system for water supply that includes a sewerage surcharges for towns with waste water treatment facilities (28, page.9). At the beginning of the KUDCEM Project, the state is already assessing different approaches for promoting private sector participation in the water supply sector through the creation of a joint venture water operation company to undertake water supply operation, distribution, billing, and collection of water charges (RRP : IND 30303, 1999).

Overall, the ADB has supported Government of Karnataka on the projects related to Urban Infrastructure Development since 1995, such as,

- Technical Assistance for Project Preparation,
- Loans to improve infrastructure development in the select cities of Karnataka,
- Loan to improve the housing development component in the cities where the infrastructure development projects are funded and
- Financial support to strengthen the state agency which has been implementing the ADB projects.

**3. Experience and description of ..... Project name, date of approval, loan amount, components, timelines, current status of .....water project in ...country...:**

a) **Project Name:** Karnataka Urban Infrastructure Development.

**Date Approved:** 14<sup>th</sup> December 1995.

**Estimated completion date:** ?

**Loan No:** 1415.

**Loan Amount:** US\$ 85,000 million.

**Borrower:** India.

**Term (Years) including Grace Period:** 25 (5).

**Interest:** Variable.

(Loan from Ordinary Capital Resources)\*

**Classification:** Primary – Human Development; Secondary – Reduction of Poverty.  
(ADB, 2004)

The project focus is to formulate an integrated urban development strategy for the Bangalore sub region and preparing a project that will enable the development of selected 'counter magnet' four urban locations/growth centers and reduce the pressure on Bangalore. The fundamental objective of the Project is to promote decentralization of population growth and economic activity in Bangalore by addressing the basic infrastructure deficiencies and related environmental aspects in selected urban areas in

the Bangalore sub region, namely Channaptna, Mysore, Ramanagaram, and Tumkur. The other objectives are to build capacities of urban local governments and provide financial assistance for housing to the low-income groups.

(RRP : IND 27132)

### **The project parts**

Part A – Environmental sanitation.

Part B – Road improvement and truck and bus terminals.

Part C – Poverty reduction.

Part D – Development of industrial sites and services.

Part E – Implementation assistance and Institutional strengthening.

Part F – Low-income housing finance.

**(Refer Annexure-1 for details)**

**Current status: Information Not Available.** It is learnt that Maddur and Mandya towns (located between Chenpatna and Mysore) have been added and the project is now completed.

**Experience of the project:** The project is designed to decongest the Bangalore city by way of developing selected cities surrounding Bangalore as counter magnets that can reduce the pressure on Bangalore. The priority to decongestion of Bangalore has brought in the 'development' to the towns. The project has been opposed by the citizens, citizen associations and the municipalities for non-participatory planning of the project.

The NGO Task Force on ADB funded Project – Mangalore observed in their field visit in 2002 to the KUIDP towns that: the quality of works carried out was bad, improper work on storm water drains lead to water stagnation and stink, sewage treatments are not operational, in some cases underground drainage is laid – but not the treatment plant, digging of roads for a long time causing problems to people, delays in completing the water works and water supply etc (NGO Task Force, 2002).

In Ramanagaram, the project components on water supply and under ground drainage are incomplete in about 31 wards though the allocated financial resources are almost spent. It is complained that the technical planning does not match the realities of the topography. The under ground drainage work is incomplete for a long time. In some cases, the water connections are provided even before the connection to the under ground drainage is being done. This has caused overflow of sewage through man-holes. The water sewage treatment plant is non-operative as it is constructed at an elevated location outside the city, the difficulties being to pump the sewage and the operating costs<sup>1</sup>.

It is complained that the drainage project is a waste due to the consultants mismanagement in Tumkur. The broken water pipes and leaking sewage have caused unexplainable problems to citizens. The Lokayuktha (Ombudsmen of Government of Karnataka) investigated the complaints and submitted a very adverse report to the Government of Karnataka on officials and consultants (NGO Task Force, 2004).

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<sup>1</sup> In a letter from Mr.Cheluvvaraju, Editor, Ramnagaram Vaarthe, Ramnagaram dt.3.9.2004 to Mr.Gururaja Budhya, Bangalore.

New solid waste management sites were identified to dump the city wastes. Only in Mysore that a treatment plant is being commissioned, one would find the dump sites in the project towns are polluting the ground water sources and the water ponds.

b) **Project Name:** Karnataka Urban Development and Coastal Environmental Management.

**Date Approved:** 26<sup>th</sup> October 1999.

**Estimated completion date:** 31<sup>st</sup> December 2004

**Loan No:** 1704.

**Loan Amount:** US\$ 175,000 million.

**Borrower:** Housing Development Finance Corporation.

**Term (Years) including Grace Period:** 25 (5).

**Interest:** Variable.

(Loan from Ordinary Capital Resources)\*

**Classification:** Primary – Human Development; Secondary – Environment.  
(ADB, 2004)

#### Components:

The project focus is on improving the living conditions in urban centers located along the west-coast of Karnataka. The objective of the project is to optimize social and economic development in 10 urban areas of west Karnataka by supporting investments in urban infrastructure and services required to meet basic human needs, and facilitating policy reforms to strengthen urban management.

The goals include (i) achieving sustainability in the operation and maintenance of infrastructure, as well as the delivery of urban services, by strengthening the urban management capacities of local governments, particularly in the areas of resource generation and cost recovery; and (ii) establishing appropriate environmental planning, management, and monitoring mechanisms to address the potential environmental impacts associated with urban and industrial growth in the region.  
(RRP : IND 30303)

#### **The project parts**

Part A – Capacity building of local government administrations.

Part B – Water supply rehabilitation and expansion.

Part C – Improve urban environmental quality.

Part D – Improve transportation.

Part E – Preparation of a coastal resource management and conservation plan.

Part F – Provide implementation assistance.

**(Refer Annexure-2 for details)**

#### **Current status**

The updated information is not available and the websites provide the following information;

♥ The website of the Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC, the implementing agency) mentions about KUDCEM Project that the

'Number of building works (Markets, Shopping complex, Office building etc.,) have been completed'<sup>2</sup>.

♥ The website of Project Monitoring Unit, Finance Department, Government of Karnataka does not provide the status of major components of the KUDCEM Project. It mentions only the Cumulative expenditure up to '2005-06-April-05 Rs.316.81 Crores'<sup>3</sup>.

### **Experience of the project:**

The implementing agency has begun interacting in project towns after the clearance of the loan at the end of 2000. The project is also under criticism for the high cost planning (costs for the project components are calculated at a higher end by the consultants) and non-understanding of the topography by the consultants, many objections have been raised by citizens from the beginning, like high risk foreign funding, high contingency costs, unnecessary norms, unprofessional approach and estimates, unnecessary expenditure on sub-project, no transparency, repayment beyond municipality capacity and unproven implementing agency (Mangalore Today, 2001)

The claim of the project implementing agency and the Asian Development Bank (as mentioned in the RRP) that the stakeholder participation is ensured is often misleading. During the TA report (No.2806), many meetings were organized by the consultants. The discussions were held where citizens were informed about the possible financial assistance to improve facilities in the towns. Nowhere it is explicitly being informed to the public that the exercise of holding meetings is for Project Preparation to obtain a loan and the possible raise of taxes (not only for municipal services, but also rise of additional taxes due to the assurances given by the Government of Karnataka to ADB). There was a gap of nearly two years between the TA report submission and the actual implementation (started in January 2001), during which the civil society in the project towns was unaware of the process.

**In Mangalore**, the project was initially planned to begin in 2001, but got delayed by two years and presently in various stages of implementation in Mangalore. The progress of works such as Water Supply, Under Ground Drainage and Other Works such as Storm Water Drains and Slum Improvement are very slow (**See Annexure-3**). It is observed that prompt actions are not being taken by the implementation agency when obstruction to progress is encountered. And almost all of the works have either got extension or likely to be got soon<sup>4</sup>.

The stone-ware pipes received for laying in Under Ground Drainage were noticed to have primary defects like ovality, non-uniform thickness, cracks etc. that were en-earthed by the Fact Finding Team of Mangalore City Corporation (MCC). The third party inspection procedure, inspection by ADB consultants and the implementing agency have failed to ensure quality of work and material, irrespective of high costs. Another issue is linked to 'valves', where the contractor brought valves of 'equivalent make' at 50% cost of standard valves<sup>5</sup>. The durability of their 'equivalent' valves is not known. Anyhow Mangalore City Corporation rejected the material. "In many places, UGD pipes and water supply lines have been laid at half their specified depth. "That these pipes are bound to crack under the pressure of heavy traffic in the future does not seem to bother any one" – though the

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<sup>2</sup> (<http://www.kuidfc.com/WEBSITE/WebPage.nsf/vwScrollerByID/PS13105161057?OpenDocument> downloaded on 16.9.2005

<sup>3</sup> (<http://www.nitpu3.kar.nic.in/pmu/project.asp> downloaded on 17.9.2005

<sup>4</sup> Refer note by Mr.Raghavan, Co-Convenor, NGO Task Force on ADB Funded Project, Mangalore, dated 30.9.2004.

<sup>5</sup> Refer note by Mr.Raghavan, Co-Convenor, NGO Task Force on ADB Funded Project, Mangalore, dated 30.9.2004.

KUDCEMP claimed that the defective pipes were rejected, during inspection the same pipes were found to be laid at KHB Colony at Bondel, Mangalore<sup>6</sup>.

The water availability in Nethravathi River (that provides water to Mangalore) has been estimated to justify expansion of water supply pipes capacity that caters to the needs of including three summer months. The delay of monsoon last summer caused water shortage indicated the wrong assumptions of the TA report. The citizens staged a walk in protest of 'bad planning' of the implementing agency in April 2005 in Mangalore.

There are many other reasons for the delays. The implementing state agency is not taking peoples' participation in planning seriously. As a result at many places people have put on very strong protests. For example, people surrounding Bajal protested the sewage treatment plant and the people of Vamanjur protested the solid waste dump yard.

**In Puttur**, the laying of pipes for drinking water supply has caused multiple problems for the citizens. The laying of pipes was not done along the old lines, resulting breaking of pipes making roads un-walkable and non-motorable<sup>7</sup>. The water supply to Puttur town is drawn from 'Kumaradhara' river, which is tributary to 'Nethravathi' river that supplies water to Mangalore. The citizens fear that the water extraction upstream for Puttur would further affect the water availability for Mangalore in summer months. The works related to construction of storm water drains was unscientific, making the general public vulnerable to fall into the dug pits<sup>8</sup>.

**The third project:** The TA Report is presently being done for the Northern Karnataka Towns has the component to streamline the reforms processes in water supply sector to be able to bring in private sector to manage. This is being projected as a new project covering 21 towns of Northern Karnataka. **See Annexure-4.**

*(See Annexure-5 for details of other Technical Assistances provided to Government of Karnataka)*

#### **4. Negative and positive local impact of the water project (social, economical and environmental) (this could be a water service, sanitary or water infrastructure project such as a Dam or a program local reforming the national water policy):**

Understanding the impacts at this point of time is based on the present situation.

At the first level,

- a. The planning process has been highly technical, non-participatory, non-inclusive, non-relevant to the realities of citizens and based on 'outside expertise' unfamiliar with the region,
- b. It is evident that the project is viewed as a 'technical' answer to 'peoples' problems. The inputs from people into the planning process have been totally missing.

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<sup>6</sup> Refer exhibit 6, KUDCEMP – ADB Blunders Unearthed, in Mangalore Today, Vol.8, Issue 7, October 2004.

<sup>7</sup> Refer 'Public works, the cause of problems – ADB loan project', by Dr.C.Nithyananda Pai, Consumer Protection Forum, Puttur in Regional news, Udayavani daily, dated 6.8.2004.

<sup>8</sup> Refer 'ADB Project – Drainage Work', Udayavani daily, dated 17.5.2004.

- c. The high cost public products like public toilets, construction of community toilets in private compounds and slum improvement benefiting individual beneficiaries rather than the community etc raise the concerns of whether the benefits would reach the 'poor'<sup>9</sup>.
- d. Another example is the construction of latrine pits at Tota-Bengare (ward no. 60, a sandspit formed between Gurpur river and the Arabian sea), Mangalore. People depend on hand pumps (water availability is by 4 ft) for drinking water. The project planned piped water supply and construct latrine pits. The implementing agency had not analyzed the situation and the impact of providing piped water supply and the latrine pits on the local fresh water resources. Instead, the project went ahead with the construction of latrine pits and laying the water supply lines. The people of Tota-Bengare are on the receiving end as their local water resources are being polluted and the external dependency on the piped water supplies.
- e. All the solid waste management components of the project ignore the pollution to streams, wetlands and rivers due to the dump yard leachates.
- f. The participatory approach highlighted in the reports and documents means in reality that people are expected to attend meetings whenever they are invited. And it is the discretion of 'officials' or the 'implementing agency' to consider or accept the suggestions.
- g. The identification of project sites, identification of beneficiaries (especially the poor) and the carrying out of works claimed to be of 'international standards' and 'procedures', it is the experience that the project do not convince the delivery of results to poor.
- h. The slum residents in specific and the citizens in general have been excluded largely from planning and monitoring of physical works as the tasks are managed by the Project Implementation Unit (PIU) and Design and Supervision Consultants (DSC).
- i. Being an outside arrangement, Project Implementation Unit (PIU) is limited by its inability to engage the municipalities and enhance their capacities. The situation is such that the implementing agency would 'complete' the project and handover the assets to the municipalities and wind up.
- j. In case of KUIDP, the money spent on certain components is waste due to bad planning and implementation, like the Bus stand in Ramnagaram which is constructed outside the city and the sewage treatment plant which is non functional and similar is the truck terminus outskirts of Tumkur. The burden of expenditure on such components is on the municipalities.

At the second level,

- a. The focus of the Water Supply component is 'Rehabilitation, Augmentation and Expansion'. Many of the project towns have been clubbed to provide water supply from a single source. For example, the water supply rehabilitation for Mangalore will serve Ullal, the water supply rehabilitation for Udupi will also serve Kundapur and similarly the water supply rehabilitation for Karwar will augment Ankola. It is evident from Mangalore's experience which shows that wrong calculations were projected about the water availability which justified expansion of the water supply lines. The future situation would be that the water source will be quickly emptied as more water is now will be pumped to urban 'consumers' and water 'users'.
- b. The water sources (mainly the underground) within cities have been contaminated and will be continued to get contaminated due to the 'inflow' of more water and its use

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<sup>9</sup> Refer Exhibit 1, 2, 3, KUDCEMP – ADB Blunders Unearthed, in Mangalore Today, Vol.8, Issue 7, October 2004.

- by the citizens and other users. The project (the initial environmental examination) neither considers the impact on the water resources within the city nor the outside the city (water shed of the reservoir).
- c. The RRP:IND 30303 (p.68) concludes that the initial environmental examination (Appendix 10, p.1) indicates no requirement for an environmental impact assessment as the project aims to improve and sustain the urban environment in the project towns. This is misleading, as the initial environmental examination looks at aspects 'only' related to the water pollution, solid waste and other aspects only 'during' the project, but not beyond. The project fails to look at the larger impact of the project on the natural resources of the region.
  - d. The migrant and the poor are more vulnerable due to the increased construction of buildings on vacant sites. The introduction of vacant land tax by the Government of Karnataka to raise resources and meet the assurances given to ADB for the KUDCEM Project, has contributed to the selling of vacant lands by owners. This resulted in new constructions, felling of trees and inflow of more migrants (see **Annexure-6** for more details on the Self Assessment Scheme). Mangalore is Malaria prone and the most vulnerable are the migrant labourers living in areas not having basic civic amenities. The RRP only assures that 'child labour' will not be employed (p.77) from the migrants.
  - e. The decreasing green cover due to the 'productive use of urban land' is also causing floods in the coastal towns during monsoon. Mangalore has been experiencing floods during monsoon due to the change in land use. The policy change induced by the project has increased the situation.

At the third level,

- a. The project is conceived by the State Government with Global Knowledge from ADB through Technical Assistance for the KUDCEM Project (this is the 2<sup>nd</sup> project). The municipalities were co-opted or forced to accept and repaying the loan, as the conceiving and implementation is by the state agency. The burden of repayment is an issue that will burden the citizens.
- b. The role of implementing agency is crucial in any development project, especially when the implementing agency is not local. The citizens and most of the time the Elected Representatives have been in dark with no information provided in KUDCEM Project.
- c. The promotion of the state agency by ADB as a 'model' organization, as a Special Purpose Vehicle (SPV) and the assurance that the 74<sup>th</sup> Constitutional Amendment provisions will be implemented totally contradicts as such a project in reality, the state agency is dominating and encroaching the 'autonomy' of urban local governments.
- d. The ADB project monitoring processes and ground realities are weak and totally rely on the feedback of the implementing agency. The ADB's outreach to the public on the project implementation does not exist, making the project not reach it's goals.
- e. The policy conditionalities and the assurances as a part of reforms are violating the constitutional rights of citizens of India, the water rates; property taxes and cesses are being raised without consultation with the municipalities (see **Annexure-7** for the achievements of Government of Karnataka). The RRP clearly promotes user charges (neglecting the poor) and Private Sector Participation, thus impacting the rights of citizens, urban poor and the constitutional legitimacy of municipalities to perform the obligatory functions, as in the case of KUDCEM Project.
- f. The policy conditionalities have gone in the direction of increasing revenues, ensuring conducive atmosphere for charging for services, bringing private sector and

- promoting the state agencies at the cost of local democracy. The projects have impacted negatively on public participation, benefits to poor and ensuring local ness.
- g. There is a willing ignorance on part of ADB and its water policy on the issue of urban local governments. The vagueness in the use of words like 'urban local bodies' equals municipalities with other state service provider agencies, indicates that talk of decentralization and improving urban management makes it clear that the ADB looks at and wants to see the 'municipalities' as agencies that provide service. The understanding of the fact that 'municipalities' are 'urban elected local governments' is missing. This would aggravate further through more development projects being administered through state agencies, thus making it a centralized process.

The arguments in above paragraphs clearly show that the social, economical and environmental benefits (assumed or proposed) mentioned in RRP and that is visible in reality do not match.

**5. Water governance (this could explain whether the project has any negative positive implication of water rights, water management, private sector involvement..... and which adb policy direction lead to this negative impact etc.):**

The state of Water Governance:

1. Water rights: The identification of stakeholders, non-government stakeholders and water users is vaguely defined and interpreted. The traditional control of communities over water is systematically being destabilized by allowing urban and industrial interests to compete for the access to water resources and creating conflicts by the KUDCEM Project. For example, the summer months in Mangalore causes water supply shortage from Nethravathi river. The Nethravathi river water users association and the other farmers are ordered not to draw water by the City Corporation and the District Administration. The livelihood of thousands of farmers is under threat due to this recent development, and the expansion of water supply lanes under the KUDCEM Project has ignored this sensitive and very important rights issues.

Similarly, in Sirsi, the building of a dam on river Aghanashini (near Balgar village of Siddapur taluk) to provide water supply to Sirsi was opposed by the villagers. Later it was decided to provide water to Sirsi without constructing the dam. The District Collector, MLA (Member of Legislative Assembly), MLC (Member of Legislative Council) and KUIDFC were allowed to go ahead with the scheme only after ensuring a minimum of 8 MLD water at the source, remaining water to cater to the needs of Sirsi<sup>10</sup>

*(ADB Water Policy points 14, 29, 32)*

2. Water management: The focus of the project has been to expand existing infrastructure for bring more water into the city. The calculations for expanding the water supply provision to Mangalore city was based on the TA report, where the consultants referred an old report. The water availability at the vented dam was estimated to be about 9 MLD and in the monsoon of 2003-04 it was realized that the capacity of the vented dam is not more than 5 MLD. The implementing agency has not taken responsibility for this improper planning. There has not been a

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<sup>10</sup> Personal discussion with Mr.Paramananda Hegde, Consumer Protection Forum, Sirsi on 18.9.2005.

consideration on conserving watersheds in the catchments. The thrust is on exploiting and extracting the maximum surface water available.

The planning also includes providing water to the neighboring two towns (Ullal and Mulky), the capacity of the river to provide water and the rights of farmers has been undermined.

The project calculates per-capita consumption of water according to international standards, which differentiates 135 LPD for a Corporation resident and 55 LPD for a villager. This high consumption allocation is itself questionable. Calculations for financial resources for water storage, distribution, infrastructure and maintenance begin from this calculation. The loan amounts are exaggerated by consultants not based on field realities.

All the solid waste management components of the project are causing pollution to streams, wetlands and rivers due to the dump yard leachates.

*(ADB Water Policy points 28-30, 31, 34, 43)*

3. Health of City: Thanks to the taxing on open and vacant lands, the rate of constructions has gone up in Mangalore specifically and in general in Karnataka. This means the owners of the big plots are selling the land, which is clear felled to bring new constructions. This is happening within Mangalore and in the peripheral areas of Mangalore. This has serious implications on recharge of ground water and surface waters feeding into Nethravathi.

*(ADB Water Policy points 32, 33, 34)*

The improvement of living conditions of poor is contradicted with the realities on the field. Mangalore being one of the investment regions for construction is attracting migrant labour from the drought prone districts of Karnataka. These laborers reside in locations not conducive to living. These laborers settle in localities where already poor people are residing or near the construction sites. The incidence of Malaria has increased since last few years (ever since the vacant lands have been opened to construction).

*(ADB Water Policy points 23, 41, 46)*

Private Sector Involvement: Presently the involvement of Contractor companies is seen in the implementation of the project. The involvement is mainly sub-contracting the works related to construction of storage structures for water supply, sewage treatment, laying of pipes etc. Elsewhere in Karnataka, the World Bank funded project is supporting Government of Karnataka on a project in four towns with PSP for 24 X 7 water supply on a pilot basis.

*(ADB Water Policy points 37, 38, 39)*

4. Municipal Governance: The municipalities are seen as the agencies of managing water supplies. This is wrong. The promotion of state agencies as model agencies to implement the huge projects which in turn coerce the municipal governments is objectionable. The municipalities have the burden of repayment for the loans. ADB interprets that the policy recommendations in the KUIDP as a milestone for urban development because of the inclusion of policy reforms intended to support the central and state governments' efforts to decentralize urban management responsibilities to local governments', including resource and revenue generation and improving O & M of assets. This is a misleading interpretation. This is a way to justify the lending (which has its interests on privatization of services) projecting the

priorities of national and state governments. This reduces the participation of people in the planning, designing and implementation process.

Though the loans are extended by ADB for specific project in a sector, the policy conditionalities and the reforms in urban sector has been carried throughout the urban areas in Karnataka. This is an important aspect for debate as to what extent the governments can forego the constitutional provisions made to citizens, for receiving a loan. ADB is pursuing this vehemently in bureaucratic circles on one side and ignoring the quality of implementation of projects on the other. This has serious repercussions on undermining the existence of urban local governments and strengthening the state control.

*(ADB Water Policy points 25, 26, 20-30, 36, 37, 40, 53, 55, 56, 57)*

**6. Alternative (this could include suggestions for the implications mentioned in chapter 3,4 and 5) (also can suggest best water models available in your country):**

The practice of planning and implementing development projects in India and the South Asia region have the legacy of British rule and colonial mindset. The non-involvement of citizens in decision making by Government continues to be the case.

The planning and implementation of development projects must consider the following;

- The initial idea of the project must be discussed in multiple citizen forums to give a shape. This is the phase where generally 'officials' avoid as they feel that 'there will be an opposition' from public.
- The orientation of 'officials' and those of 'donors' must change towards people. The priority then becomes not designing and pushing the development ideas or projects. But initiate the process and do it along with people.
- The policies of ADB that the projects must comply to; the laws of the land that the project should be confirming to; the policy conditionalities and assurances that the ADB lays – the primary responsibility of reaching out to public is the responsibility of ADB. This makes projects more realistic and relevant to the needs of people for which the projects come into existence.
- Specifically,
  - There has to be consensus between the farmers, fisher folk, panchayaths and the municipalities to share water.
  - The responsibility to consider a proper environmental impact assessment due to exploitation of water resources and take responsibility to address the water shed management issues of urban water supply catchments is incorporated in project preparation.
- The Government of Karnataka and India must come with strict regulations to ensure to safeguard 'water', which is a public resource. The involvement of private sector participation and public private partnerships must be restricted according to the criteria set by the citizens, panchayaths and the municipalities based on the demands and requirements discussed locally.

The policy reforms forced by ADB and assurances taken from the Government on each loan obtained, to be applicable to all the urban areas is objectionable. The ADB and the Government must bring the issues and conditionalities of loan into public, only after the public debate and conditionalities discussed that the loan be finalized.

- The lending to specific projects and policy reforms agenda have to be de-linked.

- The Public Communications Policy needs to be implemented by ADB in spirit, engaging directly with project area.

**7. Suggested policy recommendation for the ADB (This can also make specific reference to the ADB's current Water Policy, which was approved in 2001):**

- Define the term 'stakeholders, ngo-stakeholders and water users' (ADB Water Policy points 14, 29, 32).
- The notion of 'private' can deliver the best and entrusting the responsibility of water services to 'private'. As it is evident throughout the world it is not the case, this notion needs a drastic overview (ADB Water Policy points 38, 39).
- The water policy is narrow by only looking at the 'surface waters'. It does not include the impacts related to the over exploitation of surface waters, pollution to ground water due to the increased inflow of water. The focus and scope of water policy is to exploit 'maximum', the available water from source (reservoir or storage facility). The focus and scope should include the responsibility of implications of downstream use on the water shed, catchments and the upstream traditional water users (ADB Water Policy points 28, 29, 30, 32-36).
- The pro poor intentions of the ADB Water Policy (points 19, 23) are put forward to provide sector specific loans (with policy conditionalities) that drive towards privatization of public services. In reality, the loan component does not cover the 'pro poor' components, but it comes as a government contribution. The arguments in the Water Policy (points 40, 45) that subsidies have to be phased out for poor and poor are willing to pay etc, shows the intention to mislead public and raises serious questions about the commitment of ADB Water Policy to reach water for all, especially the poor.
- The ADB's notion of government's role from provider to regulator and equaling municipalities with other agencies as 'urban local bodies' is debatable. This notion is encouraging the ADB, in the name of furthering 74<sup>th</sup> Constitutional Amendment and decentralization process, to promote 'model state agencies' to implement it's projects that encroach the constitutional mandate of municipalities (ADB Water Policy points 25-27, 37-39, 50-58, 69).

**8. Conclusion:**

The looking at the implementation of ADB Water Policy in the urban infrastructure development projects in Karnataka provides the reality. ADB, the international financial institution with a global knowledge shows that all that it talks and projects, but fails to deliver. The ADB Water Policy projects its position of being 'pro poor' and wanting to reach the benefits to 'poor'. The other priorities of the policy to – influence DMCs to make policy changes, promote apex organizations, formulate rules, ensure government de control, introduce private sector, encourage private investments etc – are clearly expressed.

Being 'pro poor' in statements and documents, expressing the concerns to reach out to poor, social equity and the intentions of reforms, PSP clearly indicates that the ADB is using the 'pro poor' mask to sell projects to capture country's natural resources. The implementation of urban infrastructure development projects in Karnataka have clearly showed that the poor

in specific and citizens in general have totally been left out in the process. The other TAs financed by ADB also should also be critically looked into to know the future course of thinking.

A critique of ADB TA 3791 (Enhancing Private Sector Participation (PSP) in Infrastructure Development at the State Level (IL&FS and IDBI)) by Equations (a Bangalore based organization) reveals that, the ADB-TA report overlooks the basic principle of 'Right to Water', the ADB-TA recommendations are aimed towards giving private parties rights without responsibilities and providing them legal immunity, The ADB-TA does not appreciate the democratic spirit of local self governance as is enunciated in the Indian Constitution, The ADB recommendations will lead to the creation of a completely parallel system of governance and regulation at the local level, The ADB-TA report does not appreciate the specificity and sensitivities of development in certain parts of the country, identified as 'Scheduled Areas' by the Constitution and The ADB's recommendations are paving the way for a GATs-regime in basic services in India.

It would be relevant to review the ADB Water Policy in relation to TAs studies done in other sectors like forestry, roads, ports, etc in India. The ADB Water Policy contradicts the objective of reaching Millennium Development Goals (MDGs). Though the ADB claims to be assisting the DMCs in reaching MDGs, looking at water as an economic good (that becomes need) and pursuing reforms, deprives the citizens of their constitutional right to water.

The development process requires an understanding of peoples' problems, identifying and intervening at the right time and for the right people. The following aspects are important and seriously to be considered for the projects funded by ADB,

- A thorough engagement with cities (villages) and citizens to identify and design suitable development projects,
- Conscious efforts have to be made to uplift the poor in the project areas,
- ADB must engage in a public dialogue about the project, conditionalities and assurances.
- The involvement of poor and citizens must be ensured in the project implementation.
- The policy conditionalities and the loan have to be de-linked.
- The ADB must appreciate the democratic spirit of local self governance as is enunciated in the Indian Constitution.
- ADB must recognize that the 'Right to Water' is a constitutional one and should not venture to deny access to water to large sections of populations through 'user pay principle'.
- It is evident that the implementation of existing Water Policy has influenced the projects in the direction of reforms not really benefiting the poor and general public, The ADB Water Policy holds a narrow outlook on the natural resource like 'water'.
- The seven principle elements of the ADB Water Policy miss out the human element, based on the premise that water is a vital economic good.

**As the ADB Water Policy implementation review clearly shows us that the direction of present ADB Water Policy 2001 will deprive the Citizens their Constitutional Right to Water,**

**the ADB Water Policy 2001 itself must be reviewed.**

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## **Annexure-1:**

### **Karnataka Urban Infrastructure Development Project**

#### **The project will be undertaken in six parts (Loan and Project Summary, page.iii)**

Part A – Environmental sanitation: Augmentation of water supply, rehabilitation and expansion of sewerage systems, solid waste management programs, and comprehensive storm water drainage and sullage disposal schemes in the four towns.

Part B – Road improvement and truck and bus terminals: Rehabilitation and upgrading of about 190 km of urban roads, a study of the traffic management situation in each Project town and, based on the findings of the study, introduction of traffic management measures to ensure better traffic flow, construction of a truck terminal in Mysore and Tumkur, and upgrading an existing bus stand in Ramanagaram to ease traffic congestion in these towns.

Part C – Poverty reduction: Slum upgrading through provision of basic amenities such as water supply, sanitation, drainage and solid waste facilities to about 31 slum areas in the four Project towns; provision of low-cost sanitary latrines to about 23,700 low-income households; and development of about 7,200 housing sites with basic amenities, 65 percent of which will be allocated to low-income beneficiaries and 35 percent to middle-income beneficiaries. Besides these, a cultural-cum-commercial and training center will be constructed in Ramanagaram, and a women's training center in Tumkur with facilities for women to develop their skills and engage in income-generating activities.

Part D – Development of industrial sites and services: Development of about 80 ha. in Tumkur and 10 ha in Ramanagaram, with provision of roads, water supply, and drainage and sanitation facilities for industrial and commercial activities to generate economic activity in these towns.

Part E – Implementation assistance and Institutional strengthening: Equipment, service vehicles, training, incremental staffing costs as well as consulting services toward Project implementation and capacity enhancement of urban local governments.

Part F – Low-income housing finance: Alleviation of the current housing shortage in the Project towns as well as in other selected areas within the Bangalore subregion through the provision of housing finance primarily to low-income beneficiaries at affordable interest rates without any form of subsidy.

(RRP : IND 27132)

**Annexure-2:****Karnataka Urban Development and Coastal Environment Management Project  
The project will be undertaken in six parts (Loan and Project Summary, page.iv)**

Part A – Provide support for capacity building of local government administrations and community participation with particular emphasis on the formation of sustainable CBOs to participate in the design and implementation of poverty reduction sub projects.

Part B – will include water supply rehabilitation and expansion.

Part C – will improve urban environmental quality including waste water management, storm water drainage, solid waste management, traffic management, and municipal services and facilities, such as public markets, slaughterhouses, and municipal offices.

Part D – will improve transportation by upgrading streets and bridges in urban areas.

Part E – is on coastal environmental management through the preparation of a coastal resource management and conservation plan, development of a cleaner production and environmental monitoring program, promotion of coastal erosion protection through mangrove afforestation, and preparation of a Mangalore urban rehabilitation plan.

Part F – will provide implementation assistance covering incremental administration, equipment and vehicles for implementation, design and construction supervision services, and project management services.

(RRP : IND 30303)

<b>Project Towns</b>	<b>Project Costs (in Crores)</b>
Ankola	9.43
Bhatkal	44.61
Dandeli	24.02
Karwar	114.52
Kundapur	34.20
Mangalore	350.12
Puttur	51.87
Sirsi	64.38
Udupi	135.80
Ullal	24.88
Other regional environmental projects	202.32
<b>Total</b>	<b>1056.15</b>

(Source: Karnataka Urban Development and Coastal Environment Management Project (funded by Asian Development Bank), A brochure by KUIDFC)

**Annexure-3: Mangalore:**

No	Component	Progress as on September 2004
1	Water supply	
	Construction of Reservoirs	14% against 75%
	Water Treatment Plant at Ramalkatte	8% against 58%
	Transmission lines to Mangalore	23% against 57%
	Transmission lines within Mangalore	39% against 54%
2	Under Ground Drainage	
	Rehabilitation of Sewerage plant at Kavoor	0% against 35%
	UGD System at Kavoor	0% against 15%
	New Sewage Treatment Plant at Jeppinamogaru	0% against 47%
	UGD to Surathkal	0% against 15%
	Site grading at Kavoor	59% against 100%
3	Other Works	
	Storm Water Drains	24% against 45%
	Slum Improvement	22% against 90%

*(Source: Note by Mr.Raghavan, Co-Convenor, NGO Task Force on ADB Funded Project, Mangalore, dated 30.9.2004).*

**Annexure-4:**

The TA No.4530 being done for the Northern Karnataka Towns has the component to streamline the reforms processes in water supply sector to be able to bring in private sector to manage.

**(III. THE TECHNICAL ASSISTANCE, A. Purpose and Output)**

11. The objective of the TA is to (i) review the feasibility study prepared by GoK and (ii) complement and augment the study to prepare a project suitable for ADB financing. A sector loan approach will be adopted for the Project. The TA will focus primarily on (i) reviewing the performance-based deferred payment schemes proposed by GoK and their application to the proposed Project; (ii) examining the tariff frameworks to ensure the sustainability of the O&M of the investments; (iii) performing financial management assessment of the Project's executing and implementing agencies; and (iv) helping to prepare safeguard frameworks for the environment, resettlement, and indigenous peoples and related plans, as applicable. Based on GoK's feasibility study, the TA will prepare one main report and three town reports for the sample subprojects. A summary initial poverty and social analysis is in Appendix 2.

(TAR : IND 38254)

**Annexure-5:**

**Technical Assistance provided:**

- c) **Project Name:** Capacity Building for Improved Infrastructure Development in Selected Municipalities in Karnataka State.  
**Date Approved:** 9<sup>th</sup> November 1994.  
**TA No:** 2202.  
**Amount:** US\$ 600,000 million.  
**Type:** Advisory and Operational.  
**Source:** Asian Development Bank.  
\*
- d) **Project Name:** Institutional Strengthening of Karnataka Urban Infrastructure Finance Corporaton.  
**Date Approved:** 28<sup>th</sup> July 1995.  
**TA No:** 2368.  
**Amount:** US\$ 100,000 million.  
**Type:** Advisory and Operational.  
**Source:** Asian Development Bank.  
\*
- e) **Project Name:** Resource Mobilization Study for Local Governments in Karnataka.  
**Date Approved:** 14<sup>th</sup> December 1995.  
**TA No:** 2471.  
**Amount:** US\$ 300,000 million.  
**Type:** Advisory and Operational.  
**Source:** Asian Development Bank.  
\*
- f) **Project Name:** Karnataka Coastal Environmental Management and Urban Development.  
**Date Approved:** 6<sup>th</sup> June 1997.  
**TA No:** 2806.  
**Amount:** US\$ 800,000 million.  
**Type:** Project Preparation.  
**Source:** JSF/ACCSF.  
\*
- g) **Project Name:** Karnataka Urban Infrastructure Development III.  
**Date Approved:** 23<sup>rd</sup> December 2004.  
**TA No:** 4530.  
**Amount:** US\$ 400,000 million.  
**Type:** Project Preparation.  
**Source:** Asian Development Bank.  
\*

***(Source: \*2004 Loan, Technical Assistance and Private Sector Operations Approval, as of December 2004, Asian Development Bank)***

**Annexure-6:**

<b>Existing System Vs New System Chart</b>		
	<b>Existing System</b>	<b>New System</b>
Basis	Annual rental value	Taxable capitalized value
Computation	By corporation officials	By tax payer, based on 'tax payers hand book' to be published by corporation
Term	Once in six months	Once in a year
Mode	Through computerized challan issued by the corporation	Through bank challan to be made available by the corporation
Procedure	Pay the challan into the bank before the end of the half year	Pay challan, fill in return form and submit both to the corporation
Discount	Not applicable	5 percent if paid and return filed before 30 days
Interest / Penalty	5 percent P.A.	Up to 50 per cent of tax shall be paid as penalty if paid after 90 days
Assessment	Only in the first year	Intimation of assessment shall be sent within one year to the tax payer, every year
Short payment	Interest at 5 per cent P.A	Up to two times the amount of difference between assessed tax and returned tax
Rate of tax	22% of adjusted annual rentable value	0.3% - 0.6% of Capitalised value of land and capitalized value of building, less depreciation of building
Self occupied property	Same as above	50 per cent rebate in above
Other cess	56 per cent of the tax	56 per cent of the tax
Exempted properties Govt.buildings, hospitals , educational institutions, religious places etc.	NIL	No tax but 25 per cent of tax liability will be recovered as 'service charges'
Vacancy remission	Available	Not available. Even if the let out building is vacant, tax is to be paid in full
Building subject to tax	Only the building	Building includes apartmnet, land used as garden and grounds not exceeding thrice the area occupied by such buildings
Tax on vacant land	Not applicable	Land exceeding thrice the area occupied by building is vacant land. Tax shall be levied at 0.3-0.6 per cent of value as computed under section 45 B of Karnataka stamp act Plus 56% surcharge
Infrastructure and solid waste management cess	Not applicable	Up to Rs.500/- per annum on every motor vehicle. Rates may vary with class of vehicle
Tax of unlawful building	No door number, no tax	Pay property tax plus twice the amount as penalty till it is regularized
Solid waste management cess	Not applicable	'at such rate not exceeding one thousand rupees per month as may be

		prescribed on every owner or occupant of buildings or lands or both in the city'
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Issues	Citizens' Demand
<ul style="list-style-type: none"> <li>• Unrealistic valuation of land</li> <li>• Tax on vacant land</li> <li>• Definition of building</li> <li>• Withdrawal of vacancy remission</li> <li>• Legal title v/s liability</li> <li>• Service charges whether includes cess</li> <li>• Infrastructure and solid waste management cess</li> <li>• Tax on vacant land destroys greenery</li> <li>• Incomplete building / building under construction – How are these taxed?</li> <li>• Delay on the part of the corporation to issue completion certificate</li> <li>• Agricultural and 'muli' land</li> </ul>	<ul style="list-style-type: none"> <li>• Review land value on realistic basis</li> <li>• Avoid imposition of service charges</li> <li>• Rvise depreciation rates</li> <li>• Urbanization should not destroy Mangalore's unique landscape and greenery</li> <li>• Reduce minimum tax rate</li> <li>• Exempt vacant land from tax</li> <li>• Allow vacancy remission</li> <li>• Introduce all-inclusive rates, no cess</li> <li>• Amend definition of building</li> <li>• Improve accountability and responsibility</li> <li>• Computerized ward maps should be available on a web page</li> </ul>

**(Source: The Countdown begins... SAS – A Reckless Prank, Mangalore Today – October 2002)**

#### **Anenxure-7:**

##### **Water charges:**

In a notification issued by Government of Karnataka in 1996 (Government Order No.UDD 204 UMS 95, dated 15.11.1996), ULBs were advised to impose minimum water charges of Rs.45 / household / month along with one time connection charges of Rs.1,000 for TMCs, Rs.1,500 for CMCs and Rs.2,000 for Corporations. This order clearly says that the Karnataka Urban Water Supply and Drainage Board is executing water supply schemes obtaining financial assistance from LIC/HUDCO/Asian Development Banks etc and therefore, it is necessary tht the Board has to recover the charges in water tariff for servicing the debt charges to the financial institutions.

It however omitted to focus on the operative part; 'to ensure full cost recovery of O&M services'. As a result, ULBs have not affected periodical tariff increases to balance costs and revenue from WSS. The suggested amount has been treated as a norm by most ULBs and tariffs have not been revised upwards. Ramnagaram, however, reports a flat charge of Rs100 per month for domestic consumption. In case of Mangalore, the minimum water charges per month are about Rs.50.

The notification of Bangalore Water Supply and Sewerage Board (G.O.No.NAE/161/MNI/2004 Bangalore dated 27.1.2005, Notification No. BWSSB/CAO-S/81-9-2005/3699 Dated 8.2.2005) revised tariff with effect from 1.2.2005 charges a minimum of Rs.48.00 and charging per kilo litre wise, along with sanitary charges at a flat rate.

## **The case of the Greater Bangalore Water Supply Project**

The World Bank has extended 66.7% of the funding for a Rs.658.65 crore project called the Greater Bangalore Water Supply and Sewerage Project that was launched in November 2003. The project is being implemented by the Bangalore Water Supply and Sewerage Board (BWSSB) and it proposes to extend water supply facility to seven City Municipal Councils (Bommanahalli, Byatarayanapura, Dasarahalli, Krishnarajapuram, Mahadevapura, Rajarajeshwarinagara, Yelahanka) and Kengeri Town Municipal Council. All of which lie in the outskirts and peripheral portions of the city.

By design, the beneficiaries of the project (ostensibly the residents of these areas) were to contribute 10% of the total project cost through pooled fund mechanism. Accordingly, it was decided that a capital beneficiary amount of Rs.10,000 per domestic and Rs.20,000 per non-domestic connection would be collected before commencing the work. Such a high connection cost is beyond the reach of most residents in these regions who demanded explanations from the authorities for why the cost was so high. In fact, Mr.L.V.Moss, a resident of Whitefield, Mahadevpura City Municipal Council moved the Karnataka High Court complaining that although, as per the project cost, BWSSB was required to collect only Rs.18.91 crore from the CMC, a fee of Rs.10,000 per connection was resulting in a total collection of Rs.43 crore – far higher than the required amount. Given this litigation and the persistent denial of residents to pay such an exorbitant amount, the Directorate of Municipal Administration conducted a survey in the project area to assess the residents' capacity to pay and accordingly revised the rates. On the basis of this survey, the Government of Karnataka issued a government order on 28<sup>th</sup> February 2005 reducing the charges to Rs.8,500 and Rs.15,000 for domestic and non-domestic connections respectively.

Although this amount remains beyond the capacity of the poorer residents in these areas, the project has been given the go-ahead with Larsen-Toubro bagging the Rs.165 crore contract from BWSSB for laying of a 1,600 km ductile iron pipeline for the project. The government order states if the CMCs are not able to cough up the required amount, they will have to take a loan from the Mega City Loans Scheme of the ADB. This would lead to people in the project area not only contributing to the pooled fund but also bearing additional tax burden to repay the WB loan.

## Loan conditionalities Vs Reported achievements

Loan Conditionality	Reported Achievement
<b>KUIDP</b>	
Implementation of water tariff and sewerage charge to ensure full cost recovery of WSS O&M	Sewage collection charges have not been levied in Ramnagaram (KUIDP). In a notification issued by Government of Karnataka in 1996, ULBs were advised to impose minimum water charges of Rs.45 / household / month. It however omitted to focus on the operative part; 'to ensure full cost recovery of O&M services'. As a result, ULBs have not affected periodical tariff increases to balance costs and revenue from WSS. The suggested amount has been treated as a norm by most ULBs and tariffs have not been revised upwards. Ramnagaram, however, reports a flat charge of Rs100 per month for domestic consumption.
Technical Assistance for resource mobilization in ULBs	Collection of water user charges is estimated to be less than 70% and is attributed to political instability. Currently billing system is manual. Collection percentage is 50%. The ULB intends to charge 2% penalty for water tax defaulters. This has not been implemented as yet, but it is in the pipeline, waiting for approval from the council Members. Ramnagaram has gone a step further by commencing installation of water meters in the pipeline to enable ULBs to monitor billing through the meters based on water consumption. Around 5,100 meters have already been fixed.
Development of a comprehensive training plan for the sector personnel	Balance is envisaged to be complete in 6 – 7 months. After consumption of 15,000 litres, 7?- will be charged per 1000 litres as next slab rate. Once done, this should become a source of additional revenue to the ULB and will help in loan payment.
Some basic financial and revenue generation measures to increase the revenue base of ULBs	Although generally, ULBs are unable to repay debt on time and to treat loans as government grants, in case of KUIDP, ULBs have repaid those portions of the debt which have a direct revenue stream attached, such as site services.

Loan Conditionality	Reported Achievement
<p><b>KUDCEM</b></p> <p>Reassessment of properties in project towns and their appropriate taxation;</p> <p>Introduction of local revenue augmenting measures such as land conversion charges;</p> <p>Indexing municipal rents with market rates, reducing non-revenue water to 25%;</p> <p>Greater collection efficiency of water charges, including disconnection on non-payment;</p> <p>Increase of water tariffs by 50% immediately and 100% thereof within 2005; and</p> <p>A set of financial and institutional reform measures including computerization of billing and collection, accounting reforms etc. to build the long terms capacity of ULBs</p>	<p>The state government has considerably simplified the ULB property tax system, linking it to an objective area-based self-assessment scheme with banks authorized to collect taxes from the public. It has also taken several steps for improving the management and transparency in ULBs, in particular, the government has:</p> <ul style="list-style-type: none"> <li>▪ Instituted state-wide property tax reforms including self assessment of tax and computerization of billing and collection;</li> <li>▪ Developed a property tax database for better assessment and collection of property tax. It is also implementing Geographical Information System (GIS) in some ULBs; GIS survey is nearly complete in Ramnagaram. After the survey is over and data computerized a realistic tax demand will emerge leading to improved collections.</li> <li>▪ Enacted the Fiscal Responsibility Act, 2003, to bring about greater financial responsibility in ULBs and preparation of a Mid-term Financial Plan for their sustainability.</li> <li>▪ Initiated state wide accounting reforms to implement double entry based accrual accounting in its ULBs.</li> <li>▪ Examined alternative financing options for water supply improvement such as issue of bonds under the Greater Bangalore Water and Sanitation Project (GBWASP).</li> </ul> <p>In Ramnagaram, change from Annual Rental Value (ARV) to Self Assessment method has halved rather than increased collections from about 80% to 40%. As nearly 25% of Ramnagaram's collection is from commercial properties, this reduction is being attributed to lack of awareness about the new system.</p> <p>The state has also enacted the Fiscal Responsibility Act along with various other measures to improve transparency in ULB operations.</p> <p>The double entry fund-based accounting system now provides a disaggregated account of water and sewerage expenses and revenues from other municipal activities and will help in providing better information on cost recovery to ULBs.</p> <p>The ULBs, despite the authority, have not been proactive in increasing water charges. Greater political will and stability in the ULB is necessary for this.</p> <p>Private Sector Participation in water supply services has begun with the support of USAID that has started with a bonds issue for raising capital. There are plans to contract out the management of some pumps to the private sector, to begin with in Bangalore followed by other cities (see <b>Annexure 18</b>)</p>

(Source: Draft report – Evaluating Implementation of ADB's Water Policy in India, Prepared by the Centre for Urban and Regional Excellence for Water Aid India, 2005, p.56, 57))

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- Born on 18.8.1970, Completed High School in 1984, Graduation (in Commerce) in 1991, Post Graduate Diploma in Ecology & Environment in 1998, MA Sociology in 1998, Presently awaiting registration into PhD studies in Sociology.
- Working in Development sector since 1993 and dealt areas of 'community participation in conservation and paper recycling, urban governance and advocacy on IFIs and networking on Environment and IFI issues in India and at Asia level'.
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Methodology:

The author has been working on an action research project on coastal Karnataka since the year 2000. Much of the information for the case study is obtained through participant observation method, where the author was attending the meetings of citizens associations, inter city meetings and field visits during 2000 – 2005 (till date). Specifically the case study draws information from field visits to project towns, discussions with citizens associations of project towns, published and un published notes or articles, reports of ADB and KUIDFC.