

## Crisis at the Delhi Jal Board

It was the summer of 2005, and Raj Singh was unusually pensive during his morning walk through his favorite park. Listening to the chirping of birds as the first rays of dawn burst through generally calmed and prepared him mentally for the rest of the day. Today, however, he was oblivious to everything. He had a crucial presentation to make in front of several high ranking bureaucrats and ministers. As one of the consultants hired by the Delhi Jal (Water) Board (DJB), the Utilities board responsible for supply of water to the residents in his country's capital city of Delhi, his advice today would carry great weight. The meeting that morning had been called to take a crucial decision on whether or not to continue with the changes initiated in the water distribution system in the city.

Raj Singh thought back to the events of the past few years – at first, the realization in the Delhi Government that there was a serious water crisis caused by inefficient water management, the hiring of the previous expert consultants to find a solution, the path of reform<sup>1</sup> suggested by these experts and finally the decision to privatize water distribution in the city. But soon after, tensions had arisen due to certain unforeseen events. On the one hand, there was an eagerness shown by his client, the Delhi Jal Board, to go forward with the changes recommended to fix the inefficiencies in the organization and deliver piped water 24/7 to the residents of Delhi. On the other hand, however, DJB was faced with extremely vocal public protests against the whole process. Serious allegations had surfaced posing a big question mark on the entire process. And now, he had been called in to study the situation and recommend whether or not DJB should go ahead with the planned reforms. Mentally, for the umpteenth time, he recounted the drama as it had unfolded in the past few months, hoping to be able to finally make up his mind about what had to be done next.

### Background

#### *Vanishing Water*

New Delhi, the large and fast growing capital city of India, had a serious water problem. But the problem was not simply that of water shortage. Indeed, situated on the banks of one of the largest North Indian Rivers, the mighty river Yamuna, New Delhi was blessed with an almost perennial source of fresh water. According to official figures, the water treatment and supply capacity of the Delhi Jal Board in 2005 was 650 Million Gallons per Day (MGD). DJB supplied water to

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<sup>1</sup> The term 'reform' has been used in this case to refer to organizational restructuring. No political or moral connotation should be drawn.

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around 19.24 lakh households out of a total of 25.54 lakh households in Delhi<sup>2</sup> i.e. roughly 75% of the population was provided with piped water supply. The Master Plan of Delhi (MPD) 2001 prepared by The Central Public Health and Environmental Engineering Organisation (CPHEEO) and relied upon by policy makers, had prescribed a norm of 60 gallons per capita per day. By this yardstick, the water requirement for Delhi was 900 MGD, while the availability was only 650 MGD. Thus there was a shortfall of about 250 MGD (Exhibits 1 & 2).

**Table 1: Water Sources of Delhi**

SN	Source	Quantity (MGD)
1	Yamuna	229
2	Ganga	100
3	Bakra Storage	240
	SUB TOTAL	569
4.	Ranney Wells/Tube wells (Ground water)	81
	TOTAL	650

Source: *Economic Survey of Delhi 2005-06*

This shortfall of 250 MGD was primarily due to the failure of the Sonia Vihar Water Treatment Plant. Leakages in the pipeline supplying the water from the river to the plant had stalled its operation, causing the current crisis. Engineers were working to rectify the problem, and it was expected that within the next twelve months an additional 250 MGD of water would be available to the city.

But even with the existing supply of 650 MGD, there were problems. When divided amongst the 15 million<sup>3</sup> residents of the city, each person ought to have around 44 gallons of water per day. However, hardly 50% of this amount was actually available to the people. So where did the approximately 325 MGD of water disappear every day?

(Exhibit 3: News report from channel News X: ‘Water crisis in the National Capital’; <http://www.youtube.com/watch?v=OuQBMY6DQxU>.)

### ***The Water Mafia***

The vanishing water was a mystery only on official records. It was common knowledge that there was a large and powerful water mafia at work. An unholy nexus between DJB officials, politicians and petty contractors was responsible for siphoning off water from public water lines and selling to water-guzzlers like industries and 5-star hotels, at a huge premium. A local newspaper reported that an elected representative from one of Delhi’s predominantly residential areas, owned water tankers bearing social welfare slogans but actually transporting illegally

<sup>2</sup> “Chapter 13: Water Supply and Sewerage”, Economic Survey of Delhi, 2005–2006. Planning Department, Government of National Capital Territory of Delhi. pp147–162. <http://delhiplanning.nic.in/Economic%20Survey/ES%202005-06/Chpt/13.pdf>. Accessed on January 13, 2011.

<sup>3</sup> “Chapter 3: Demographic Profile”, Economic Survey of Delhi, 2005–2006. Planning Department, Government of National Capital Territory of Delhi. pg 30; <http://delhiplanning.nic.in/Economic%20Survey/ES%202005-06/Chpt/3.pdf>. Accessed on April 7, 2011.

tapped water for sale. The local residents were aware of this flourishing underground market but were helpless. One of the residents interviewed declined to reveal the name of the owner who ran the water tankers in the area but admitted that they belonged to a politician. The news report observed “It is this water mafia who in collaboration with the enforcement cell of DJB is keeping the government taps dry”.<sup>4</sup>

The Delhi Jal Board and the Government were aware of the water losses caused by the inefficient water distribution network. The Economic Survey of Delhi for 2005-06 even carried a table depicting the extent of the problem:

**Table 2: The Water Trail**

System Input Volume 100%	Authorized Consumption 58%	Billed Authorised Consumption	Billed Metered Consumption (including water exported in bulk)	13%	Revenue Water 50%
			Billed Unmetered Consumption	37%	
	Unbilled Authorized Consumption	Unbilled Metered consumption	0%	0%	Non-Revenue Water (NRW) 50%
			Unbilled Unmetered Consumption	8%	
	Water Losses 42%	Apparent Losses 2%	Unauthorised Consumption	2%	
			Metering Inaccuracies	0%	
		Real Losses 40%	Leakage on Transmission Mains	16%	
			Leakage and Overflows at Utility's Storage Tanks	0%	
			Leakage on Distribution Mains and Service Connections upto Point of Customer Metering	24%	

Source: *Delhi Water Supply & Sewerage Project Preparation Study Report*, *Economic Survey of Delhi 2005-06*.

The realization that Delhi's problem was not just of water shortage per se but also due to bad water management finally made the Delhi Government embark on a path of reform of the Delhi Jal Board. The Delhi Jal Board had been constituted on 6th April, 1998 through an Act of the Delhi Legislative Assembly incorporating the previous Delhi Water Supply and Sewage Disposal Undertaking. It was responsible for the production and distribution of potable water after treating raw water from various sources like river Yamuna, Bhakra Storage, Upper Ganga Canal & Groundwater and it also treated and disposed of waste water.

For the distribution of water, Delhi was divided into 21 water zones, each headed by an Executive Engineer who was provided with a fixed amount of water and a financial budget for

<sup>4</sup> “The Tale of Delhi’s Water Mafia”, *HardNews*, [www.hardnewsmedia.com](http://www.hardnewsmedia.com). Accessed on January 13, 2011.

his zone.<sup>5</sup> However these officials had little accountability and showed little interest in improving the water infrastructure in their zones. Their attitude was perhaps partly attributable to the prevailing bureaucratic structure which gave them little control over the use of funds in their zones.

### ***An attempted solution***

To address the water supply management problems, in 1998, DJB had approached the World Bank for a loan. The Bank had suggested that DJB first hire a consultant to suggest basic reforms to be carried out and for this the Bank offered DJB a loan of \$2.5 million. Accordingly, DJB had invited expressions of interest to which 35 consultants had applied. After evaluating the bids, a consortium headed by Pricewaterhouse-Coopers (PwC) and including DHV Consultants and Tata Consulting Engineers, had finally been engaged to conduct a study and suggest reforms. They had been tasked with suggesting solutions to ramp up the efficiency by fixing the leakages of water and to ensure a 24 hour/7 days a week uninterrupted supply of water to the city's residents. The consultants had submitted their report in November 2004. In their report they had made three main recommendations:

1. reorganize the existing water zones into smaller discrete, district metered areas (DMAs) so that 24/7 supply could be introduced on an incremental basis;
2. reduce distribution losses by introducing new management concepts for distribution, making zone managers responsible for all zonal water supply aspects (supply, distribution, metering, billing, leak detection, repair, and performance); and
3. review the entire transmission and distribution system with a view to rationalisation, improved operation and equitable distribution of bulk water supplies.<sup>6</sup>

Accepting these recommendations, on a pilot basis, the Delhi Jal Board had issued a call for tenders for two separate six-year management contracts for the continuous supply of potable water in two central areas of Delhi which represented around 12% of the total customer base. The contracts were intended to be awarded by December 2005. The contract was to include, in each area, zoning, metering, leak reduction, water distribution and customer relations management. The cost of this 'restructuring' to DJB was estimated to be \$246 million out of which \$140 million was to be financed by the World Bank. With the improvement in DJB's management, it was hoped that the city's water infrastructure would finally function efficiently and be able to deliver a continuous ("24/7") supply in two of the 21 zones in Delhi, as a pilot scheme for the whole city.<sup>7</sup>

The Delhi government had applied to the World Bank for the loan and had put the process in motion. Not only was the project given top priority but it was also viewed anxiously by the government as a test case for Public-Private Partnership in bringing water reforms to India. The

<sup>5</sup> 'About us', Official website of the Delhi Jal Board,

[http://www.delhi.gov.in/wps/wcm/connect/doit\\_djb/DJB/Home/About+Us](http://www.delhi.gov.in/wps/wcm/connect/doit_djb/DJB/Home/About+Us). Accessed on January 13, 2011.

<sup>6</sup> "DWSSP – Project Preparation Study – DFR 3-Part B-Water Supply", Pricewaterhouse-Coopers, November 17, 2004; [http://delhijalboard.nic.in/djbdocs/whats\\_new/news/pdf/DFR3-Water%20Supply-Vol%20I-17%20Nov%202004.pdf](http://delhijalboard.nic.in/djbdocs/whats_new/news/pdf/DFR3-Water%20Supply-Vol%20I-17%20Nov%202004.pdf). Accessed on January 13, 2011.

<sup>7</sup> "Another setback for reform of India's water utilities: The water industry in India", *The Economist*, Aug 11, 2005.

Indian government was keen to provide an attractive climate for overseas investors and banks for investments in its infrastructure. The stakes were high and a lot depended on the success of this venture.

### ***Dissenting Voices***

Meanwhile, as DJB had busied itself with the reform process, voices of concern and dissent had begun to be raised. There were primarily two main groups who were questioning the reform process: the environmentalists and the anti-corruption brigade.

#### *The Environmentalists' opposition*

There already was a well-organized environmental movement in India against large dams and multipurpose hydel projects. The dangers of 'privatization' of national water resources were now added to this agenda. Earlier, DJB itself had faced such protests when its Sonia Vihar water treatment plant, with a capacity of 635,000m<sup>3</sup>/d, had been built by a private sector company. Vandana Shiva, a prominent environmentalist and her organisation, 'Navdanya', had launched strong protests against the project on the grounds of environmental unsustainability.<sup>8</sup>

Regarding the proposed reforms in the Delhi Jal Board, Sunita Narain, another prominent environmentalist had commented,

"There is absolutely no estimation of how much additional water will be needed if the scheme does indeed supply water for 24 hours. The workplan simply is that the private company will reduce the 50 per cent distribution losses, and that this recovered water will make good the difference. But again, there is no understanding of what these "losses" are. Surely 50 per cent of Delhi's water supply is not being siphoned off by thieves? From what little is known, it seems water losses are about leakages from underground connections -- water supply points. Which company, however efficient, will be able to retrofit all the underground connections? Then there is the tariff question. It is estimated it costs the government Rs 8-9 to supply 1,000 litres of water; for this, it charges roughly Rs 2. Nobody knows what collection and disposal of sewage costs, but it is estimated it is normally five times higher than water distribution costs. The new scheme reproduces these two travesties. The government will be in charge of water tariffs, which it promises not to raise even if households use much more water. Also, the scheme does not include the collection of sewage. In other words, more water will be supplied, which will not be paid for. More sewage will be generated, which will not be paid for. A public water utility that is inefficient also because it does not get paid will become even more burdened, poorer. In sum, this is nothing but selective subsidisation, for the richer people of the city, in which the distributor will collect a little from those who can pay. This is not privatisation. This is certainly not reform."<sup>9</sup>

#### *Accusations of Corruption*

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<sup>8</sup> Vandana Shiva, 'Resisting Water Privatisation: Building Water Democracy'. A paper presented at the World Water Forum, Mexico City, March 2006.

<sup>9</sup> Sunita Narain , Editorial, *Down To Earth*, November 15, 2005.

While the environmentalists had evoked a lot of debate, a more serious threat to DJB's efforts had come from a little known non-governmental organization, 'Parivartan' (meaning 'Change'). Using the recently legislated Right to Information Act<sup>10</sup> by the Delhi government, this organization had sought and obtained numerous documents from the Delhi Jal Board relating to the entire reform process. After scrutinizing these documents, Parivartan had concluded that the scheme was detrimental to the residents of Delhi as it would lead to an exponential increase in the price of water inspite of DJB's claims to the contrary. But more importantly, it also leveled charges of corruption and nepotism against DJB and the World Bank. Making all the documents public, Arvind Kejriwal, the founder of Parivartan, had accused the World Bank of influencing the bidding process to favour PwC. He had gone on to state that the multi-million dollar contract had been awarded to a Calcutta subsidiary of PwC despite strong opposition from the Delhi Jal Board (DJB), which had consistently ranked PwC lower than other corporations during the three rounds of bidding. Further, Kejriwal had accused the World Bank of arm-twisting DJB to call for fresh bids when PwC had been initially rejected. Kejriwal observed, "Despite reservations, DJB cancelled the earlier evaluation and invited fresh bids. A new evaluation committee was formed to go through the financial and technical evaluation. The PwC again failed to clear the evaluation test. WB asked for detailed scores given by each member of the evaluation committee and subsequently demanded that the scores given by one member, RK Jain, be omitted as he had given low marks to PwC."<sup>11</sup>

These were serious allegations and they had caused a furor forcing Michael Carter, the World Bank Country Director, India, to respond with a press statement on July 29, 2005 (Exhibit 4). Defending the World Bank's intervention in the contract bidding he had stated, "In order to ensure that the development outcomes for which its money is borrowed are achieved, the Bank has developed, with the concurrence of its members, a high set of standards in areas such as procurement, financial management, and environmental and social safeguards to which its borrowers commit. These are accepted as global benchmarks by its supporters and critics alike. ..The insinuation that the Bank attempted to favour PwC is completely unfounded-on the contrary, this is an excellent example of the Bank's close monitoring of the procurement process to ensure transparency and fair competition."<sup>12</sup>

Thereafter, a very public exchange of accusations and counter accusations had ensued. Parivartan, in a letter to the World Bank President Paul Wolfowitz (Exhibit 5) had squarely accused the Bank of corruption. Parivartan wrote, "PWC lost in the normal bidding process not once but thrice. However, the Bank officials intervened every time. Finally PWC got the contract. World Bank over ruled strong protests from DJB and went ahead against the wishes of elected representatives...Some of the intervention appears to be violation of the terms and

<sup>10</sup> The Right to Information (RTI) Act was legislated by the Delhi Government in May 2001 and came into effect in October 2001. Under this law, a citizen could seek information from any government department by making an application and the department was obliged to provide the information within a stipulated time.

<sup>11</sup> "Documents Spur Public Debate about World Bank Involvement in Awarding Contract for Delhi Water Deal," September 14, 2005; <http://www.freedominfo.org/2005/09/world-bank-delhi-water-deal-contract>. Accessed on January 13, 2011.

<sup>12</sup> Statement by Michael Carter, Country Director, India, on the World Bank's Role in the Delhi Water Supply and Sewage Project, July 29,2005; <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/SOUTHASIAEXT/0,,contentMDK:20600280~menuPK:158843~pagePK:146736~piPK:146830~theSitePK:223547,00.html>. Accessed on January 13, 2011.

conditions applicable to this loan. It raises suspicion whether the Bank is trying to favor certain companies through their intervention.” Further, Parivartan also questioned the role of the World Bank and the value of its expert advice noting that “wherever similar Bank initiated reforms were carried out in other developing countries, water tariffs skyrocketed, water quality deteriorated, water was diverted from residential areas to amusement parks and hotels and supply to the poor was cut off as they could not afford water.”

Defending its actions, the World Bank had written back asking Parivartan to write to its anti-corruption wing in case any wrong doing was alleged. Defending its actions and advice rendered to the Delhi Government, Michael Carter had observed that, “Delhi Jal Board, in its current mode of operation, is unable to meet the water and wastewater needs of the people of Delhi, especially of Delhi's poorest citizens. Delhi with a per capita water availability of more than 200(sic) liters per day is able to provide its citizens poor quality water for only a few hours a day; in Africa and West Asia there are cities that are able to provide 24-hour supply with less than 150 liters per day; and typically, European cities provide continuous supply with a per capita availability ranging from 150 to 200 liters. In my opinion, this does suggest that change is needed in Delhi – a view that I believe most citizens of Delhi and the Delhi Government share. It is here that the Bank is willing to support the Delhi government and DJB in initiating the necessary reform process”.<sup>13</sup>

Instead of ensuring that Delhi received a 24-hour water supply, Parivartan claimed that the reforms would actually result in a few water companies earning super profits. The common man would be left to foot the increased bills and a large section of the poor would be deprived of basic water facilities. As per the scheme, the management of each of Delhi's 21 zones would be handed over to water companies which would collect management fees, engineering consultancy fees and a bonus. Parivartan estimated that the management fees to the ‘expert consultants’ alone would work out to more than \$25 million a year. Further, the tariffs in each water district would be determined by the water company winning the contract for that area and as such there was potential for huge escalation of tariffs at the whims of these companies. Parivartan had calculated that if the reforms were carried out, a typical household would find its water bills increasing five times over.<sup>14</sup>

(Exhibit 6: ‘Delhi Water Privatization Plan (Part 1)’, A Talk by Arvind Kejriwal, ‘Parivartan’ <http://www.youtube.com/watch?v=8XwiwWgZHMA>.)

## The task ahead

Following the lead of Navdanya and Parivartan, various non-governmental organisations and Residents Welfare Associations had come together in Delhi to form the 'Right to Water Campaign' (RWC) to oppose the DJB’s project. As the movement gathered steam, the activists

<sup>13</sup> Parivartan’s letter dated 20.08.05 is available for public access at:

[http://siteresources.worldbank.org/INTINDIA/Resources/Parivartan\\_lettertoPDW.pdf](http://siteresources.worldbank.org/INTINDIA/Resources/Parivartan_lettertoPDW.pdf). Accessed on January 13, 2011. The reply of World Bank dated 24.08.2005 is available for public access at:

<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/SOUTHASIAEXT/0,,contentMDK:20626993~menuPK:158843~pagePK:146736~piPK:146830~theSitePK:223547,00.html>. Accessed on January 13, 2011.

<sup>14</sup> “Right to Information exposes World Bank Deal,” *Inter Press Service (IPS)*, November 6, 2005; <http://www.ipsnews.net/news.asp?idnews=30902>. Accessed on April 10, 2011.

demanded that DJB should immediately withdraw its loan application to the World Bank. Faced with mounting public pressure, the Delhi Government had been forced to look into the matter. These were the pressing circumstances under which the meeting that Raj Singh was to attend had been scheduled.

The ball now was in Raj Singh's court. Should he recommend that the reforms be continued and the promise of 24/7 water be kept? Or, should he recommend that the process be scuttled and alternatives considered? What could the alternative options be? With the severe water shortage that Delhi was facing, Raj Singh needed to be pragmatic. One by one, Raj Singh mentally considered the options open to him. Was there something he was missing?

### Exhibit 1

#### **Break-up of Per Capita Per Day Water Requirement for Delhi**

1.	Domestic	172 lpcd
2.	Industrial, Commercial and Community requirement based on 45000 litres per hect. per day	47 lpcd
3.	Fire protection based on 1% of the total demand	3 lpcd
3.	Floating population and special uses like hotels and Embassies	52 lpcd
4.	Total	274 lpcd (60gpcd)

Source: *Economic Survey of Delhi 2005-06 p.148*

#### Notes:

Lpcd=Litres per capita per day

Gpcd=Gallons per capita per day

1 Gallon=Roughly 4.5 litres

**Exhibit 2**

S. No .	Name of Plant	Existing Capacity as on 31.03.2004 (MGD )	Proposed Capacity at the end of 31.03.06 (MGD)
1.	Chandrawal Water House no. I & II	90	90
2.	Wazirabad I,II & III	120	120
3.	Haiderpur	200	200
4.	North Shahadra (Bhagirathi)	100	100
5.	Bawana	—	20
6.	Nangloi	40	40
7.	Sonia Vihar	—	140
8.	Renney Wells and Tube Wells	81	90
9.	Optimization of WTPs	19	40
10.	Recycling of Waste water at Chandrawal, Bhagirathi, Haiderpur and Wazirabad	—	10
	Total	650	850

**Delhi's Water Supply Capacity**

Source: Economic Survey of Delhi 2005-06 p.149

(MGD=Million Gallons per Day)

**Exhibit 3**

Video - ‘Water crisis in the National Capital’, Channel News X;  
<http://www.youtube.com/watch?v=OuQBMY6DQxU>.

## **Exhibit 4**

### ***Statement by Michael Carter, Country Director, India, on the World Bank's Role in the Delhi Water Supply and Sewage Project***

*July 29, 2005: At the request of the Government of India, the World Bank is assisting the Delhi Jal Board (DJB) in its development of a reliable, sustainable and affordable water supply system in Delhi. Both the Government of India and the Government of the National Capital Territory of Delhi are keen to improve the urban water sector, which in most cities of India is characterized by poor service and financially strained utilities.*

*The proposed Delhi Water Supply and Sewerage Project will have five components:*

- 1) The first phase of a water distribution and waste water collection improvement plan, to be implemented in two zones of south Delhi through the award of management contracts to professional operators;*
- 2) Trunk water and sewerage infrastructure improvement to address bottlenecks, improve energy efficiency, and promote environmental sustainability;*
- 3) Organization strengthening measures including staff training, customer service centers, a management information system, etc;*
- 4) Services to the poor, including sub-projects in the two zones under management contract; and,*
- 5) Preparation of a roll-out plan for improving services and infrastructure city-wide.*

*The project is currently in the preparation stage. The proposed loan will go for approval by the Bank's Board of Executive Directors, which includes a representative of the Government of India, after the preparation is complete. Meanwhile, the Bank has sanctioned a sum of US \$ 2.5 million as a project preparation facility. This money is being used by DJB to fund certain studies and reports whose findings and recommendations will help in the design of the project.*

#### ***No privatization***

*Neither under the proposed project nor in any advisory work is the Bank proposing privatization of any part of DJB nor is there is a timetable for any privatization. As a matter of fact, at this time, the World Bank would definitely not recommend privatization.*

#### ***Procurement guidelines***

*As a development bank owned by 184 member-countries, the World Bank has been mandated with a mission to address poverty by supporting development efforts of its borrowing members.*

*In order to ensure that the development outcomes for which its money is borrowed are achieved, the Bank has developed, with the concurrence of its members, a high set of standards in areas such as procurement, financial management, and environmental and social safeguards to which*

*its borrowers commit. These are accepted as global benchmarks by its supporters and critics alike. These guidelines and policies are all in the public domain and can be easily accessed on the World Bank website.*

*The World Bank's procurement guidelines are based on four considerations: the need for economy and efficiency, the Bank's interest in giving all eligible bidders from developed and developing countries the same information and equal opportunity, the Bank's interest in the development of domestic contracting and manufacturing industries in the borrowing country, and the importance of transparency in the procurement process.*

*Accordingly, the guidelines lay down bidding procedures, eligibility criteria, safeguards against conflicts of interest, fraud and corruption, respective responsibilities of the borrower and Bank, and so on.*

*While it is the borrower's duty to administer the procurement process, the Bank has a clear responsibility to review and decide on its no-objection to the key documents and reports emanating from this process.*

### ***Consultancy award by DJB to PriceWaterhouse Coopers***

*Some NGOs have raised questions about the Bank's role in the award by DJB of a project preparation study to PWC over 1999-2001. The insinuation that the Bank attempted to favor PWC is completely unfounded -- on the contrary, this is an excellent example of the Bank's close monitoring of the procurement process to ensure transparency and fair competition.*

*In all Bank procurements, the short-listed firms should comprise three to six firms with a wide geographic spread, with no more than two from any one country, and at least one from a developing country unless qualified firms from a developing country are not identifiable. The original shortlist included only developed country firms; this is why the Bank asked that a firm from a developing country be included. In response, DJB included PWC India which was the highest ranked such firm.*

*DJB evaluated the firms' technical proposals and submitted its evaluation report to the Bank. Based on the information contained in this report, the Bank raised questions on the subcriteria that were used to evaluate the proposals on the grounds that these did not adequately reflect the requirements of the terms of reference. The Bank arrived at this opinion after a thorough internal review and after seeking the opinion of an external consultant. Accordingly, it was decided between DJB and the Bank to invite fresh proposals from the same firms.*

*(In a consultancy contract, the terms of reference are the key as they define the objectives, scope of work, activities, tasks to be performed, respective responsibilities of the borrower and the consultant, the expected results, and deliverables from the assignment.)*

*When the Bank received DJB's evaluation report on the revised technical proposals, it asked that one particular evaluator's scores be removed from the evaluation as they were dramatically different from the others for a particular criterion. The Bank's action, though uncommon, is not*

*unique. Due to this distortion of the average score, only one firm had a score above the qualifying threshold laid out in the bid documents. On correcting the average by removal of this evaluator's scores, three firms, including PWC and the original qualifier, passed. When the financial bids of these three firms were publicly opened, PWC won on the combined score because its financial offer was substantially cheaper than the other two.*

*We do not see this as “calling the shots” or “running” the borrower’s affairs, but ensuring in partnership with the borrower a transparent and fair procurement process for a contract that is being funded with public money.*

### ***Some Important Dimensions of the Bank’s Role***

*Strengthening of the management of water distribution and waste water collection. This will be tested by delegating the operation and maintenance of two operational zones to experienced, private operators under two separate management contracts with DJB. The operators will be selected through a competitive process according to the Bank’s procurement guidelines. DJB will retain control over assets, staffing, tariff and investment decisions, and will supervise the operator. The operator will receive a fixed fee with bonuses and penalties depending on performance.*

*If successful, such delegation of operations and maintenance could improve managerial and technical practices in DJB, and be expanded at a later stage to other areas of the city on a competitive basis. This arrangement could help inject private sector skills in the public utility and does not amount to privatization.*

***Recovery of Cost of Delivery of Water Supply.*** *The project is designed to achieve a set of standards for better water service delivery. In our view, this requires setting tariffs at a level that covers at least the cost of operations and maintenance. This is a matter we will need to reach agreement with DJB on when we reach the stage of negotiating the loan. But we have seen no projection to suggest that this would require increases even remotely approaching the 800-900 percent being quoted in the press. Moreover, the Bank is clear that the project must be explicitly targeted at improving access of the poor to water and sanitation services, with measures in place to ensure affordability such as transparent, targeted subsidies.*

***Efficiency and Economy in Financial Management and Procurement.*** *As an integral part of its support to DJB, the Bank will continue to ensure that all procurement that it finances is done efficiently and in a transparent manner.*

***Disclosure of Information.*** *The Bank will strictly adhere to its disclosure policy, which specifies the nature and timing of documents that it must disclose. It will concur with any initiative by DJB to disclose information beyond what is required by the Bank’s policy. Any such decision on disclosure rests with DJB.*

**Exhibit 5**

**PARIARTAN**

G-3/17, Sundernagar, Delhi-93  
Ph: (011)55254077, 20507339  
E-mail: parivartan@parivartan.com

Dated: 20.8.05

Dear Mr Wolfowitz,

We are writing this letter to you to inform you of the manner in which the India office of the World Bank is intervening in the functioning of the water utility in Delhi called Delhi Jal Board (DJB). The DJB has applied to the Bank for a loan of about 150 million dollars to carry out water sector reforms. It has already received a loan of about 2.5 million dollars towards Project Preparation Facility (PPF).

We are enclosing a note (Annexure A), which gives the sequence of events leading upto the award of contract to Price Waterhouse Coopers (PWC) for PPF. PWC lost in the normal bidding process not once but thrice. However, the Bank officials intervened every time. Finally PWC got the contract. World Bank over ruled strong protests from DJB and went ahead against the wishes of elected representatives. The resolutions passed by the Governing Board of DJB, of which the Chief Minister of Delhi is the Chairperson, were ignored by the Bank.

Some of the intervention appears to be violation of the terms and conditions applicable to this loan. It raises suspicion whether the Bank is trying to favor certain companies through their intervention. Annexure B gives specific instances of some such violations. The whole process appears to be fundamentally flawed.

Whereas we are separately taking up this issue with our governments, we request you, through this letter, to initiate a probe into the alleged inappropriate interventions by the Bank officials and take appropriate penal actions against officials found guilty. We also request you to ensure that such violations do not recur again. In the interest of transparency, we would request you to inform the people of India of the decision taken by you in this regard.

Mr. Michael Carter, Country Director, has sought to justify the interventions saying that the water utility is in a mess and needs "hand holding" by the Bank. We wish to state that India exports managerial and technical expertise to the rest of the World. It has some of the best technical and management institutes. We are sure India does not need Bank's hand holding to improve its water systems. Also, wherever similar Bank initiated reforms were carried out in other developing countries, water tariffs skyrocketed, water quality deteriorated, water was diverted from residential areas to amusement parks and hotels and supply to the poor was cut off as they could not afford water. We are not aware of any developing country where Bank initiated reforms have been successful in improving water availability to all, including poor. With this background, can the Bank really claim to have the expertise to improve the water systems in developing countries?

According to DJB records, the Bank officials are believed to have told DJB officials that the Bank had indulged in similar violations in many other projects. The details of all such projects and nature of violations should be made public.

India has recently enacted one of the most progressive Right to Information law. Some of the State Governments, including Delhi, already had such laws in place earlier. The laws enable citizens to access almost all government documents, barring a small list of exemptions. In such a transparent atmosphere, the Bank has a dated Disclosure policy, which seeks to disclose much less than it seeks to hide. This makes Bank's operations in India opaque and prone to suspicion. When approached with a request to make all documents related to the above deal public, Mr. Carter expressed his helplessness citing the Bank's Disclosure policy.

Bank's Disclosure policy starts as under:

*"The Bank reaffirms its recognition and endorsement of the fundamental importance of transparency and accountability to the development process. Accordingly, it is the Bank's policy to be open about its activities and to welcome and seek out opportunities to explain its work to the widest possible audience."*

However, in practice, it discloses much less. If the Bank were to implement this in practice, it would need to seriously and urgently take a relook at its Disclosure Policy. Especially when the citizens are able to access all the documents from the Governments, Bank's refusal to allow access to its documents would seriously affect its credibility as a transparent organization.

We hope that you would initiate the process of revising your Disclosure policy in the light of the above developments. However, in the interregnum, we request you to consider Bank's adherence to the provisions of India's Right to Information Laws to its own operations in India.

Yours sincerely,

(Arvind Kejriwal)

Mr. Paul Wolfowitz  
President, World Bank,  
Lodi Estate, New Delhi.

### **Exhibit 6**

Video - ‘Delhi Water Privatization Plan (Part 1)’, A Talk by Arvind Kejriwal, Parivartan,  
<http://www.youtube.com/watch?v=8XwiyWgZHMA>.