

**WORLD BANK AND URBAN WATER SUPPLY REFORMS IN INDIA:
A CASE STUDY ON KARNATAKA**

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Table of Contents

	Page No.
<i>List of Maps</i> _____	5
<i>List of Figures</i> _____	5
<i>List of Tables</i> _____	5
<i>Abbreviations</i> _____	6
<i>Abstract</i> _____	8
<i>Declaration</i> _____	9
<i>Copyright Statement</i> _____	10
<i>Acknowledgements</i> _____	11

Chapter I

Introduction

1.1 '24/7' Water Supply Programme: at a crossroad_____	12
1.2 Global Water Policy in India: the paradox, problem, questions _____	14
1.2.1. The Paradox_____	14
1.2.2. Statement of Problem_____	15
1.2.3. Water Policy in a Globalizing World: my argument and_____	18
research questions_____	18
1.3 Theoretical Perspectives _____	19
1.3.1. Globalization, Global Governance and Policy-Making _____	20
1.3.2. Policy Transfer Approach _____	22
1.4 Empirical Project _____	23
1.4.1. Choice of State _____	24
1.4.2. Methodology _____	25
1.4.3. Data Sources _____	27
1.4.4. Data Collection and Analysis _____	28
1.5 Chapter Organisation _____	29

Chapter II

The Politics of Global Policy Transfer:

Literature Review and Theoretical Framework

2.1 Introduction _____	31
2.2 The State in a Globalized World_____	32
2.3 Policy Transfer: theory and analysis_____	36
2.3.1. Lesson Drawing and Policy Transfer _____	38
2.3.2. Dolowitz and Marsh's Model _____	41
2.4 Globalisation, Global Governance and Policy Transfer _____	50
2.5 Political Economy of Policy Transfer Framework _____	54
2.5.1. Political Economy of Policy Reform: a brief review_____	55
2.5.2. Grindle's Model of Policy Reform_____	57
2.5.3. Policy Transfer through 'Reform Episodes'_____	60
2.5.4. The Policy Transfer Heuristics_____	62
2.6 Conclusion_____	63

Chapter III

Global Governance and the Politics of Water Policy

3.1 Introduction	65
3.2 Water: an emerging global concern	66
3.3 Global Water Governance	69
3.3.1. Integrated Water Resource Management (IWRM)	70
3.3.2. Global Policy Transfer Networks	73
3.4 World Bank and 'Politics' of Policy Ideas	76
3.5 Discussion and Conclusion	84

Chapter IV

Central-Local Relations and Water Policy in India

4.1 Introduction	89
4.2 The Changing Context of Federal Political Economy in India	90
4.3 Global Water Policy Proposals for India	94
4.4 Water Policy Transfer	98
4.4.1 Sub-national Political-Economic Context	98
4.4.2 The Policy Environment	101
4.5 The Transfer Content	106
4.6 Discussion and Conclusion	108

Chapter V

Water Policy Transfer to Karnataka

5.1 Introduction	112
5.2 Karnataka: political and economic context	113
5.3 Political Interests and Institutions	116
5.3.1. State Interests: economic growth and global influences	117
5.3.2. Economic Policies	118
5.3.3. Projecting Bangalore as Global City	119
5.3.4. Bureaucratic System	120
5.3.5. State-Business Interface	122
5.4 Transfer Motivations	124
5.4.1. Drought	124
5.4.2. Budget Deficit and Searching for Ideas	125
5.4.3. Relations with World Bank	127
5.5 Transfer Agents	128
5.5.1. Political Leader	128
5.5.2. Bureaucratic Actor	130
5.6 Transfer Content	132
5.7 Case Analysis and Conclusion	135

Chapter VI

Designing and Implementing Global Water Policy: The Case on Greater Bangalore Water Supply Project

6.1 Introduction	141
6.2 Bangalore: the making of a global city	141
6.3 Policy Environment in Water	144
6.4 Policy Transfer	149
6.4.1. Transfer Motivations	149
6.4.2. Transfer Content	152
6.4.2.1 Water Component	152
6.4.2.2 Finance Component	153
6.4.3. Transfer Actors and Influences	157
6.4.4. From Practices to Discourses	159
6.4.5. Policy Transfer Restraints	162
6.5 Case Analysis and Discussion	165

Chapter VII

Designing and Implementing Global Water Policy: The Case of 24/7 Water Supply Project in Hubli-Dharwad

7.1 Introduction	168
7.2 Hubli-Dharwad: the new destination for IT industry	169
7.3 Policy Environment in Water	171
7.4 Policy Transfer	173
7.4.1. Transfer Motivations	173
7.4.2. Transfer Actors and Influences	176
7.4.3. Transfer Content	177
7.4.3.1 Water Component	177
7.4.3.2 Finance Component	179
7.4.4. Project Practices to Discourses	180
7.4.5. Policy Transfer Restraints	185
7.5 Case Analysis and Discussion	190

Chapter VIII

Analysis and Conclusion

8.1 Introduction	193
8.2 The Origin of Policy	195
8.3 Policy Learning and Agenda-Setting for Change	196
8.4 Policy Learning, Project Design and Implementation	199
8.5 Contributions of Research	202
8.6 Conclusion	204

Bibliography	206
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Appendix I: Letter of Permission from the World Bank	229
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Appendix II: World Bank Sponsored Water Projects in India (1991-2007)	230
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Appendix III: List of People Interviewed	231
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Final word count: 75,000 words

	Page No.
List of Maps	
Map 6.1: Map of Bangalore and Greater Bangalore _____	143
Map 7.1: Map and Location of Hubli-Dharwad _____	170

List of Figures	
Fig. 6.1: Source of Water Supply for Bangalore Metropolitan Area _____	152
Fig. 6.2: Organizational Arrangements for GBWASP _____	158
Fig. 7.1: Organizational Arrangements for Hubli-Dharwad Project _____	177

List of Tables	
Table 4.1: Selected Indicators of State-Level Progress in India _____	94
Table 6.1: Chronology of Events in Greater Bangalore Project _____	151
Table 6.2: Trends in Bangalore's Population, Water Availability and Shortage _____	153
Table 6.3: Financing Structure of GBWASP _____	154
Table 7.1: Chronology of Events, Hubli-Dharwad Projects _____	175
Table 7.2: Trends in Hubli-Dharwad's Population, Water and Shortage _____	186
Table 8.1: Comparison of Projects _____	200

List of Abbreviations and Acronyms

Asian Development Bank (ADB)
Bangalore Mahanagar Palike/Bangalore City Corporation (BMP)
The Bangalore Water Supply and Sewerage Board (BWSSDB)
Campaign against Water Privatization (CAWP)
City Municipal Council (CMC)
Compagnie Generale des Eaux, France (CGE)
European Union (EU)
Global Public Policy Network (GPPN)
Global Water Initiatives (GWI)
Global Water Partnerships (GWP)
Greater Bangalore Water Supply and Sanitation Project (GBWASP)
Government Order (GO)
Government of India (GoI)
Government of Karnataka (GoK)
Hubli-Dharwad (HD)
Hubli Dharma Municipal Commission (HDMC)
International Financial Corporation (IFC)
Information Technology (IT)
Indo-US Financial Institutions Reform & Expansion-Debt Market Project (Indo-US FIRE-D)
Integrated Water Resource Management (IWRM)
International Financial Institutions (IFIs)
Inter-Governmental Organisations (IGOs)
Jawaharlal Nehru Urban Renewal Mission (JNURM)
Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC)
Karnataka Urban Water Sector Improvement Project (KUWASIP)
Karnataka Urban Water Supply and Drainage Board (KUWSDB)
Karnataka Water and Sanitation Pooled Fund (KWSPF)
Kilolitre (KL)
Knowledge Networks (KNETs)
Litres per Capita per Day (LPCD)
Millennium Development Goals (MDGs)
Million Litres per Day (MLD)
Million Gallons per Day (MGD)
Non-governmental Organizations (NGOs)
Operations and Maintenance (O&M)
Participatory Local Area Capital Expenditure (PLACE)
Private Sector Participation (PSP)
Public Health Engineering Department/ Division (PHED)
Public-Private Infrastructure Advisory Facility (PPIAF)
Software Technology Park (STP)
Swedish International Development Agency (SIDA)
Unaccounted for Water (UFW)
United Nations Development Programme (UNDP)
United Nations Human Settlements Programme (UN-HABITAT)
United States Agency for International Development (USAID)
Urban Local Bodies (ULB)
Urban Development Department (UDD)
Water and Sanitation Programme (WSP)

Water and Sanitation Programme-South Asia (WSP-SA)
Water for Asian Cities (WAC) Programme
Water Resources Sector Strategy (WRSS)
World Water Council (WWC)
World Summit on Sustainable Development (WSSD)
World Water Assessment Programme (WWAP)

Abstract

The University of Manchester

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In 2002, the Indian government initiated a broad range of programmes that proposed market-based reforms for water. Inspired by World Bank's policy ideas, the processes have often led to conflicts in India. The conventional wisdom on water sector policies in developing countries insists that international structures constrain and determine state behavior in initiating policy change. However, I argue that changes in urban water policies in India is, primarily, not a case of sole dominance of international financial institutions and imposition of external preferences; rather they also reflect the new global realities of transformed 'state interests and institutions' emerging in India. My argument is, while external engagement in water sector continues, the developments of the federal state in an globalised era of political and economic interchanges has led to new equations in the central-local relations. Within the new governance structures emerging in the decentralized context, the sub-national units emerge as significant influences on the speed, pace, and extent of enactment and implementation of global water policies in India. The adoption of national and State water policies, since 2002, and implementation of 24/7 water supply programme illustrates my argument.

To support my argument I draw on the policy transfer literature to explain global policy initiatives in water in India. I develop a framework based on theories of policy transfer and political economy of policy reform for a critical and systematic analysis on global policy transfer in the context of World Bank programmes in India. Using case study evidence of transfer to a single sub-national-state in India, and drawing out comparisons on design and implementation of two water supply projects, I provide critical insights on implementation of global policy ideas within local settings, undertaken by the sub-national political and policy elite in India. My findings highlight a coincidence of interests between sub-national policy elite and global actors in introducing market mechanisms in water, and thereby link global neoliberal restructuring of water to transformed state power and interests at domestic levels. The 'political economy of policy transfer' in water therefore contributes to the theoretical and empirical literature on water policy-making in an era of increased global exchanges.

June 2010

Declaration

No portion of the work referred to in the thesis has been submitted in support of an application for another degree or qualification of this or any other university or other institute of learning

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Chapter One Introduction

1.1 '24/7' Water Supply Programme: at a crossroad

The summer of 2005 was severe in New Delhi, India's national capital. As temperatures soared, and water reservoir levels dipped, taps went dry in several locations across the city. The situation worsened when Delhi Water Board supplied water for a few hours, every alternate day. In the midst of the severe water crises, the national media in India reported trouble over a World Bank funded water supply project in the city (Sethi, 2005; The Hindu, October 10, 2005). At the centre of the controversy was the project concept of '24/7 water supply', that aimed to provide uninterrupted water supply to some localities in Delhi. Since the prevalent mode of piped distribution in India is dependent on gravitational flow, normal water delivery is erratic, low-pressured and often contaminated. The 24/7 water supply project, on the other hand, was designed to introduce a new model of water supply, technically advanced to make available uninterrupted supply of clean drinking water (Bhandari and Khare, 2006; Tayler, 2008: 239). Yet, the idea turned controversial, and there was large-scale opposition to the continuation of the Delhi water project (Bhaduri et al. 2005: 5544; Shiva, 2005a; 2005b).

The concept of 24/7 water supply is part of a global initiative for improving urban infrastructure, especially in the context of Asian cities (Mcintosh, 2003:50). The idea is linked to the growing awareness that inadequate water and sanitation service levels pose a threat to public health across the developing world. Rapid urbanisation and deteriorating infrastructure are identified as critical factors leading to low service coverage and financially unsustainable water supply systems (WHO/UNICEF, 2000; McIntosh, 2003; Winpenny, 2003)¹. In 2003, there was a call for 'Water for all' at the Third World Water Forum, that subsequently led to the development of '24/7' water supply programme. Water for Asian Cities (WAC) Programme, a collaborative initiative of the United Nations Human Settlements Programme (UN-HABITAT), the Asian Development Bank (ADB) and countries in the region launched the programme in India in 2003. The model involves

¹ In a study conducted by Asian Development Bank, less than 5 percent of consumers in Dhaka, Manila, Jakarta, and Kathmandu receive continuous supply, while in India, the daily per capita water supply falls to a mere 27 litres per capita per day (Mckenzie and Ray, 2005).

technical innovations and market-based interventions in urban water services. Hence, 24/7 water supply programme is part of the worldwide efforts to achieve Millennium Development Goals², and has therefore emerged as the focus of urban water initiatives under developmental agencies in India.

The 24/7 water supply programme was introduced in India during 2003-04. The programme has prevailed as several agencies have adopted the model, with support from the Government of India. Several cities in southern India have piloted the 24/7 supply under a World Bank initiative (Hubli-Dharwad, Belgaum and Gulbarga), while some other cities (Hyderabad, Jamshedpur and Mysore) have adopted it under a central scheme for urban development, namely the Jawaharlal Nehru Urban Renewal Mission (JNURM programme) (Business Today, April 26, 2010). This suggests that national government response towards the new model of urban water supply has been decisive and strongly endorsed by India's policy elite; "24/7 is no more an option, but must become the norm," stated M.Rajamani, a senior urban planner (Nagari, 2003: 2). Hence, introduction of 24/7 programme, designed to restructure and restore urban water systems in India, marks the turnaround in urban water policy in India.

In a few cases, however, 24/7 projects have raised controversies in India. In Delhi and Bangalore, there were protests over lack of transparency and accountability of project authorities and campaigns were organized against increased water charges (Shiva, 2005b; Sethi, 2006). In some cases, so vocal were the campaigns and aggressive the debates, that there were predictions of discontinuation of the programme in India. Yet, Indian policy-makers continue to support this innovative idea towards solving the widespread water crises within cities in India. In the end, the implementation of 24/7 water supply projects are not as thoroughgoing as their proponents hoped, nor have they necessarily solved all the problems that they were expected to address. Nevertheless, the introduction and at least partial implementation of the 24/7 programme is a notable feature of urban water reform over the last decade. Given that programme decisions has critical effects on human social and development outcomes, it is important to understand the processes of policy

² The Millennium Development Goals (MDGs) are a global monitoring framework to assess progress in reducing poverty and deprivation. Using 1990 as a base year, the MDGs for water supply, call for halving the proportion of the world's population, without access to improved water, by the year 2015 (UNDP 2007).

reform involved. The aim of this research is, therefore, to critically explore the ‘politics’ of water policy reform in India through a case-study on 24/7 water supply programme.

1.2 Global Water Policy in India: the paradox, problem and questions

1.2.1 The Paradox

The introduction of 24/7 water supply programme represents a curious case of policy change in India. Indian policy elite for long were averse to water policy change. Despite long concerted efforts by the World Bank, since the eighties, proposing reduced role for the state, private sector participation and decentralised governance, there was little success with the initiatives (Pitman, 2002b: viii; Hoering and Scheider, 2004). Reviewing the 1990s, Pitman (2002b: vii) noted, “India has made little progress to reform its water sector, even though there has been sustained Bank support.” Mehta (1999 as cited in Zerah 2006: 143) emphasized this lack of initiative; she highlights that towards the middle and end of the nineties, there was a series of international conferences organized by the World Bank and the Ministry of Urban Development. However, projects could not follow the time schedule plan or simply had to be abandoned, due to lack of initiative from policy elites and absence of any reform champions. Overall, the conclusion was Indian policy-makers were strongly opposed to reforms in water sector and continued to endorse public sector involvement.

Several authors have noted the lack of initiative, and have attributed it to: a) the prevailing culture in state water bureaucracy; and b) the stakes of state officials involved in water delivery services. For instance, Mollinga highlights that India’s water bureaucracy was dominated by a strong ethos of public sector development aligned with nation-building goals of social justice and therefore, water supply was universally accepted as an important goal for national planned developmental strategy³. He describes the water policy regime as ‘technocratic, social engineering disposed hydrocracies, implementing their hydraulic missions’ (Mollinga, 2008: 26). Narain reiterates that specific models of state provision of water supply were based on principles of redistributive justice (Narain, 2006). Others speak

³ Water sector development in India has been linked to the national programme of Five Year Plans, which makes sectoral allocations for irrigation projects, drinking water supply, both urban and rural etc. (see Vaidyanathan, 2005).

of bureaucratic resistance and political apathy to market-based reforms, since it was perceived to entail political risk (Grindle and Thomas, 1990:1169; Bately, 2004:31-56). Empirical studies also reveal lack of enthusiasm among lower level officials to adopt and implement any policy change initiated from higher authorities. Davis (2004:61) discusses the malpractices in water services delivery linked to payments for connections, cartels formed by contractors in order to raise the bids even for small tenders, kickbacks to political officers for contracts and an organized and efficient system of feedback on contract and transfer market. Consecutive administrations, therefore, rejected external pressures to initiate policy changes in the sector.

The case of 24/7 water supply project, therefore, raises some interesting questions. In early 2000, India initiated dramatic reforms in the water sector, whose pace and scope took everyone by surprise (Narain, 2004:4). In 2002, the central government adopted a new national water policy that marked a clear shift in India's stance on market reforms in water, with the new policy endorsing private sector participation and commercialization of urban water supplies. Given that policy-makers in India, earlier, lacked interest to initiate water sector reforms, the question that arises is why was there a sudden zeal for reforms in early 2000? My second concern is with regard to the several instances of opposition to 24/7 water supply projects: why have the reforms initiated through the 24/7 programme led to controversies? Yet, despite the political odds, why have Indian policy elite pursued the programme? These concerns have prompted my research interest in examining the ongoing processes of water policy reform in India. In this research, my aim is to critically examine and explain why and how water policy reforms occurred in India since 2000. For the purpose, I undertake a systematic enquiry of the water policy processes in the country and explore its critical issues through a case study of adoption and implementation of 24/7 urban water supply programme in India.

1.2.2 Statement of Problem

Water is a vital resource that no human being can live without for long; yet, large number of people across many parts in Asia, Africa and Latin America do not have access to safe drinking water. The growing demands on public water services combined with depletion in water resources, deterioration of state-provided water infrastructure and pressured

government budgets, all combine to create a strain on water delivery services in much of the developing world. WHO estimates around 1.1 billion people globally does not have access to improved water supply sources, whereas 2.4 billion people do not have access to any type of improved sanitation facility (WHO/UNICEF, 2001). Water provision, therefore, has moved to the forefront of development efforts by international bodies such as the United Nations and the World Bank. The Millennium Development Goals recognize the key role of water in development, pledging to “reduce by half the proportion of people without sustainable access to safe drinking water by 2015” (UNDP, 2007).

The global response to these pressures has been a focus on infrastructural reforms - through privatization, contracting, concessions, and full cost recovery as vigorously promoted by development agencies and international institutions during the nineties (Haughton, 2002: 794; Budds and McGranahan, 2003; Hall and de la Motte, 2005a). It was expected to inject both investment and efficiency into the water sector in developing countries, and thereby solve the ills of the traditional public sector systems. The latter suffered from under-investment and inefficiency due to excessive political interference and rent-seeking behaviour by vested interests, including bureaucracies and labour. This fundamental shift was brought in closely related to neoclassical assumptions of public good. Proponents of market-based reforms in the water sector argue that water is an increasingly scarce resource, which must be priced at full economic and environmental cost if it is to be allocated to its highest-value uses. It must be managed profitably by private companies, whose accountability to customers and shareholders is more direct and effective than attenuated political accountability exercised by citizens via political representatives (see Briscoe, 1996; Rogers and de Silva, 2002; Winpenny, 2003).

This policy shift from developmentalism to neoliberalism is a highly contested process and therefore adopting radical measures such as privatisation has been a high-risk political strategy for which governments largely hesitated initially. Because market reforms involve a significant redistribution of wealth and power, such reforms have often brought pro-market political elite into conflict with well-organized supporters of the old state-based systems. However, despite significant political risks and financial costs in such measures, interest in reforms have persisted and spread fervently throughout the world in the last

quarter of the twentieth century. Whilst the extent to which they have done this has varied from country to country, there were nevertheless some shifts towards market-based water reforms, largely supported by donor agencies. In majority of cases, policies associated with water have had an incontrovertibly neoliberal thrust, aimed at promoting the economic realm and market forces (Hall and de la Motte, 2005a). Governments took measures to introduce market-mechanisms in the operation of water. In most cases, the central element of this process has been the introduction of private sector participation, along with related changes to water regulatory laws, rights etc. What explains this phenomenon?

There are several explanations to this current phase of water reforms. The neo-classical-based argument propagated by international development agencies emphasise economic rationality to current water problems and its solutions. They assert that the world is experiencing a freshwater scarcity crisis resulting from a command, control and exploit approach to natural resources (Falkenmark, 1998; Gleick 2000; Saleth and Dinar, 2000). There is now greater emphasis on living within a limited supply, allocation, demand management, and technological and economic measures to improve efficiency. Water sector changes include alterations in water allocation mechanisms towards more market-based approaches and a mainstream recognition of the need for integrated water management according to hydrological boundaries (Jaspers, 2003:81).

This rational approach is countered by neo-Marxists, who contend water reforms have less to do with technical concern to improve efficiency and growth that drives the process of water policy reform than a desire to protect, reinforce or gain social and economic power (Budds, 2004; Swyngedouw, 2006). Water, it is claimed, is a contested resource (Mehta, 2003:4); water policies not only influence the efficiency with which resources are allocated but also their distribution within society – that is, they influence, who gets what, why and when (Mollinga, 2005; 2008). As such, neo-Marxists claim, water policies are embedded in systems of power and interest, and reform will only occur where there has been a prior shift in the balance of power and interest - away from elements opposed to change, towards those in favour of change. On an international scale, water reforms are considered as an outcome of activities of transnational agencies and international donor organizations. In this view, conditions attached to developmental loans have effectively narrowed the

range of reform options available to governments, therein eroding domestic policy autonomy (see McDonalds and Ruiters, 2005). The premise of that research is that the preferences of government actors diverge significantly from the positions of international organizations, but that the power and leverage of the latter overwhelm the capacity of domestic policy makers to act on their preferences. In that sense, there is a global pressure for 'policy convergence'. Foreign governments and capitalists, it is claimed, have promoted western policies in developing countries. At the same time, it is argued that these policies have been inappropriate for developing countries because they have reduced these countries' ability to deal with several important development-related issues. It is assumed that domestic political forces are relatively weak vis-à-vis these interests, and hence play little role in the policy-making process (Hall, 1999; Budds and McGranahan, 2003).

In view of the existing scholarship on water, how can developments related to water policy reform in India be understood and explained? Are they driven by a technical concern to reduce the cost of capital, improve economic efficiency with which water resources are allocated? Alternatively, did influential donors drive them as part of a neo-colonial project aimed at subordinating developing countries? Or, are they related to structural changes in global and domestic economies that have shifted power and influence away from elements opposed to reform and towards those in favour of reform? Further, are the policy processes in urban water part of a rationalization process, the end-point of which is emergence of market-based model of water, or are pressures for reform accommodated and facilitated within existing systems of power and interest? These various questions are important for seeking an answer to the origin and development of water policy.

1.2.3 Water policy in a globalising world – my argument and research questions

Since the eighties, the deteriorating conditions characterizing water sector in India had led to strong influences of international donor community. Yet the government firmly rejected the proposals for fundamental policy changes for the sector. In early 2000, however, under similar conditions of continued poor sectoral performance and external pressures, the government reversed its earlier stand on sector reforms and adopted market mechanisms for water, as proposed primarily by the World Bank. Empirical evidence in the case of global water policy in India, therefore, suggests that it has not been a case of pure or sole

domination of international system; rather it suggests the influence of domestic politics as also a determinant of policy changes in water. An important interpretation for domestic politics is the role of pressure groups in society in influencing policy change. My argument with respect to the Indian case is there is no evidence of organized interest groups or pressure groups that sought changes in favour of price-based or technology-oriented strategy in the water sector or played a role in the initiation of the reform programme. In fact, evidence suggests that in the development of water strategy, the Indian state should more autonomy vis-a-vis the civil society and international system. From the discussion, I conclude that a state-centric explanation is a more appropriate to explain causes of reform in the Indian case. In a state-centric approach, a broader perspective on the role and influence of government is adopted as a way of accounting for instances in which the state appears to have some autonomy in defining the nature of public problems and developing solutions to them.

My questions for this research, therefore, seek to explore and understand the origin, adoption and implementation of global water policies in India. It examines domestic political institutions and interests that are driving policy change in water in India, and the processes of implementing the newly adopted policies. The four main questions that guide this research are:

- *Who* is driving policy reforms in water in India?
- *Why* are the policy reforms undertaken?
- *What* new forms of governance are initiated in the water sector? and,
- *How* are the transformations taking place?

I undertake a systematic enquiry and a critical examination of water policy change using a case study of the adoption and implementation of 24/7 water supply programme in India.

1.3 Theoretical Perspectives

Water policy processes have undergone changes since the nineties due to fundamental transformations in the world order. The new realities of a globalised world and the emergence of new forms of governance in public life have influenced water policy

development. In this section, I provide a brief overview of the new realities that characterize public policy-making in the contemporary world.

1.3.1 Globalisation, Global Governance and Policy-Making

It is claimed that the world of public policy is becoming increasingly small due to dramatic changes in global political and economic institutional structures and to nation states (UNPAN, 2001). As we live in an age characterized by international economic integration and enhanced financialisation, the changes associated with the globalising international economy have had significant effects on the nature and functions of nation-states. A significant rise of a variety of non-state, trans-national actors such as supra-national political authorities, trans-national financial agents, firms and non-governmental organizations have led to the deepening of trans-border relations in social, political, cultural and economic life, making an impact on policy-making processes. Additionally, globalization has impacted on the administrative structure of the state. The globalized economic structure with its many super-structural changes, has led to profound implications for public administration (Mander and Goldsmith, 1996; cited in Farazmand, 1999: 510). As noted by Farazmand (1999: 517), globalization processes has posed challenges to administrators across the world. The leading economic role of the government in allocation of resources and equitable distribution of wealth has been overruled by global corporate elite. Globalization has also pushed for professionalization of the policy elite – learning of institutional, moral, and ethical standards to public services at the global level, often leading to a new breed of elites – business, political and managerial. Finally, the exchange of information amongst countries has grown due to developments in information and communication technology, a more demanding participatory society in public affairs and processes of interdependence and the exchange of knowledge. Therefore, globalisation is clearly a crucial context in which policy reform in the contemporary world must be understood.

Policy change in the new global order must also be understood in the context of multi-actor, multi-level decision-making in world politics, linked to development of new forms of problem-solving structures and processes, with a growth in regulatory initiatives and control by sub-state, supra-state and non-state actors. Termed as Global Governance, it

marks a change of the international system from a state-centric to a multi-centric one with multiple sources of power and loci of authority (Rosenau, 1992; Väyrynen, 1999). The architecture of global governance, then, is composed of states, international regimes, and regional blocs, the United Nations and other IGOs, civil society, trans-national business and the media. The core concerns of this new regime are the acquisition of authoritative decision-making capacity by non-state and supra-state actors. As territorial boundaries are becoming porous and political power and activity increasingly extend across the boundaries of nation states, political options and roles of actors are being defined anew (Held and McGrew, 1999). This redistribution of authority to multiple actors and levels and the corresponding creation of multiple new loci of authority render global governance a highly disaggregate system of many “overlapping spheres of authority” distinguished by actors, activities, and exercise of authority (Rosenau, 1999: 295). Hence, it is in the new context of a globalised world that the politics of policy-making in water needs to be understood.

In this research, I examine policy change in water in India as a manifestation of global governance in water. It highlights the fact that policy change is no more a domestic concern, but is characterised by multi-actor configurations in which the government is joined by other actors – global policy actors, international financial institutions, private sector, civil society – in problem solving and rule-making. For a critical appreciation of the process, I argue that water reform in developing countries is best understood in terms of the extent to which structural changes in global and domestic economies shift the balance of power between competing interests (both foreign and domestic) and thus create a political climate conducive to water reform. This in turn means that structural changes in global and domestic economies often translate into policy change because they strengthen the position of certain groups vis-à-vis other groups which influence state decisions. What is needed, therefore, is to examine and understand the dynamics of water reform in developing countries is an approach that takes seriously the role of actors, domestic as well as foreign, and their interests, in the policy-making process, as well as the larger influences, from the political and economic context of the state. My interest in the processes of policy reform in water in a globalised world has led me to investigate policy decision-making and implementation. How agenda-setting, decision-making and implementation occur in a globalised world? How external ideas of reform become part of the policy agenda and enter

government policy? Who has put them there and why? How have they been implemented and to what extent? Why have the policies faced opposition?

1.3.2 Policy Transfer Approach

To examine and understand policy development in a globalized world, I use the literature on policy transfer, which theorizes processes of learning and transfer of knowledge and ideas across territorial borders by policy-makers (Rose, 1991; Dolowitz and Marsh, 1996; 2000; Evans and Davies, 1999), and therefore is most appropriate for a state-centric explanation to globalization processes in water in India. In spite of proliferation of non-state actors in a globalised world, states remain the primary focal point of all activities of public welfare. Their role in global governance is therefore, significant, especially in the context of policy domain of water.

The focus of policy transfer literature has tended to be on understanding the process by which policies and practices move from exporter to importer jurisdictions. The advantage of using this model is two-fold. Firstly, it is a form of adaptive policy-making, increasingly relevant in an interconnected world, whereby state actors transfer knowledge from abroad to solve domestic problems, and therefore usefully highlights the multiplicity of actors in global knowledge networks who are transferring knowledge and policy ideas. Secondly, it is considered an action-oriented activity conducted by decision elites (Rose, 1991; Evans and Davies, 1999; Wolman and Page, 2002); hence, knowledge is central to this type of policy-making activity. The transfer of knowledge and ideas is the central issue in globalization of water and hence policy transfer is an appropriate lens to examine water policy-making in a globalised world. The approach will thereby help us to argue for political salience in global policy reform in water. The politics of global policy changes may therefore be understood through the knowledge transfer activities of the decision-making elite. By highlighting a particular phenomenon enclosed within an elite structure of decision-making, whose objective is to get knowledge from international experience to tackle local dissatisfaction, the policy transfer literature contributes to our understanding of domestic elite decision-making as being one of the principal determinants of water policy-making in a globalised world.

In two literature reviews published in *Political Studies* (1996) and *Governance* (2000), Dolowitz and Marsh developed an encompassing policy transfer model that seeks to explain how policies cross borders in space and time. They deal with a “process in which knowledge about policies, administrative arrangements, institutions and ideas in one political setting (past or present) is used in the development of policies, administrative arrangements, institutions and ideas in another political setting” (Dolowitz and Marsh 2000: 5). Their model is based on a set of questions on who transfers, what is transferred, why the transfer, forms of transfer, and thereby identifies important variables in the process and allows analysis of its characteristics and content. In this research, I use Dolowitz and Marsh’s model to analyse water policy change in India and adapt it to provide a political-economic explanation of the transfer process.

1.4 Empirical Project

This research draws on empirical studies undertaken for water policy-making in a sub-national state in India. I undertook fieldwork between May 2006 and November 2007, carried out over two phases. During the first phase of the research, I carried out desk research on 24/7 water supply for urban water management and the role played by international agencies in facilitating its development. I also contacted relevant people in New Delhi office of the World Bank, through emails to the Principal Communication Advisor (letter of permission provided in Appendix I), who provided details on officials working in various States in India and on urban infrastructure, including water. Formal and informal discussions with World Bank officials and representatives proved useful in sensitizing me to the key issues and enhancing my understanding of the 24/7 model of water supply. The representatives of the World Bank whom I interviewed were engaged with water sector policy issues, urban infrastructural development, and state-level fiscal reforms, including those who had negotiated with the State government officials in Karnataka about policy reform and participated in the designing of urban water sector projects. Other sources of information included the detailed project reports of the World Bank, available on the World Bank website (World Bank, 2005) and the Bank’s library in New Delhi. Establishing rapport with key World Bank officials granted me access to a network of agents dealing with 24/7 water in India. They included officials from Asian

Development Bank, UN-Habitat, WSP-New Delhi and WaterAid, who were working on 24/7 projects across various states in India (list of interviewees provided in Appendix III).

1.4.1 Choice of State

The empirical study on water policy transfer was undertaken in the State of Karnataka, in southern India. Karnataka is widely recognized as one of the most successful States in India in terms of sustained economic growth and industrial development and better levels of human development, compared to rest of India. Between 1990 and 2007, real GDP growth averaged more than 6 percent, compared with an average 3.3 percent in the rest of India (Joseph, 2003: 3915). Karnataka also fares better than the national average with respect to human development indicators such as infant mortality (58 per 1,000 compared to all-India figure of 70) and literacy rate of 62 percent (Joseph, 2003: 3927). Hence, it is one of the few better-performing States in India in terms of economic and human development.

The choice of Karnataka was based on following considerations. I undertook a thorough survey of World Bank's projects in India. The detailed categorization of projects, available on the website of the Bank (World Bank, 2005), enabled me to locate the States and the type of projects undertaken by the Bank within them⁴. As a first level of selection, I categorized the projects as pre-1995 and post-1995, by sorting the projects based on their starting dates. This categorization provided vital information on the States in which the Bank was mainly involved since India liberalized its economy in 1991, and the States that were increasingly attracting World Bank funds. Out of a sample of 180 projects in eight States, the first five States, which received maximum funds, were Karnataka, Gujarat, Tamilnadu, Maharashtra, and Andhra Pradesh (please refer to Appendix I for the list of World Bank funded Projects in various States in India). As a second level of selection, I found 34 projects according to the category of 'urban water' sector. This enabled me to identify 25 urban water supply and sanitation projects across five States in India that were initiated post-1995. However, nine of them were closed, and only 16 of them remained active across five States in India. From the five States, which fall within the category of 'fast reforming', I chose Karnataka, which had initiated two major urban water supply projects

⁴ Since 1949, the World Bank has undertaken more than 500 projects (549 as on 12.05.08).

with World Bank financing. The two urban water supply projects were initiated during 1999-2004, when the State was chosen for World Bank's selective lending⁵ in India.

There were other considerations behind the choice of the state. During preliminary interviews with World Bank officials in New Delhi, it was clear that World Bank's policy-level engagement was strong in case of economically advanced states in India—Maharashtra, Karnataka, Andhra Pradesh, and Tamilnadu. The Bank had forged close working relations with the State bureaucracy, and in some cases, the political leadership. Another consideration was accessibility of data, and costs related to fieldwork. My contacts in Bangalore played a decisive role in selecting Karnataka as a case study. During earlier visits to a few academic institutes, like Indian Institute of Management (IIM-B) and Institute for Social and Economic Change (ISEC) had led to association with a few professors who are engaged in policy studies in the State, including the environment. Their assurance in providing the necessary contacts within State bureaucracy was an important criterion for selecting Karnataka as a site for research.

Finally, two large urban water projects were active in the State of Karnataka that involved transfer and implementation by global policy actors. The two projects were in two principal cities of Karnataka – the largest and capital city, *Bangalore* and second largest city, *Hubli-Dharmad*. The local settings in the two cities, the transfer actors and their interests, the knowledge transferred for initiating the project in the two cities, enabled a useful comparison in a number of ways.

1.4.2 *Methodology*

I have used political economy framework to explain the politics of transfer in urban water supply reforms in India. Unsworth (2008: 1) highlights political economy of policy reform analyses are mostly based on a study of the country's broad political and historical context,

5 'Selective' assistance by the World Bank refer to loans which are used as a reward for governments that have already put good policies in place, and disbursed in controlled and frequent enough intervals to permit them to be withheld in the event of policy slippage.

an exploration of formal and informal institutions likely to affect the outcome of reforms, the collection of information of key political determinants that influence the policy process. At a broad level of policy-making, the prerequisite to understand the politics of change in a given context or sector is to collect detailed information on actual reform processes and identify political barriers and facilitators influencing the change, especially as they come up during the implementation process. The main considerations in the political economy approach to water is with a globalised world - water policies are inextricably linked to economic developmental policies and there are entry of corporate actors and interests in determining water policy development. A political economy understanding of water is, therefore, vital to understand how these economic forces determine the political decision-making in water over how water resources are managed and distributed.

The methodology adopted for this research is on a similar pattern adopted by Pantazis and Pemberton (2009). *Firstly*, apart from identifying the political actors in the transfer process, the methodological strategy to conduct the investigation is mainly based on identifying different economic and other powerful non-state actors, their interrelationships and influences in the facilitation and continuation of policies being transferred (2009: 366). *Secondly*, common sources of evidence included were legislative documents, interviews with or speeches and statements made by political actors and economic actors; in addition, to interrogating the intentions of economic actors, that would include company annual reports and press releases (2009: 366). *Third*, to demonstrate the linkages between economic and political interests within the policy process, it is necessary to demonstrate how the expansion of state competition policy apparatus may be achieved with recourse to a growing private /commercial sector (2009: 366). *Finally*, given the high political costs and few observable benefits in the short run to water policy reforms, I have demonstrated in this research that mechanisms of transfer during the implementation phase are brought about primarily through discursively mediated processes (Sharman, 2008: 636). Examples of discourse include the written composition, and press releases by international organizations and governments; technical manuals and reports by global water partner agencies, as well as their participation in workshops and seminars. In this research, therefore, discourses are used to explain the importance of ideas inherent in the transfer process whereby governments, international organizations and private firms are using words, representations, and symbols to justify and implement the policy. Hence, the

political economy approach to transfer will uncover the underlying incentives, formal and informal institutions, and economic structures that drive, or constrain, the transfer and change.

1.4.3 Data Sources

I identified four sets of data sources. Firstly, both published and unpublished documentary sources were used that provided evidence on transfer related changes. These included government documents such as policy statements, internal reports, and government programme files. Project reports on implementation and related documents from local administration allowed detailed examination of the programme content. The national and Karnataka State press was followed closely during the fieldwork and after, to enable follow up on the newspaper articles in subsequent interviews and documents.

The key informants, interviewed for the purpose, were actors involved in the processes of policy formulation, negotiation, protests, and other policy activities in the State. Karnataka Urban Infrastructure Development Finance Corporation (KUIDFC) office was a good starting point as this office was handling external-aided projects and was also the main agency working with the World Bank to introduce 24/7 water supply in the State. I contacted senior and middle-level bureaucrats at KUIDFC. For implementation of projects the Commissioners office in Hubli-Dharwad, Fichtner India Ltd, and non-governmental organizations, working in both the cities also provided information. I could contact a few State Water Board engineers in Karnataka- both KUWSDB and BWSSDB - who provided me information on the problems faced in Bangalore and Hubli-Dharwad in terms of drinking water supply. I also contacted non-governmental organizations, citizens, academics, and local journalists. Finally, 12-15 informal conversations took place with local residents and councilors in Bangalore and Hubli-Dharwad to gain richer insights into the case study.

To sum up, the 32 guided interviewees were conducted across New Delhi, Bangalore and Hubli-Dharwad over two phases of data collection in India. Among those interviewed, there were eight key bureaucrats and project officials from Government of Karnataka, ten

representatives of World Bank and its partner agencies in water in India, eight officials from local administration and implementation agency involved in project operations, four persons from civil society organizations, and two academicians. In addition there were 10-12 informal conversations with residents and city councilors.

1.4.4 Data Collection and Analysis

Since there were several officials involved in the project and yet only a few playing a significant role, one of the main tasks was to identify the main actors involved in decision making, either directly or indirectly. This prompted the use of the snowball identification method. According to Atkinson and Flint (2001), snowball identification involves identifying respondents who then refer researchers to other respondents. Furthermore, Faugier and Sargeant (1997) state that this approach can be viewed as a response to overcoming the problems associated with sampling concealed populations and asserts that it takes advantage of social networks of identified respondents to provide a researcher with an ever-expanding set of potential contacts. In this study, I used snowball sampling only as a means of identifying key actors in decision-making, without having to contact all the officials in the relevant area. This approach helped me to meet a few key officials in Bangalore. However, to avoid bias in selection of participants, I also made a list of potential interviewees from the organizational websites. I approached them through either telephonic or email contact beforehand. As a researcher, I used several safeguards to protecting participants of the study. Prior to all interviews, I asked participants to give their consent for recording the conversations; when declined, no recordings were made. I ensured that all interviews were conducted, after getting informed consent, and for the purpose, the details of the project were communicated to the participants in advance and where necessary, permission from the organization was sought. I also ensured that all information obtained be treated with confidentiality, if the interviewee so required, and the research findings presented honestly and without distortion. I, therefore, have presented some events in ways that diminish personal recognition.

Much of the interview data that I collected was analysed in the following way. I transcribed the data, stored electronically, and organized them around the issues of the study- actors, content, context, process and outcome. I combined the raw data in various ways to address

the main issues in the research questions. I used four sets of data – interviews, field notes, texts, and transcripts – and categorized them as describing the context, events, observation, and narratives. In the process, I crosschecked facts and discrepancies. For a within-case analysis of the urban water supply projects, I studied each project’s documentation and interview transcripts and prepared a detailed case study write-up, categorizing interview questions and answers and examining the data for within-group similarities and differences. Cross case analysis followed, where I examined the cases, categorizing the similarities and differences.

Finally, central to this research is triangulation of sources to ensure quality of data. I mainly achieved this by juxtaposing the accounts of various key informants. Transcriptions and written interpretations were made available to those interviewed, that provided an opportunity for confirming the accuracy of quotes and descriptions. I also did a few follow-up interviews to clarify issues raised earlier and resolve any contradictions. To sum up, this longitudinal structure of data collection and analysis procedures along with a political economy methodology allowed the research to trace the factors, processes and effects arising from the 24/7 water supply programme.

1.5 Chapter Organisation

The thesis is organised as follows. In *Chapter 2*, I provide the theoretical basis for this research. I discuss the current phenomenon of globalization and global governance, provide a review of the existing literature on policy transfer and develop a new theoretical framework to understand the contemporary processes of policy change in water in India, which is an integrative framework that blends global policy transfer with domestic interests in policy reform. In *Chapter 3*, I describe the global initiatives leading to the emergence and spread of new policies on water. The chapter provides a detailed discussion on World Bank policies, programmes and ideas on water that are transferred to developing countries. *Chapter 4* documents the transfer of global water policies and programmes in India. The chapter notes how domestic politics influenced the transfer mechanisms of global water, especially in the context of transformations in India’s federal state relations. *Chapters 5, 6 and 7* provide empirical evidence on the learning and transfer of global water policies in

India. In *Chapter 5*, I focus on the agenda-setting circumstances of water reforms and highlight the role of sub-national state actors as key transfer agents. The chapter provides details on political and economic dynamics of sub-national development in India as the crucial determinant setting the pace and scope of transfer, and hence of political globalisation in water. In *Chapters 6* and *7*, I provide evidence on policy transfer in designing and implementing the reforms. My focus are on 24/7 water policy projects and the political economic factors that influence how knowledge transfer is key to the design and implementation of global water policies and what have their implications for local populations. Finally, in *Chapter 8*, I draw the evidence together and offer some concluding remarks as to whether policy transfer is substantive, what have been the critical insights gained and why this matters.

Chapter Two

The Politics of Global Policy Transfer: Literature Review and Theoretical Framework

2.1 Introduction

In the previous chapter, I described in brief India's recent experiences in urban water reforms and highlighted the limitations in applying conventional theories on water reforms to analyse and explain the current phenomenon. I also argued, in brief, the need for a new theoretical framework that will demonstrate a state-centric approach to explaining the reforms. In this chapter, I provide a detailed review of the literature relevant for the study and develop a theoretical framework for the research. The framework that I develop in this chapter bridges theoretical concerns of two streams of literature, policy transfer and political economy of policy reform.

Policy transfer is a theory of policy change that relates to the phenomenon of the country borrowing lessons or best practices from other states/international organizations for solutions to local problems. Although it appears relevant as an explanatory theory in the case of contemporary reform processes, a missing strand in the literature is, however, the constraints and inducers of the transfer process arising out of specific contexts where they operate. In the context of the wide disparities encountered in projects of global governance in developing countries, an understanding of the political and economic processes that guide the transfer is vital for success or failure of projects. Given the strong opposition many of the public sector reforms have generated across developing countries, there is a need to focus on 'politics of policy transfer' in this research, and thereby explain the transfer in the context of domestic politics and institutions that influence the transfer of public policies. The policy transfer scholarship has, however, considered such processes primarily as a pluralistic or an apolitical process. The conventional literature on political economy of policy reform provides strong explanatory basis for political and economic contexts of the policy processes, and has made significant contributions to our understanding of constraints on policy implementation processes. However, strongly rooted in domestic/international divide, it is poor in accounting for global policy developments. The literature emphasizes only the role of state administrators and foreign donors and fails to account for the larger set of global actors and interests that play a role in policy change. Borrowing from the literature, on political economy of policy reform, to

identify the main factors constraining or facilitating policy-makers decision in implementing reform, we may therefore ask, “what has been the political economy of policy transfer” in the case of water reforms in India, to account for political and economic determinants of decisions by actors in the transfer process. In this chapter, I therefore provide an overview of the major debates that inform contemporary readings on policy transfer and policy reform. The theoretical framework I develop will enable me to combine elements from both sets of literature to develop an integrative framework of transfer rooted to the politico-historical variables of the transfer.

The chapter proceeds as follows. In Section 2.2, I briefly describe the dramatic transformations that have taken place over last two decades in the world economy that has led to new opportunities and challenges for political organization, and has given rise to new forms of trans-national political decision-making and regulation. Termed as ‘global governance’, these trans-national efforts aim at steering in a new world order in light of the declining influence of the state and primacy of world markets. The brief discussion on globalisation and global governance is to emphasise the changed context of national policy-making with declining power of national states and growth of new actors and interests – both supra-state and sub-state. In Section 2.3, I discuss in detail the policy transfer approach that is increasingly assuming importance in a globalised world. Section 2.4 discusses current developments in the policy transfer literature that explains trans-national policy-making and knowledge transfer. Having noted a significant gap in the implementation perspectives to the transfer process, in the next section, I develop a theoretical and analytical framework for an empirical study on water policy transfer in India. In Section 2.5, I conceptualise the research in two parts. First, a political economy explanation to transfer enables to link up water policy change to wider state development; second, an interactive model of transfer through agenda-setting, design and implementation episodes enables linking up content of change to global policy ideas. Section 2.6 is the concluding section of the chapter.

2.2 The State in a Globalized World

Since the nineties, the fast-paced economic developments occurring worldwide, has led to a new era of an interdependent and interconnected world. Referred to as ‘globalization’, it

marks quantitative and qualitative differences in the emerging world order. Liberalisation and interdependence of economies, the global expansion of trade and capital flows, development of global financial centres, growth of multinational corporations and the increasing volume and variety of cross-border transactions are some of the main characteristics of the reordered global economic system (Friedman, 1999). Many of these developments are due to advancements in information and communication technologies. These global political and economic shifts have facilitated the development of new global actors and networks, and have reordered the global system. They have dispersed government power across new sites of action, involving non-state actors and specialized knowledge, leading to emergence of actors and institutions above and below the state - trans-national actors such as supra-national political authorities, trans-national financial agents, firms and non-governmental organisations. Multiple centres of authority and influence characterize the contemporary world, in which states are simply one among many actors, engaged in maintaining or encouraging an order that reflects and furthers its perceived interests. Power is no longer specific to states; it is increasingly diffused throughout the global system with the emergence of new centres and authorities beyond the state (Tarrow, 2001: 4). The various quantitative and qualitative developments related to expansion, intensification and acceleration of global interconnectedness, has led to a highly differentiated and interdependent world order. This is termed as political globalization characterised by new sites of authority, their political legitimacy and democratic accountability, convergence or divergence among forms of governance and their policy products (Kahler and Lake, 2003: 8). Therefore, globalization is clearly a crucial context in which policy processes of the contemporary world needs to be understood; its processes have undermined the effectiveness of state-based collective action.

In the absence of an overarching political authority in the international realm, academics have sought to make sense of the new world order and emerging policy processes. Through advocacy, lobbying, and direct service provision, these non-state actors are changing perceptions and behavior in fields as diverse as international health, environmental management, peace and security, human rights, and trade. According to Turner (1998: 36), the emerging global order fundamentally challenges state-centered realist assumptions, necessitating a reconceptualisation of the global order. Rosenau (1992: 10) has used the concept of 'global governance' to refer to regulation and interdependent

relations in the absence of overarching political authority in the international system; a shift from statism to integration. According to the Commission on Global Governance, governance involves the “the sum of the many ways that individuals and institutions, public and private, manage their common affairs” (1995: 2 cited in Barnett and Duvall, 2005: 6). The process of governance cannot be understood simply as a function of state actions. Indeed, just defining the interests of the state, when ‘domestic’ political space is penetrated by cross-cutting internal and external influences, and when even indigenous actors may have widely competing interests that reflect their own integration into the international system, is a highly problematic exercise (Beeson, 2000 cited in Beeson, 2003: 486). Hence, it involves much less emphasis on states, and much more on the variety of ‘institutions and regimes’ associated with contemporary forms of political organization and rule.

Clearly, globalization is systematically changing the way policy-making occurs. Governments appear increasingly constrained in their ability to make independent policy choices in an era of global economics, finance and communication. As a result, scholars are examining more closely how actors, institutions and economic forces that extend beyond state borders can influence domestic public policies and politics. The processes associated with increasing globalization are recognized by scholars of international relations as qualitatively altering the form and content of national politics and policy. Globalization, it is claimed, drains political authority from nation-states, long the dominant form of political organization in world politics (Kahler and Lake, 2003: 7). The state’s monopoly of familiar governance functions erodes as authority migrates down to newly empowered regions, provinces, and municipalities; upto supra-national organizations; and laterally to such private firms and trans-national nongovernmental organizations (NGOs) that acquire previously public responsibilities (Scholte, 1997). The State, in the contemporary era, has been described as an ‘adapted state’ rather than ‘a state in retreat’ (Weiss, 1998 cited in Beeson, 2003: 10). State-based collective action has not reached its end, but it is significantly different from in the past. The reorientation of the role of the state, the increasing variety of terrains and actors involved in the making of public policies, and the transition from government to governance are all aspects of a changing environment, the implications of which need to be captured in contemporary analysis.

However, in recent years, there has been deterioration of collective governance capacity in some key areas of the global cooperative agenda and resistance to its enhancement (see Held and McGrew, 2002). The deficit in global governance in terms of efficacy and legitimacy is discussed by Forman and Segaar (2006: 209-210) as follows. They highlight 'asymmetrical power relations' that drive many of the decisions in international fora, question the 'appropriateness of private actors in public spaces', emphasise the absence of permanent authority and continuity of efforts in addressing major global problems in view of the prevailing 'ad hoc institutional arrangements and private sector initiatives [that] tend to focus on particularistic issues'; and finally question the 'multilateralism from above' (2006: 210). Their concern with respect to global governance in developing countries is related to the appropriate manner in which policy is made, decisions are taken and implemented and resources are distributed. While an essentially 'top-down' vision of global governance prevailed within the policy-making circles of the major international institutions, this was not the case in the developing regions of the world. Most importantly, the provision of those public goods identified as crucial to the construction of an equitable global order is complicated by the inequitable nature of the negotiation processes themselves (Phillips and Higgot, 1999: 19). In addition, they highlight that the role assigned to civil society to close the participatory gap is problematic, one reason being implementation of resolutions taken in 'global' negotiations, or often by international organisations, remains primarily the function of national states, or at the very least depends on their compliance and complementary activity at the national level (1999: 18). Hence, within this broad conceptualization of global governance, significant disagreements regarding its actual and potential extent do exist.

For an understanding of Global Governance, my contention is therefore to bring in the role of the state. Whilst global processes can clearly be associated with the changing nature of constraints faced by the state, and patterns of interaction between states, this is not to say that national governments no longer have any importance but rather than the things, they are able to do are different and are done through a new array of institutions and relationships. National policy-making in this new era is, therefore, fundamentally different from earlier times. It is not about reduction in government, rather the dispersal of government power across new sites of action, augmented through new strategies and technologies. As Orenstein highlights the emergence of global policy processes does not

undermine the existence of national policy processes (2005: 178). Analysis of global policy complements the literature on national policies by adding a trans-national perspective that has been lacking from most of this work. Addressing this issue requires careful attention to various phases of global policy process, including policy development, transfer and implementation. While policy development is more in reference to the first country where global policy actors along with domestic actors are involved in the process of innovation and policy formulation, policy transfer is at a later stage of global policy-making involving transfer of the policy around the world. If the globalization of politics has affected the decision-making capacity of the state, then the ways in which state governs will also be affected. For instance, the field of public administration, according to Luke (1992, cited in. Common, 2001b: 5) is now understood within the context of 'global interdependencies' that include 'geographic connections' (crossing jurisdictional boundaries), 'functional interdependence' (blurring traditional boundaries between government functions) and 'temporal interconnectedness' (linking the past, present and future). Governance is thus characterised by 'constant change' leading to political and administrative uncertainty, complexity or even turbulence. As highlighted, by Grin and Loeber (2007: 202) governance is more than changes in organisation and design, it is also, about how state-society relation is conceived and acted upon. What is the learning process and conditions in conceptualising governance? Who are the actors in the learning process and what is the learning involved.

Summing up, the state in a globalised world is a crucial context to understand nature, scope and effectiveness of collective action in public sphere.

2.3 Policy Transfer: theory and analysis

It is well recognised that policy-makers draw inspiration from actions of their counterparts in other jurisdictions. In the field of public administration, one of the first tasks of the policy-maker, who is seeking solutions, is to verify how other administrations have found a solution in the form of public policy and draw inspiration from the actions of their counterparts in other jurisdictions. If satisfied, they propose the transfer with a number of adaptations if need be. The core idea is that we are living in an interconnected world, where policy elites, aware of the ongoing problems and solutions in other jurisdictions, draw lessons from both their own country's experience and the practice of other nations in

seeking the best practices for the betterment of their own. Hence, the borrowing of ideas from elsewhere undertaken by the policy elite is one of the central themes in contemporary policy analysis.

Policy transfer is a growing phenomenon in the recent decades linked to growth in the exchange of information and knowledge among countries for policy-making, a more demanding participatory society in public affairs and processes of globalization. *First*, globalization and internationalization have spurred a growing interest and awareness among policy-makers about the interrelatedness of economic, social and environmental problems across the world. Decision-makers at national level look to how other countries have dealt with similar problems and consider to what extent they can learn from their approaches and experiences (Dolowitz, 2000). *Second*, interdependencies between countries have increased, for instance within the framework of the European Union (EU). Politicians, officials, experts and representatives of government participate in a wide range of committees, seminars and conferences discussing and sharing information, knowledge and experience on policy development in different parts of the Union (Greenwood, 2007). *Third*, large international organizations – International Monetary Fund (IMF), the World Trade Organization (WTO), the Organization for Economic Co-operation and Development (OECD), and the World Bank – have a key role in promoting certain sets of policies and are actively putting pressure on countries to adjust and conform (e.g. Dobbin et. al., 2007). *Fourth*, a global architecture of policy ideas is emerging thanks to technological changes and the development of internet and related communications technology. With the necessary skills and technological devices, one is able to assess policies developed elsewhere, read documents from think tanks and key policy advisors, and review and summarize existing research and evaluation of programmes. *Finally*, the differential impacts of globalization have influenced the work, services and activities of public organizations. Public organizations do not always possess the expertise to tackle these problems and increasingly look outside the organization to other governments or non-governmental organizations for the answers to problems. Hence, a globalized world has created new opportunity structures for policy transfer - there has been an upsurge in the scope and intensity of such activity because of changes to the field of action in public policy-making (Dolowitz and Marsh, 2000; Common, 2001). All governments are using ‘foreign’ models in the development of national programmes, policies, institutions, structure, etc.

2.3.1 *Learning between Domains: lesson drawing and policy transfer*

Dolowitz and Marsh (1996) suggest that the study of policy transfer emerged gradually during the 1940s as a subset of the comparative politics literature. As researchers turned their attention from comparative studies of state institutions, interest started to develop in comparative policy analysis. The initial studies were not primarily concerned with the content of the policies but with explaining the diffusion process. These diffusion studies sought to relate the diffusion of policy ideas to different contextual variables such as geography and socioeconomic or technical development. The diffusion literature focuses more on the spatial, structural and socioeconomic reasons for particular adoption patterns rather than on the reasons for individual adoptions as such (Bennett, 1991a: 221); and are more concerned with the chronological and geographic patterns of the adoption of a policy innovation across government units. Hence, during the eighties, these studies were criticized for focusing on process and not considering content (Clark, 1985). Subsequent work has tended to take a case study approach and focus more directly on the policy context, which has provided a richer empirical insights into how policymakers, learn from other jurisdictions (Bennett, 1997: 215).

One of the earliest focus of a more case-based approach to learning has been the literature on lesson-drawing by Richard Rose (1991; 1993), who in his theorizing, claims that policy-makers in their work increasingly make use of insights gained elsewhere. As Rose (1991: 7) describes, a lesson utilizes “available experience elsewhere to devise a programme that is new to the agency adopting it and attractive because of the evidence that it has been effective elsewhere.” Learning might be defined as a “... improved understanding, as reflected by an ability to draw lessons about policy problems, objectives, or interventions” (May, 1992: 333). In other words, learning provides a more sophisticated understanding of policy problems and this differentiates it from copying which refers to the adoption of ideas from different settings without a process of reflection and assimilation. Rose (1991: 7) states that a lesson is:

... an action-oriented conclusion about a programme or programmes in operation elsewhere; ... Because policymakers are action-oriented, a lesson focuses upon specific programmes that governments have or may adopt. A lesson is more than an evaluation of a programme in its own context; it also implies a judgement about doing the same elsewhere.

What is remarkable about Rose's definition is that lesson drawing is viewed as an action oriented activity; it is a voluntary action originating from the acceptance or identification of dissatisfaction. Hence, policy-makers have the possibility to choose between drawing a lesson from outside or innovate a program to tackle domestic problems. The reason for why policy-makers prefer to draw lessons from abroad is twofold: they are evidence based and are normally successful. According to Rose (1991: 7), "... the critical question in lesson-drawing is whether a programme that is successful in one setting can be transferred to another". This argument implies a judgement about whether a programme would have the same results in a different setting. According to Rose (1991) there are five different ways of drawing a lesson to deal with dissatisfaction which are described as follows: *Copying* is an "adoption more or less intact of a programme already in effect in another jurisdiction" (Rose, 1991: 22). This way of lesson-drawing does not take into account the cultural, historic and socio-political contexts, which vary from setting to setting. *Emulation* is the "adoption, with adjustment for different circumstances, of a programme already in effect in another jurisdiction" (Rose, 1991: 22). Emulation makes necessary to adapt a programme to the particular context of a setting, which, in turn, will produce innovation. *Hybridization* is a "combination of elements of programmes from two different places" (Rose, 1991: 22). *Synthesis* is a combination of "... familiar elements from programmes in effect in three or more different places" (Rose, 1991: 22). *Inspiration* is not a method for drawing lessons, but for speculation since programmes from elsewhere is used as stimulus for designing and implementing a new programme without an analogue elsewhere. These forms of lesson-drawing constitute degrees of transfer. They allow us to ascertain to what extent a policy, programme, administrative arrangement or idea implemented elsewhere has been adopted in another setting. Hence, the emphasis of the lesson-drawing literature (see Rose 1993) is on understanding the conditions under which policies or practices operate in exporter jurisdictions and whether and how the conditions, which might make them, work in a similar way, can be created in importer jurisdictions. As Grin and Loeber (2007: 201) highlights, the contribution of Rose's work is in emphasising the unique status of practical considerations and experience in borrowing and applying practical knowledge for solving local problems. The sequential adoption of the same programme by two or more independent states leading to policy convergence is the central idea in Bennett's (1991) work on policy learning. Bennett (1991) distinguishes four general

mechanisms, which may induce national policies to converge: *emulation*, *elite networking*, *harmonisation*, and *penetration*.

Building on the work of Bennett and Rose, Dolowitz and Marsh (1996, 2000) have further explored the notion of policy transfer. They describe it as “a process by which knowledge about how policies, administrative arrangements, institutions and ideas in one political setting (past or present) is used in the development of policies, administrative arrangements, institutions and ideas in another political setting” (Dolowitz and Marsh, 2000: 5). The emphasis of the policy transfer literature has tended to be on understanding the ‘process’ by which policies and practices move from exporter to importer jurisdictions. Here the focus is “to throw light on the decision-making processes” (Page, 2000: 2). The four related main issues comprise of a) the operation of the policies or practices in the country from which lessons are to be drawn (the ‘exporter’ jurisdiction); b) the identification of these policies or practices as worthy of emulation by other countries (the ‘importer’ jurisdiction); c) the application, whether in modified form or not, of the policies or practices in the importer jurisdictions; and d) the operation of the policies in importer jurisdictions. The focus of this literature is on issues b) and c) — the processes of decision making in the importer jurisdictions. Hence, it is argued that policy transfer is an action-oriented activity conducted by decision elites (Rose, 1991; Evans and Davies, 1999; Wolman and Page, 2002).

However, neither diffusion nor lesson drawing considers the variable of ‘coercion’ and what is therefore needed is a concept that gives account of both coercive and voluntary processes of transfer. As Dolowitz and Marsh (1996: 344) point out, the idea of policy transfer incorporates but is broader than that of lesson-drawing, since it can take either voluntary or coercive forms. Voluntary transfer or lesson learning literature – where policy makers learn from and/or implement policies or practices from another place or time (Rose, 1993; Dolowitz and Marsh, 1996; 2000) – use functionalist arguments to argue that transfer is an increasingly important facet of contemporary policy making due to the opportunity structure created by exogenous forces of globalization. However, policy transfer literature uses the coercive approach to explain transfer processes. Hence, the rich variety of terms gives a hint of the broad nature of policy transfer and the different kinds of processes that Dolowitz and Marsh’s term encompasses. Rather than viewing them as

competing theories, however, Dolowitz and Marsh's instead view them as being different dimensions of policy transfer. Hence, policy transfer as a concept is an all-encompassing one that includes all forms of transfer – diffusion, learning, lesson-drawing etc. Although they recognise the existence of other concepts related to the idea of transferring policies (convergence, lesson-drawing and diffusion), there seems to be a consensus towards considering policy transfer as an elite theory of policy development that comprises different forms of transfer. Stone (1999: 52) argues, “Policy transfer is the broader concept encompassing ideas of diffusion and coercion as well as the voluntaristic activity of lesson-drawing.”

2.3.2 Dolowitz and Marsh's Model

Conceptually ‘policy transfer’ illuminates processes whereby policy makers seek to draw on the experiences of other nation states in order to formulate policy solutions (Dolowitz and Marsh, 2000). As Dolowitz and Marsh (2000) maintain, relatively few studies tackle the transfer process directly, or with conceptual precision. The conceptual framework developed by Dolowitz and March (1996, 2000) is based on a number of key questions which constitute a framework and an heuristic device, within which to discuss and interpret what may take place when a jurisdiction considers adopting practice or institutions from elsewhere. The following analytical framework offered in Dolowitz and Marsh (2000: 9), describes the process of policy transfer and provides a framework for exploring the international movement of policy. It is based on nine questions:

- _ Why and when do actors engage in policy transfer?
- _ Who transfers policy?
- _ What is transferred?
- _ From where are lessons drawn?
- _ Are there different degrees of transfer?
- _ When do actors engage in policy transfer and how does this affect the policy making and policy transfer processes?
- _ What restricts policy transfer?
- _ How can researchers begin demonstrating the occurrence of policy transfer?
- _ How can policy transfer help our understanding of policy failure?

Who is involved? Agents of transfer

As Dolowitz and Marsh (1996: 345) suggest, many of the actors involved could be associated generally with the domestic policy process. Thus, “elected officials, political parties, bureaucrats/ civil servants, pressure groups” are obviously involved because these are key players in the process. Bureaucrats/civil servants learn about policies implemented in other places through contact with foreign visitors, think tanks, consultants, academics and journalists through reading their books, articles and reports allows the exchange of ideas between policy-makers from two or more countries. Formal contacts are undertaken through the bilateral agreement established by the ministers of foreign affairs and agencies in international organisation. Bureaucrats from different countries meet more often, so the exchange of information is wider and faster (see Stone, 1996). Policy entrepreneurs/experts from outside and inside of government interact to exchange ideas. They constitute an epistemic community, or “a knowledge-based network of individuals with a claim to policy-relevant knowledge based upon common professional beliefs and standards of judgement, and common policy concerns” (Haas, 1990 cited in Rose, 1991: 15-16). Pressure groups use foreign experience to protect their own interests or the ones of the society in general. They are permanently in contact with other groups and organisations to exchange ideas, knowledge and experiences, which they will use to meet their objectives. These groups may be entrepreneurs, ecologists, labour unions, students unions (in some countries), etc. They use their financial and/or political power to push governments and decision-makers to act in a certain way. They base their ideas on information, experience and knowledge from overseas. Trans-national corporations also play an important role in the policy transfer process as they are active agents in the exchange of ideas among countries and their influence is based on their economic power. Hence, they use foreign evidence to force governments to adopt or to design policies that serve their interests. Think tanks constitute an independent policy agent. They do not impose policies since their participation, in the policy process in general and in the policy transfer process in particular, derives from an invitation from governmental actors to take part in the process as ‘advisors’ because of the expertise they possess. They do not make decisions but pressure policy-makers to adopt certain policies (Stone, 2000: 45-46). Dolowitz and Marsh (2000: 10) stray into prescriptive mode when discussing the role of consultants who often sell ‘best practice’ without regard to the political circumstances of the importing country. They observe, their role is particularly important because they tend to offer advice based upon what they regard as the ‘best practice’ elsewhere, often paying little attention to the

particular context in the borrowing political system. Consultants act as agents of transfer in both coercive and voluntary processes of transfer but as well as think tanks; they must be invited to participate in the process. Dolowitz and Marsh (2000: 11) argue that supra-national governmental and non-governmental institutions "... influence national policy-makers directly, through their policies and loan conditions, and indirectly, through the information and policies spread at their conferences and reports." They state that both international inter-governmental organisations (IGOS) are more likely to act in coercive transfer but they can also be agents of voluntary transfer. For instance, when a country wishes to undertake voluntarily a reform it may ask for advice from the OECD, or the World Bank. This is also a stage in which supra-national organisations can enter the policy transfer process providing their knowledge and experience. Hudson and Lowe (2009: 205) discuss the role of World Health Organisation in policy transfer as it sought to promote the highest possible standards of health for its entire people through the adoption of 'best practices' in terms of healthcare policies.

As Evans and Davies (1999: 369) argue: "a necessary, but insufficient criterion for identifying policy transfer is therefore to identify the agent(s) of transfer, to specify the role played by agent(s) in the transfer and the nature of the transfer that the agent(s) is/are seeking to make." The identification of the agents facilitating a process of policy transfer is crucial for understanding why it has been carried out and, in turn, understanding the outcomes of a policy transfers process.

Transfer Content and Degree

Evans (2006) provides a definition of policy transfer including the cases of transfer between sectors (environment, health, education) of a single political system: "policy transfer is a policy development that seeks to make sense of a process or a set of processes in which knowledge about institutions, policies or delivery systems at one sector or level of governance is used in the development of institutions, policies or delivery systems at another sector or level of governance." Dolowitz and Marsh (2000: 12) adopt a more restrictive vision of policy transfer and suggest that "almost anything can be transferred from one political system to another", although they feel it is "important to distinguish between policies, which are seen as broader statements of intention and which generally

denote the direction policy-makers wish to take, and programs, which are specific means of the course of action used to implement policies". By distinguishing between the transfer of policies and programmes, Dolowitz and Marsh are, in a sense, arguing that transfer activities can be differentiated according to the degree of specificity they possess. At one end, we have relatively general statements of intent: ideologies, ideas and attitudes, and policy goals, for example. Moving towards greater level of specificity, they suggest that policy content, policy instruments, policy programmes and institutions can be subject of transfer too.

In selectively drawing lessons, however, extent of policy transfer can vary too. Indeed Dolowitz (2000: 25) argues, "Policy transfer is not an all-or-nothing process". He suggests that there are four degrees of transfer - copying which involves direct and complete transfer; adaptation (taking different starting points into account) is a more likely strategy for an importing country which has to adapt policy to local circumstances; emulation which involves the transfer of ideas behind but not the details of the policy programme; and, combinations or hybrids which involve mixtures of different policies and programmes, including synthesis that involves extracting some aspects of one or more exporting programmes. Finally, inspiration where an idea inspires fresh thinking about a policy problem and helps to facilitate policy change.

Why Transfer

In order to answer the broader question of why change policy, or why innovate, Dolowitz and Marsh (1996: 346-8) distinguish three cases (best seen as points on a continuum rather than discrete categories): those are voluntary transfer; direct coercive transfer and indirect coercive transfer.

Voluntary transfer occurs mainly when there is a form of dissatisfaction originated by the failure of the policies implemented previously which leads policymakers to find solutions outside their polity. Decision-makers voluntarily engage in transfer following some level of dissatisfaction with existing domestic policy. A sense of policy 'failure' (following a series of incremental steps) produces an impetus for new policy solutions. Bennett (1991: 200)

suggests that there is a “natural tendency to look abroad” to see how others have reacted to similar policy problems and to seek ideas when innovation is required. However, the definition of forms of dissatisfaction is a complicated problem because it can be biased by subjective and political factors. A number of causes of dissatisfaction are identified in the literature, but most authors argue that dissatisfaction usually results from a perception, by either the Government or the public, of policy failure. However, there is a clear problem with this analysis because it assumes that policy failure is a non-contentious and easily measurable concept (Dolowitz and Marsh, 1996: 347). Maybe this account pre-supposes a level of rationality. If we focus on agenda-setting we can say that a shift of attention was caused by some shock to the existing system – change of government, successful reframing following new evidence – and existing policy is now characterised as a failure. The shift in power causes decision-makers to look outside of the failed organisation for new ideas. Alternatively, as Dolowitz and Marsh (1996: 347) suggest, a new government will look to international experience to legitimise its new aims. Elections are considered as another cause of voluntary transfer in which candidates seek solutions to the problems their country faces. Therefore, political parties look at the experiences in other places to gain fresh ideas and design policies before their opponents do it. Legitimation is another stimulus to search for knowledge abroad. Such knowledge is considered as “evidence [that] is used in the policy process in highly selective ways to reinforce positions and to legitimate decisions already taken” (Bennett; 1991: 38). A final cause of voluntary transfer is “uncertainty about the cause of problems, the effects of previous decisions or the future causes actors to search for policies they can borrow” (Dolowitz and Marsh, 1996: 347).

A second related argument therefore is related to coercive transfer, where a policy or programme is imposed on policy makers from elsewhere (Dolowitz and Marsh, 1996; 2000). Coercive transfer can further be broken down into direct and indirect methods: the former is when an actor forces another actor to implement particular policies or programmes, the latter is carried out through a range of potential factors related to technological change, competition or economic realities (Dolowitz and Marsh, 1996: 348–9). From this perspective, Dolowitz argues that there is one particular aspect of coercive transfer that links up strongly with the globalist positions – that “corporations, particularly trans-national corporations, gain a special influence in the process of semi-coercive policy transfer due to their power of investment” and that organisations such as the Organisation

for Economic Co-operation and Development (OECD), the G8 and the IMF “are able to influence national and locally based policy makers because they have the power to affect the conditions attached to international loans” (Dolowitz and Marsh, 2000: 20). In the case of the former, one government may force another to adopt a policy, an international institution may ensure a government adopts a certain policy by, for example, attaching conditions to a loan, or a trans-national corporation (TNC) may influence policy adoption by threatening to take investment elsewhere. In the case of indirect coercive transfer, externalities, functional interdependence, economic constraints, competition between countries and the emergence of international consensus may all influence policy adoption.

Dolowitz and Marsh (1996) distinguish three causes of direct coercive transfer. The first one occurs when a government forces another to adopt a particular policy. This method of transfer involves the dominion of one nation over another. Nevertheless, they recognise that “the direct imposition of policy transfer on one country by another is rare” (1996: 348). A second cause is when supra-national institutions and international organisations condition help or loans to developing countries. They establish certain specifications that governments must follow, for instance: economic policies or administrative arrangements, in order to have access to cheap credits. The role of trans-national corporations constitutes the third form of direct coercive transfer. As trans-national corporations take their money to the place that offers a better environment for investment, countries are forced to adopt policies to attract them. For Dolowitz and Marsh (1996: 348; 2000: 10-11) direct influence by a country is rare, although the role of the IMF or World Bank in setting policy conditions on developing countries in exchange for loans is in turn influenced by individual countries (most notably the US).

Indirect coercive transfer according to Dolowitz and Marsh (1996) has its origins in interdependence, which leads governments to collaborate to solve common problems. Dolowitz and Marsh (2000: 13) suggest that this is voluntary but driven by a perceived necessity to change policy. Advances in technology, for instance telecommunications and Internet, allow policymakers to be aware of developments in public policy and to exchange ideas with colleagues from all over the world. Economic pressures can also lead to indirect coercive transfer since “when one country depends upon another as its primary market it

may also be pushed into adopting similar policies” (Dolowitz and Marsh, 1996: 349). Dolowitz and Marsh (1996) also state that comparison of performance with other nations is also considered another factor of indirect coercive transfer. When political actors perceive that their country is falling behind their competitors they are forced to adopt similar policies so as not to lose their standing among the nations of the world. A final factor of indirect coercive transfer is the urgent necessity of an international consensus regarding common problems, for example, environmental protection.

To conceptualize transfer, Dolowitz and Marsh (2000: 14) suggest a policy transfer continuum from lesson-drawing to coercive transfer. They consider the continuum as a useful aid for identifying “...categories that can be used by researchers to frame their empirical work ... [and since] many cases of transfer involve both voluntary and coercive elements; the continuum help us acknowledge that fact and thus again deepens our knowledge of the process” (Dolowitz and Marsh, 2000: 14). The continuum is based on the idea that a policy transfer is not a process of all or nothing. It recognises that there are processes of transfer that involve both coercive and voluntary elements. This continuum assumes that a lesson-drawing process is a perfect rational process; consequently, a coercive transfer is considered as an irrational process.⁶

One of the main contributions of the continuum is that it presents the motivations that lead to a process of transfer. When it states, for example, that a process is voluntary it means that the domestic context has changed and that the degree of satisfaction is low, thus, it is necessary to search for solutions in different settings. On the contrary, when the process is coercive it might lead to assume that the domestic context has or has not changed but that external and/or internal factors are pushing policy-makers and decision-makers towards the adoption of overseas solutions. Of course, these are general cases and it is necessary to keep in mind that most processes of transfer involve both voluntary and coercive elements.

⁶ Indirect coercive or negotiated transfer may be located at the same point where obligated transfer is because there is no significant difference between them.

Degree of Transfer

There are four main options on how to incorporate lessons into a political system: *copying* – where a governmental organisation adopts a policy, programme, or institution without modification; *emulation* – where a governmental organisation accepts that a policy, programme, or institution overseas provides the best standard for designing a policy, programme, or institution at home; *hybridisation* – where a governmental organisation combines elements of programmes found in several settings to develop a policy that is culturally sensitive to the needs of the recipient; and, *inspiration* – where an idea inspires fresh thinking about a policy problem and helps to facilitate policy change. However, it should be noted that copying is very rare and the bulk of the case study evidence suggests that hybrid forms of transfer tend to be the norm.

Success and Failure of Policy

Dolowitz and Marsh (2000: 17) suggests in cases of lesson-drawing at least, governments borrow policies, institutions, etc., with the expectation that this transfer will lead to policy ‘success’ rather than policy ‘failure’. Of course, the underlying assumption is that policies that have been successful in one country will be successful in another. However, that is clearly not always the case. In particular, their research suggests that at least three factors have a significant effect on policy failure. *First*, the borrowing country may have insufficient information about the policy/institution and how it operates in the country from which it is transferred: a process we call uninformed transfer. *Second*, although transfer has occurred, crucial elements of what made the policy or institutional structure a success in the originating country may not be transferred, leading to failure: we call this incomplete transfer. *Third*, insufficient attention may be paid to the differences between the economic, social, political and ideological contexts in the transferring and the borrowing country: we call this inappropriate transfer.

To sum up, Dolowitz and Marsh’s model enables us to explain the processes of increased learning and cooperation between countries and among global actors, a phenomenon of direct consequence of globalization that has enhanced interaction among people, actors, networks and organizations. Transfer takes place across time, countries, and policy fields. The model is useful. It shows us the new ways of policy making in the contemporary world

where exchange of ideas between policymakers are increasingly resulting in strong connections between policymakers in different countries. However, one of the main criticisms against the model has been its broad conceptualization of transfer, which often raises questions on where it begins, ends, and therefore leads to a blurring of lines between transfer and policy-making process in general.

Dolowitz and Marsh's model has been central to our understanding of policy transfer that can play a role in policy change and deepens our understanding of how the process operates, who and what it involves. Although their framework is useful as a heuristic device, and provides discipline and structure to a somewhat nebulous phenomenon, it has, nonetheless, been subject to considerable criticism (Evans and Davies, 1999; Jones and Newburn, 2002; James and Lodge, 2003; Lodge, 2003). Evans and Davies (1999) suggest that the framework does not adequately address the interaction of structure and agency, while James and Lodge (2003: 179) argue that collapsing differing dimensions such as voluntarism and rationality on a single continuum obscures rather than elucidates different explanations of the policy transfer process. Lodge (2003: 159) suggests that the literature "tends to be preoccupied with the degree to which policy-makers are aware of and are knowledgeable about potential policy lessons and the extent to which these experiences have been utilized in policy reforms." However, policy processes and outcomes are as much a product of chance action, unintended effects and unanticipated structural forces as they are a function of goal-directed, linear procedures (Jones and Newburn, 2002). Institutional mechanisms will play a key role in determining the viability of an option and in facilitating adoption of particular policy processes or 'templates' that appear 'legitimate', 'appropriate' or 'successful' (Lodge, 2003:162). The foregoing discussion has highlighted neglected key areas of policy transfer research that we aim to address by drawing on the Dolowitz and Marsh framework, as well as insights from more institutional approaches. First, the need to focus on actual instances of policy transfer is an important one. The most appropriate way of exploring the realities of policy transfer is to examine concrete examples of change (Bennett, 1991; Jones and Newburn, 2002). Policy transfer can be difficult to disentangle from other policymaking processes; this is nevertheless necessary if the link between what is claimed to be transferred and policy outcomes is to be understood (James and Lodge, 2003). To overcome this difficulty, Jones and Newburn (2002: 106) maintain that future research requires "more evidence about how and why particular changes in

policy come about, the degree to which this involves transfer of some kind, and, in particular, the specific avenues via which transfer takes place.”

To sum up, literature on policy transfer highlights the mechanism of an ‘adapted form’ of policy-making that is specifically based on policy learning from other jurisdictions.

2.4 Globalization, Global Governance and Policy Transfer

Policy Transfer, as a distinct form of policy-making in a globalized world, needs to “seek, identify and classify remarkable phenomenon, not otherwise explained” (Evans and Davis, 1999: 367). In the context of globalization, its significance lies in its concerns with: a) knowledge transfer for development; and b) intentional activity by transfer networks and actors.

Dolowitz and Marsh’s (1996) definition establishes that the key element of transfer is knowledge, so the management of knowledge is an important issue for policy-makers. Knowledge is obtained from the experience in the design and implementation, in general successfully, of original policies to tackle dissatisfaction within a setting. Knowledge is used in the development of policies, institutions and so on, in other settings. Bennett (1991b) also underlined the importance of knowledge to prove a process of learning from other countries. Therefore, knowledge and development are crucial concepts for understanding policy transfer but above all, for assessing the implications and outcomes of the process of policy transfer. Their importance is underlined in an era when knowledge is power and development issues are in the agenda of a vast majority of countries throughout the world. Hence, an important option is to “...copy the development paths of other countries, which implicitly means aiming at their present state as the goal.” This statement implies the transfer of knowledge. It is at this moment that policy transfer takes place. In dealing with dissatisfaction, policy transfer is committed to improving the living conditions of members of a society. Policy transfer is, thus, aimed at development. In doing so, policy transfer analysis inevitably takes place in a wide variety of policy arenas, for instance: health policy (Greener, 2001); and environmental policies (Jordan *et.al.* 2000).

Policy transfer is also an action-oriented form of policy development conducted by decision elites and focused on engineering policy change based on the movement of knowledge from one system of governance to another. Policy transfer deserves careful analysis since the process of transfer may condition the policy outcome. Moreover, it is important to consider the implementation of a policy in the process of transfer in order to determine the success or failure of a borrowed policy. This assessment may be twofold: to determine whether the policy was transferred through a rational process; and to learn from one's own experience to develop an original policy. Indeed, the aim of policy transfer processes is to produce knowledge based upon positive or negative lessons. Evans and Davies (1999: 367) suggest that in practical terms this means focussing on trans-national policy networks and crucially, "that which takes place consciously and results in policy action." This is a much narrower action-based conception of policy transfer "... a knowing transfer of policy from one place to another" (Evans and Davis, 1999: 368).

Two important theoretical advancements have been made in recent years on Dolowitz and Marsh's model by explaining the role of transfer networks. Stone (1999; 2000; 2004) has made an important contribution towards this debate. She argues that much of the literature on policy transfer assumes that the transfer may lead to an increased rationality in policy-making; ignoring the tendency, that policy transfer will privilege lessons, which are in line with the fundamental assumptions underlying current policies. Directly, is her claim that lesson-drawing is not politically neutral (Stone, 1999: 52). Stone further adds the corollary that "the value of lessons lies in their power to bias policy choice" (Stone, 1999: 52). Hence, she concludes that policy transfer studies, cannot only contribute to comparative public policy, but to 'global policy studies' and public policy studies trying to directly address globalization. Stone's suggestions are directed at a deeper understanding and interpretation of Dolowitz and Marsh's (2000) findings of voluntary and coercive transfer that may be difficult to distinguish. Hence, she argues that contextual and institutional factors deserve more attention and thereby a less 'ahistorical' treatment of policy transfers. Taking it as a case of policy learning (Stone, 1999: 51; 2004: 548), she emphasizes that the transfer not only consists of policies per se, but also of "ideas, ideals, expertise, programmes and personnel" that may significantly influence "the development and implementation of public policy" (Stone, 1999: 55). Regarding the agents of learning, she focuses on the 'third sector': NGOs, foundations, pressure groups, think tanks and so on.

In later work, Stone has further elaborated what she calls the ‘privatisation of policy transfer’ particularly focusing on ‘think-tanks’ (Stone, 2000), and on ‘global networks’ (Stone, 2004), which create and disseminate policy knowledge. She highlights the role of international organisations and non-state actors in trans-national transfer networks. She also draws attention to the importance of ‘soft’ forms of transfer – such as the spread of norms – as a necessary complement to the ‘hard’ transfer of policy tools, structures and practices and in which non-state actors play a more prominent role. The author also argues that trans-national networks are an important vehicle for the spread of policy and practice, cross-nationally and in structures of global governance.

Another attempt at synthesizing earlier approaches to policy transfer and lesson-drawing has been made by Evans and Davies (1999). With Stone, they share an understanding of transfer as one particular form of input in policy change. They offer a multi-level approach to policy transfer – one that emphasises meso-level nature of the concept of policy transfer and explores its links to macro-level changes and micro-level politics. They suggest that transfer involves the establishment of inter-organisational transfer networks, which are however, “ad-hoc phenomenon set up with the specific intention of engineering policy change” (1999: 376). They argue that “by implication, policy transfer networks matter because without them, other policies might be adopted” (1999: 376). Crucially these networks do not operate in isolation, but are situated within a macro-context of globalisation, economic and technological change. It matters, they argue, to establish links between the two to explore the broader underlying transfer, rather than a skewed analysis of transfer processes. They stress the role that transfer has played in the globalisation process through the creation of new ‘opportunity structures’ (1999: 369) that hasten and facilitate the spread of ideas. Evans and Davies (1999) make the most useful contribution by explicitly incorporating questions of structure and agency into their model. Thus, whilst policy transfer is defined by Evans and Davies “in Rose’s terms as an action-oriented intentional activity” (1999: 36), it is seen as crucial to “place social and political action within the structured context in which it takes place” (1999:370). Thus, exogenous economic, technological, ideological and institutional structures can constrain and/or facilitate endogenous structures such as the ‘competition state’, which in turn may constrain or facilitate the micropolitics of agency. At the level of agency, Evans and Davies (1999) see the concept of ‘policy transfer networks’ as a means for “evaluating the complex

interaction of state and international policy agendas forged through the interaction of state, non-state, trans-national and international actors.” This variety of structural factors (economic, technological, ideological and institutional) may interact with each other and with ‘globalizing tendencies’ in shaping policy transfer processes.

An important link missing in this model is how acts of voluntary transfer and the degree of transfer in terms of copying the content or emulation or synthesis of the content turn it into an inappropriate transfer. Dolowitz and Marsh’s model continuum is useful for analysing a process of transfer; it does not say anything about the degree of transfer, the implementation process, or the criteria for the evaluation of the policy outcome. Its usefulness lies in characterising a process of transfer as coercive, voluntary or a mixture of both. In other words, it illustrates what brings about a process of transfer, but it does not go beyond that stage. Therefore, one of the main gaps of the literature on policy transfer is the lack of research on the implementation and evaluation of policy performance. This would allow us to determine the causes for the success or failure of a policy originating from overseas. Marsh (2000: 17) highlights the important of local contexts - economic, social, political and ideological contexts in the borrowing country as an important determinant for inappropriate transfer. Whereas questions posed by Dolowitz and Marsh’s model are concerned with is transfer constraints – the restraints and facilitators of transfer. They distinguish between three types of factors, which have significant effect on policy failure (Dolowitz and Marsh, 2000: 17). ...the uninformed transfer, the incomplete transfer and the inappropriate transfer. The underlying notion about failure rests on the assumption that the borrowing countries believe that the transfer will lead to success rather than failure. This may be the case for voluntary transfer but cannot be the case for coercive transfer where many countries will reluctantly oblige to comply with the directives of transfer. Therefore, an important consideration for understanding policy transfer is how the form and degree of knowledge and ideas transferred turn inappropriate within local conditions. This involves bringing in implementation perspectives to policy transfer process.

As Pierson (2004 cited in Orenstein, 2005: 196) has pointed out, many policy studies consider only the act of passing significant reform legislation, ignoring all the important changes that constitute policy development. Yet in the new reforms, global policy actors

have typically remained involved in policy implementation. The World Bank, USAID, and other members of the trans-national advocacy coalition typically remain deeply involved in policy implementation in developing countries after the initial reform legislation. USAID provides continuing technical advice to public system regulators. The World Bank encourages and assists governments to improve technical functioning of the new reforms. It has even advocated second-stage reforms to fix substantial legal and regulatory problems that emerged in implementation in Latin America and Central Asia (Gill et al., 2005 cited in Orenstein, 2005: 196). Additional global policy actors also get involved after implementation, particularly multinational fund management companies. Such companies may lobby regulatory agencies for changes and team up with other trans-national actors. Studying the reform process post-implementation provides additional evidence of the impact and involvement of global policy actors.

Hence, implementation phase is a crucial context to examine the dynamics of policy transfer and thereby analyse the processes of globalization. In the following section, I develop a theoretical framework to address implementation concerns of water policy transfer to India.

2.5 The Political Economy of Policy Transfer: towards a new theoretical framework

This research explores water policy change in India through a case study on the transfer of World Bank's water policy initiative on 24/7 urban water supply in India. In the context of World Bank's role in knowledge transfer, the policy reforms could be pressing and subsequently becomes a part of a rationalization process undertaken through voluntary learning or are accommodated within existing power and interests, there has been no research specifically on the adoption and implementation of specific models. Hence, qualitative research has had difficulty establishing clear links between the granting of World Bank loans and the dissemination of ideas on the one hand, and the adoption of a specific reform model as 'chosen' by the policy elite, on the other. The most influential role of the World Bank, in this view, has been in shaping the kind of policies that government actors want to adopt, rather than enforcing which policies they must adopt. However, in the rush to examine the implications of the reforms, the significance of the policy process itself has been overlooked, in terms of not only the mechanisms used for the transfer of ideas, but

also the specific choices made for implementation of the programme. Hence, the literature fails to systematically link up when and why governments chose to undertake such a deep and costly revision of public welfare structures, in what form, and how? In this section, I attempt to develop an approach on origin, adoption and implementation of water reforms that provides a fuller basis for analysing and explaining water policy in India.

2.5.1 Political Economy of Policy Reform: a brief review

The concept of policy reform that emerged during the 1950s through 1970s addressed issues and concerns with regard to development agenda for national governments of less-developed countries. It involved practices and policies for mobilizing and allocating resources as well as designing institutions to transform national economies and societies, in an orderly way, from a state and status of being less developed to one of being more developed (Gore, 2000: 789). The first generation consists of concepts and techniques of neo-classical economics; reform proposals were based on economic concepts and policy advice to developing countries centred on how to achieve 'take-off' (Nagel, 2002: 82). Later first generation policy prescriptions informed economic stabilization and structural adjustment programmes that were initiated in many countries during 1980s. Experience with first generation policy prescriptions revealed to donors and developing country decision-makers that 'technically correct' policies were often not adopted or implemented. The neo-classical model assumed rationality in decision-makers and posited a benevolent state maximising welfare for all its citizens. However, these assumptions were called into question with politics and institutions emerging as categories of inquiry in policy analysis and design.

Hence, a further development was in highlighting the 'politics' of policy reform, which focused on perceptions and interactions of decision-makers and others in particular organizational context of the state; the intervening variables in the decisions could be pressure group politics, public opinion, voting, that affect the policy decisions. This led to the second generation of policy analysis approaches that paid explicit attention to political and institutional considerations in devising policy prescriptions to get countries on a path to more sustainable socio-economic development. Hence, political economy scholars and practitioners focussed on the inclusion of politics and institutions as categories of enquiries

to economic policy analysis and design. The main theoretical basis for the second generation of reforms are 'new institutional economics', the 'new political economy' and the 'new institutionalism' (Nagel, 2002: 83). Transaction costs emerged as a function of the institutions through which economic exchanges are mediated. Policy models based on institutional economic favoured reducing the role of government in the direct provision of goods and services.

The focus on policy reform literature since the mid-nineties shifted to examining processes of reform as development agencies began endorsing 'good governance' in their developmental strategies. The introduction of the concept of governance in the development agenda reflected growing concerns over the effectiveness of aid whose ultimate aim is to reduce poverty and human suffering (see Santiso, 2001: 15). The 'how' question became paramount and the focus was on capacity building of the state (Grindle, 1996; 1997). The main issues of reform highlighted were sequencing, interactions among various components of macro-economic, sectoral, and governance reforms. The policy prescriptions and targets remain the same, but how they are arrived at and implemented has changed, as well as ideas about who should take the lead on design and implementation. The third generation analysis reframes policy analyses and design as a process, rather than a product (Nagel, 2002: 84). Therefore, policies are dynamic combinations of purposes, rules, actions, resources, incentives, and behaviours leading to outcomes. Policy process analysis recognizes the complex interactions of statutes, target populations, implementers and socio-political environments. It also recognises that process perspectives on policies and programmes make the separation of design and implementation less distinct (Nagel, 2002: 84). The policy analysis involves 'content' of policy that determines what policy activity will be stimulated by the implementation process and 'process' perspective that calls for an additional set of tools that incorporates social and institutional factors more centrally into technical policy alternatives. The process of implementation is influenced by the content of the policy (in terms of interests affected, types of benefits expected, the extent of change envisioned, sites of decision-making, the number and type of programme implementers and resources committed) and the context of implementation (power, interests and strategies of actors involved, institution and regime characteristics, compliance and responsiveness).

2.5.2 *Grindle's Model of Policy Reform*

Grindle's early work (1980) focussed on policy implementation during the 1960s and 1970s, and the role of politics in it. In her 1991 work with J. Thomas, *Public Choices and Policy Change: The Political Economy of Reform in Developing Countries*, she focuses rather more on the processes of policy formulation and the scope for the exercise of choice by 'decision makers'. With state-driven economic growth and social welfare replaced by the discourse of market-driven economic development and decentralised forms of government, during the nineties, they revised their earlier position to account for the new economic policies and institutions.

Grindle and Thomas (1991) set out a wide range of theoretical positions that have implications for explanations of policy choice and classify these as *society-centred theories* or *state-centred theories*. Their strengths and weaknesses, especially in terms of their power to explain the behaviour of decision makers and policy managers, the choices they make, and the factors that influence those choices are assessed (Grindle and Thomas, 1991: 2). After reviewing the theoretical positions, they conclude that none of their earlier propositions fits into their empirical observations on the new trends in policy reform. Their alternative model of the policy process is based around a) the background characteristics of policy elites (by which, in this context they mean, mainly, government officials, not politicians); b) the constraints and opportunities created by the broader contexts within which they seek to accomplish their goals, and c) the conditions that influence specific instances of policy change.

Broadly, these three elements involve addressing three questions:

- What do policy elites bring with them by way of personal attributes and goals, ideological predispositions, professional expertise and training, memories of similar policy situations, position and power resources and political and institutional commitments and loyalties?
- How do contextual factors such as societal pressures and interests, historical and international contexts, economic conditions, the bureaucratic capacity of the government and the policy environment shape policy elites, motivations, opportunities for reform and perceptions of goals to be achieved?

- What are the specific conditions of crisis/non crisis, decision criteria and policy characteristics, which account for specific instances of policy change?

The backgrounds, motives and perceptions of policy elites may play a more important role in the general policy process in developing country than in developed country contexts. Decision makers in developing countries assume central roles in initiating, shaping and pursuing public policies and their actions tend to be more visible and central in determining outcomes. This centrality and visibility arises because of uncertain information (shortage of information leads to greater reliance on intuition and experience than officials in developed countries) (Grindle and Thomas, 1991: 45). With regard to the current phase neoliberal developments in developing countries, they return to their earlier concerns with policy implementation. Based on their case studies of policy formulation, Grindle and Thomas conclude that implementation is an interactive and ongoing process of decision making by policy elites and managers in response to actual or anticipated reactions to reformist initiatives... The central element in the model is that a policy reform initiative may be altered or reversed at any stage in its life cycle by the pressures and reactions of those who oppose it. Unlike the linear model, the interactive model views policy reform as a process, one in which interested parties can exert pressure for change at many points. Some interests may be more effective at influencing high level officials in government, others at affecting the managers of the implementation process or those who control the resources needed for implementation (Grindle and Thomas, 2001).

Arenas of conflict characterise the implementation of policy to a greater extent than in the earlier model, and there are many more opportunities in this model for interest groups to challenge, resist and reinterpret policy as it is implemented. The processes of formulation and implementation are characterised by greater degrees of interaction between policy formulators and policy implementers. Grindle suggests that most analysts of policy focus on evaluating policies to improve conditions in the sector through a focus on the policy outcomes of efficiency, equity and achievement. This kind of analysis, she suggests, usually takes the process of reform for granted. In contrast to this approach she examines how new policies become part of a political agenda, how reform initiatives are developed, what interactions and negotiations shape or alter their contents, how important actors and

interests respond to change proposals, how initiatives are implemented and sustained once they are introduced (Grindle, 2004: 2).

In short, Grindle is concerned with the politics surrounding initiatives for change during the nineties in Latin America, in how politicians find the ‘room for manoeuvre’ when policies are contentious and in the limitations faced by reformers. Designed to reflect the analysis of education reforms, Grindle’s model identifies how interests, institutions and reformers interact. It identifies the five arenas in which both political and bureaucratic aspirations and actions shape the formulation of policies – agenda setting, design, adoption, implementation and sustainability. The model identifies the interests and institutions that influence those who promote and oppose policies within each of the different arenas. The policy role of the executive, the nature of the political party system, and the political salience of the issue are important in the agenda-setting arena. Relationships between government and implementing agency are vital in the adoption arena while the characteristics of implementers are central to the arena of implementation. These factors “do not determine reform but rather affect the characteristics, motivations, strategies and actions of actors in the reform process” (Grindle, 2004: 16).

Grindle (2004) acknowledges that the phases of agenda setting, design, adoption, implementation and sustainability are interrelated (e.g., the anticipation of implementation problems can influence policy design; implementation actions can alter the meaning and content of policy). It is nonetheless useful to explore interrelations in specific phases within an overall process orientation. Each phase can be understood as an arena in which political and bureaucratic interactions take place and affect what happens in subsequent arenas. This process orientation reveals that actors differ in the extent to which they participate in different arenas. As an example, the case studies indicate that teachers’ unions were not usually important in setting a national agenda for education reform, and often did not participate in policy design, but became critically active participants in arenas in which policies were approved, implemented, and sustained. Thus, the engagement of interests in opposing or supporting change varied across distinct arenas (Grindle, 2004: 16).

Summing up, Grindle's model highlights the extended arena involving reform activities. Designing and implementing phase is as critical as agenda setting phase in the context of neoliberal reforms where, interest groups and other critical influences may play a role.

2.5.3 Policy Transfer through 'reform episodes'

According to Grindle (2000, 2001), policy reform as a dynamic political process that unfolds over time, a complex chain of decisions subject to the interaction of reform advocates and opponent's in particular institutional contexts. In fact, the process through which reforms become part of national agendas, and are designed, adopted, implemented, and sustained has significant implications for reform outcomes. In this process, protagonists have different opportunities to influence conflicts and decisions. In many cases, for every action or decision that is taken during a reform process, there is some possibility for altering the conflict equation that surrounds a proposed change. She terms these as 'reform episodes'. Approaching policy reform as a process assumes the identification of a specific reform 'episode'. Each episode incorporates several phases across time – agenda setting, design, adoption, implementation, and sustaining change. In practice, these phases are interrelated, as when the anticipation of implementation problems affects how policies are designed or when actions taken (or not taken) during implementation alter the meaning and content of policy. In addition, different actors are important at different phases of the process. Reform episodes unfold in larger economic, political, and social contexts that are characterized by politically relevant individuals, groups, and institutions – presidents, ministers, parties, interest groups, legislatures, executive bureaucracies, courts, media and public opinion, other levels of government, etc. Similarly, reform scenarios are influenced by historical legacies of state-society relationships, political cleavages, prior policy initiatives, and other social and political conflicts.

In building a theoretical framework, I refer to Grindle's work on reform episodes and adapt it to Dolowitz and Marsh's model. Adapting Grindle's framework to understand policy transfer in water enables me to set out a framework that accounts for both policy transfer during agenda setting and policy transfer during design and implementation. In

each phase, I apply Dolowitz and Marsh's framework to examine and analyse the dynamics of the process.

Policy transfer in setting the agenda - The main concerns of agenda setting in the reform process in relation to policy transfer is whether issues got on public agendas because specific political actors were in the policy arena and made specific choices to put policies on the agenda. Important considerations would be - was the policy elite motivated by convictions about the importance of social sector policies, by concerns about the political legitimacy of the administration, party, or regime they headed, or by an interest in reassigning responsibility for difficult problems. Much of the discussion in this phase is similar to the main issues raised in Dolowitz and Marsh's framework.

Policy Transfer in design and implementation - An important element in current neoliberal restructuring of public sector is the designing of the reforms. According to Grindle (2000: 6), the ideology of design teams explains where they look to find solutions, and the degree of team cohesiveness and insulation from political pressures explain how successful they are in crafting solutions to public problems. At times, however, members of the design team become part of larger change teams that promote the adoption of reforms in the midst of political contention. In a broader analysis of the orientation of design teams, reform proposals represent an imperative of market-driven globalization, generally in the guise of international financial institutions that impose their perspectives on governments and act as purveyors of ideas about appropriate policies for development (Grindle, 2000: 6). At times, the imposition of new policies and institutions occurs because international technocrats invade domestic policy making arenas—directly or through domestic acolytes who share their world view and language—and introduce powerful ideologies and conditionalities in support of change. Similarly, international actors also find domestic allies among internationally-oriented economic elites who seek to take advantage of new opportunities in international trade, financial intermediation, and technological innovation. In this case, design teams reiterate the preferences of powerful international institutions, either because they have been trained to see the world in similar ways or because they see no alternatives to the conditionalities laid down by these institutions (Grindle, 2000: 6). Many social sector reforms could be considered elite projects, generated by small groups that share concerns about social sector problems in their countries and that are assisted by international officials who claim expertise in the policy area. Who is selected to be part of

these teams, the ideas they bring with them, and how well they work with one another turn out to be politically important in terms of what kinds of solutions are selected to address social sector problems. Problems often emerge because of the way in which social sector policies have been designed. Whether goals are clearly defined and feasible, the extent to which there is broad agreement within government and society about those goals, how complex the policy is, and whether required resources and capacity exist – these are all factors relating to design flaws that tend to become evident only during implementation. In this frame work, we focus on the intentional activities of the policy elite to use knowledge in the design of a policy for specific developmental purpose.

2.5.5 The Heuristics of 24/7 Water Supply Programme

For an empirical study of the phenomenon of water policy transfer, I will use an ‘adapted’ version of Dolowitz and Marsh’s model. Each of the analytical categories of actors, content, motivations, form and degree, and restraints or facilitators will be examined for each of the reform episode. The questions set out for the purpose and the issues to be examined are as follows:

The Actors: Who brought the borrowed ideas onto the agenda? What role did various actors play in bringing it on to the agenda? Who supported and proposed the specific shaping of the transferred policies? Who was involved in their implementation? Were they different actors? Our focus will be on new actors emerging in the context of water policy as a consequence of globalisation. The question concern both- who is making policy and their changing power in relation to other actors to influence decision-making. Policy actors may be individuals, or groups of individuals with either the capacity to influence formally or informally the policy transfer process. As well as to understand who participates, it is important to recognise those underrepresented by decision-making. Globalisation suggests different actors have gained power over others, notably actors with trans-national links and resources. Above all the thesis will argue that conventional analysis of water policy that narrowly focus on the national level and on state actors alone are becoming increasingly obsolete.

The Content: Is globalization affecting the content of the policies being made? In other words, is the content of the new policy reflecting interests and issues of the globalized world? It is important to understand why a specific policy, model or practice becomes globalized, in the sense that policies originating in particular, countries, organizations or even individuals are eventually adopted by others as legitimate and useful. Where did those ideas originate? What knowledge, ideas, and particular reform proposals from abroad were brought onto the agenda? What knowledge or policy content was selected for design and implementation? How was policy contents turned to practices? Which instruments were used to ensure implementation? What policy levers were used to support the reform?

Motivations: The processes of water policy change are also affected by globalisation as locus of interests affecting its initiation, acceleration or restraints are increasingly global in character. Political responsibility and power are shifting towards a new axis of interests, often resulting in lack of accountability to those they affect. What factors led to changes in reform proposals and approval? What factors ensured implementation? Were they considered coercive?

Context: Policy context concerns the surrounding social, institutional and natural environment that shapes policy-making at a given time. One of the most significant changes to water policy context in a globalising world is the realisation that the determinants of water are more complex and wide-ranging because of globalisation. Globalisation brings home the message that water sector is directly or indirectly affected by other sectors such as trade, finance, environment, and labour. Of course, these connections have long been recognised but what has been a recent phenomenon is the extent of this increased interrelatedness. Interests and institutions influencing actors undertaking transfer are therefore important. What larger political and economic interests played a role? What were the political and economic interests that influenced the specific shaping of policy?

- Political leadership and interests
- Bureaucratic system
- Societal pressures
- State interest
- Economic conditions

2.6 Conclusion

In this research, my contention is water policy reform in India is a distinct form of global governance, consisting of trans-national and domestic actors operating in distinct political

spheres, and interacts across political jurisdictions. My contention in this research is urban water reforms in India has been an experience of learning by policy elites. We find this perspective allows us to understand a state-centric view and analyze emerging forms of governance that have become prominent in the area of water in India. In this chapter, I developed an argument for water policy reform in India as a case of global policy transfer. I discussed the main concerns of the conventional literature on ‘politics’ of policy reform and argued that the main tenets that explain development agenda under Washington and Post-Washington Consensus require expansion of their boundaries to examine and explain the new realities of political globalization. Given the increasing influence of internationally driven policy reforms ideas, that has led to constraints on the decision making of national states and the assertion of neoliberal policies in relation to policy areas such as water delivery. I have built the case for policy transfer approach that enables an understanding of movement of ideas between jurisdictions with the core focus being ‘intentional activity of actors, including policy elite’ and ‘knowledge based policy development’. However, I have argued that in order to research the influence of globalized policy agendas it is necessary to take a political economy approach, which better reflects the interplay of political and economic interests on state agency. As a political economy approach has the analytical power and operational potential to improve water resources management. Here, I have argued for new perspectives to understanding policy reform in the South, as it increasingly becomes differentiated in terms of levels of development. Finally, I set out the theoretical framework for an empirical examination and explanation to water policy reform in India. I developed a framework of ‘political economy of policy transfer’ that differentiates between agenda and design stages of transfer analysed through different actors participating and the transfer functions performed. A political economy perspective of this transfer focuses on the interaction between political and economic processes, examining how power and resources are distributed and contested in different contexts. It should look beneath surface appearances to uncover the underlying incentives, formal and informal institutions, and economic structures that drive, or constrain, the transfer. The empirical task of capturing such a broad, amorphous phenomenon is challenging. I therefore have used Dolowitz and Marsh’s model as a guiding tool. As our first step to undertaking research in global policy-making in water, we explore the main characteristics of the initiatives that have characterized global governance in water. This is the focus of the next chapter.

Chapter Three

Global Governance and the Politics of Water Policy

3.1 Introduction

In October 2005, an advertisement posted in Development Marketplace⁷, announced a competition to award USD 4 million for the best ideas to provide clean water, sanitation, and energy to local communities in developing countries. Entitled ‘Innovation in Water, Sanitation, and Energy Services for Poor People’, it stated that World Bank ‘seeks best ideas for water, sanitation and energy projects’ (IDRC, 2007). This advertisement signifies the transitions taking place in the realm of water governance and administration within a world characterised by increasing global interdependence and interconnectedness. The growing awareness that the current water crisis is as much in resource scarcity and poor infrastructure, as in power, poverty and inequality linked to a globalised world, has led to global initiatives in tackling the current crisis. Hence, water governance issues have moved beyond national public policies; there are a variety of initiatives seeking policy solutions and practices, mediated through trans-national, regional and local actors. These initiatives have led to the term ‘global water’ and the aperture of water governance has consequently widened to include growing number of organisations and events ‘global’ in scope.

This chapter attempts to document the growing prominence of global policy ideas as solutions to water crises across the world. The central concern of this chapter are the core concepts underpinning shifts in water governance to address complex challenges of water systems, their proliferation on a global scale and implications for the developing countries. The chapter details the development of global initiatives that are formulating and giving shape to knowledge, ideas and practices in global water resources management and specifically focuses on the role of the World Bank as an influential actor and an ideational agent in the transfer of policy ideas in global water.

The chapter is divided into five sections. It begins with a discussion on the impact of processes of globalisation on water and the failure of national governments to address the

⁷ Development Marketplace is the Bank’s internet site that seeks solutions and encourages cooperation within the development community to search for solutions in reducing poverty

problems (Section 3.2). It then explores the new paradigms of water management that are instrumental in transforming conceptual frameworks of water governance from national to global (Section 3.3). In the following section, the chapter highlights the prominent actors and networks that are steering towards the new modes of water governance (Section 3.4). Next, the chapter focuses on the role and activities of World Bank as one of the dominant agents within global water policy networks (Section 3.5). Included within this section are the politics of policy ideas introduced by the Bank as manifesting through the Bank's activities for transferring around the world. The chapter concludes with a brief review of current policy initiatives in water (Section 3.6).

3.2 Water: an emerging global concern

The fact that water resource challenges are increasingly assuming a global dimension is evident in a number of publications in recent years. Several organisations, mainly under UN, have highlighted impending water crises across the globe. It has been noted that the global consumption of water is doubling every 20 years, more than twice the rate of human population growth. It is estimated that if current trends persist, by 2025 the demand for fresh water is expected to rise to 56 percent more than the amount that is currently available (Barlow, 2001; Barlow and Clarke, 2002). A UN report (United Nations 1997) highlighted that the status of accessibility and availability of water is increasingly being affected by economic globalisation. The World Health Organisation and UNICEF have similarly raised concern on the issue. Nearly a billion urban dwellers live in slums with unacceptably low rates of water provision; according to the United Nations, an estimated 1.1 billion people – about 40 percent of humanity – lack access to 'improved' water sources (see WHO/UNICEF 2000). Echoing similar concerns, the Second UN World Water Development Report (World Water Assessment Programme, 2006) for instance, warns that groundwater systems that provide 25-40 percent of world's drinking water are threatened with massive overdraft and inadequate rates of recharge. These reports imply that the impending crises in water supply as requiring a reconfiguration of determinants of water supply management, which in turn has called into question the traditional ways in which we categorize water needs.

There is a growing awareness around the world that water resource challenges are beyond the means of national governments to resolve and requires global response. It is argued that the

rationale for a wider frame of reference to water management has arisen due to the transformations in global water system. *First*, the hydrological system is a global system, and exchange processes occur at the global level including climate change impacts and connections between deforestation and precipitation. *Second*, global environmental change and socioeconomic phenomena create situations in which the driving forces behind water-related problems and conflicts lie outside the reach of local, national, or basin-oriented governance regimes. *Third*, many local environmental phenomena surrounding water are situated in global dynamics—for instance, of erosion, urbanisation, and biodiversity loss, that cumulatively may imply alarming global trends (Pahl-Wastl et. al., 2008: 421). *Finally*, several authors have noted the complex challenges to water resources management, such as persistent drought, extreme flood events, deteriorating water quality, and species extinction have prompted decision-makers to seek solutions across political borders (Conca, 2006; Wolf et al., 2003 as cited in Varady et al., 2008:1). Hence, it is increasingly being recognised and acknowledged that world’s water troubles have turned global in extent; and hence governance, or ‘steering’ to mitigate and resolve world’s water needs must turn global in scope.

Empirical findings have further strengthened arguments against public management of water and international water regimes. In particular, the public utilities serving cities and agglomeration areas in developing countries are typically viewed as performing poorly (inefficient structures, high leakage rates, poor quality and poorly assured supply, no cost-covering pricing policy). For instance, the leading cause of water loss has been attributed to loss of leakage from municipal infrastructure and irrigation systems that are depriving the population of their basic needs⁸. Since low priority is given to water issues and institutions, funding for research and solutions is abysmally inadequate (Barlow, 2001). As a noted environmentalist observes, “Freshwater management is in its infancy and political commitment, public education and conservation awareness are sadly lacking all over the world” (Barlow, 2001: 38). What is of most concern recently has been that national government, in the absence of globally agreed upon standards for water allocation between countries, are actively negotiating and signing international trade and investment agreements that supersede national law. These treaties include trade in water; some explicitly grant water

⁸ The World Bank reports that at least 50% of municipal water is wasted through leakage in the developing world. For example, in the Philippines’ Manila, 57% of its municipal water is lost through leaks and theft. In developing countries, reports World Resources, 60 -75 % of irrigation water never reaches the crop (Barlow, 2001: 50). .

rights to the private sector⁹, which could quickly turn to conflict (Policy Research Division, 2008). Other deficits in international water policy activities have also been outlined. Schurr (2008: 110) remarks that they have used two 'horizontal coordination modes', namely conferences and policy diffusion. While conferences have provided a platform for knowledge exchange, a third mode of coordination - international conventions, is missing on the international level. This is noticeable in the context of the Millennium Development Goals, which is not a binding treaty but a mutual action plan encouraging governments to undertake adequate steps to achieve these goals (Schurr, 2008: 110). By accepting the MDGs, the world's nations have pledged to seek a solution. Yet, water infrastructure is prohibitively expensive to construct. Without adequate capital investment, impoverished governments will find construction costs insurmountable. This requires cooperation at the global level. In order to meet water and sanitation goals, additional financing by the North is necessary, and good governance is essential to attracting financial resources (Ünver, 2008: 414-15). As international water expert Peter Gleick (2005: 411) notes, "Significant and difficult global water issues remain unresolved, underappreciated, and under addressed by governments, the public, corporations and water managers."

Increasingly intensive trans-national communication of experts, diplomats, government officials, non-governmental organisations, and think-tanks involved in the field of water resources management have gradually brought to internationalisation of water resources issues beyond those of transboundary watercourses and culminated in the emergence of global water governance. There was development, proliferation, and growing embeddedness of rules, roles, and practices that shape water-related policy decisions and political struggle all over the world throughout during the last two decades (Conca, 2006 as cited in Varady et al. 2008:1). Global water policies are not confined to any specific country or group of countries but are transborder in cause and effect, calling for analyzing water issues in terms of processes that are transborder in nature. The central idea behind global and international water is that in case of the latter, state actors remain primary in spite of the presence of public and private sector actors (both individuals and groups). However, 'global' water concerns emerge when the causes and consequences of a water provision issue circumvent, undermine or are oblivious to the territorial boundaries of the state, and thus beyond the capacity of states to address effectively through state institutions alone. It

⁹ The immediate example is the North American Free Trade Agreement (NAFTA) signed by Canada, the United States and Mexico in 1993.

is also concerned with factors that contribute to changes in the capacity of states to deal with the determinants of public water supply. Initially through the processes of policy transfer and lesson-drawing among the governmental officials from different countries, and afterwards with somewhat more active involvement of non-state actors and intergovernmental organisations through their trans-national activism, the concept of Global Water Governance in its contemporary state has emerged.

Global Water Governance denotes a term characterised by multi-scale, polycentric governance including various stakeholders, instead of governments as the single decision making authorities in water policy and management. Rather than intensifying hierarchical structures or setting up one central governing body, there is a focus on improvement of the decentralised coordination of sovereign actors, decision-making levels, values, principles, subject matters, and methods of implementation, which allow a comprehensive approach to water problems on the international, national and local agenda. The focus is on the political, economic and social processes and institutions by which government and other non-government institutions on all levels – international, national, regional and local – civil society, and the private sector make decisions about how best to use, develop and manage water resources in order to achieve internationally agreed upon goals. It has been defined as the development and implementation of norms, principles, rules, incentives, informative tools, and infrastructure to promote a change in the behaviour of actors at the global level in the area of water governance (Pahl-Wostl, 2008: 422).

3.3 Global Water Governance

The globalisation of water began in the nineties. The earlier decade that was declared International Drinking Water and Sanitation Decade, which however failed to meet the target (see Biswas 2001). Two key conferences followed in 1992 – the International Conference on Water and the Environment and the United Nations Conference on Environment and Development. Both the conferences proved crucial for the subsequent development of international water policy. Out of these conferences emerged four principles that have since been labelled as ‘Dublin Principles’, the core message of which is “water needs to be better managed, especially along economic principles, if sustainable development is ever going to be

reached” (Finger and Allouche, 2002: 21). Agenda 21, set out at the conference, emphasised the need for integrated approaches to the development, management and use of natural resources and led to the adoption of Integrated Water Resource Management (IWRM) principle. The dominant concepts of water management became ‘globalised’ (i.e., came more often to incorporate global actors, global thinking, and action across international boundaries) over time.

3.3.1 Integrated Water Resource Management (IWRM)

The Dublin Principles (ICWE, 2002) as they are usually referred to, have become extraordinarily influential in water governance. The idea of water as an ‘economic good’ reflected the wider view that the basic human need for safe drinking water is no longer a sufficient condition for providing an engineered supply free of charge. The idea, that water, needs to have an economic value and should be priced to sort out the problems of efficient management, was propagated. The objective of the economic approach was to make the economic value of water immediately evident and observable through market model of development. As Briscoe (1996: 4) argues, prices can become the mechanism that sends appropriate signals for everyday decision-making on allocation, distribution and consumption. This single principle has been the banner for many initiatives and programs of action.

The economic principles of water governance have been incorporated into a holistic paradigm of Integrated Water Resources Management (IWRM), which has emerged a leading paradigm for planning and operating national water sectors. The most cited definition of IWRM is “a process that promotes the coordinated development and management of water, land and related resources, in order to maximize the resultant economic and social welfare in an equitable manner without compromising the sustainability of vital ecosystems or compromising the availability of these resources to future generations” (Global Water Partnership, 2006). Cardwell et al. (2006, cited in Chizhoko, 2008: 1243) consider IWRM as a coordinated and goal directed process for controlling the development and use of river, lake, ocean, wetland, and other water assets. Integrated Resource Management has three main principles: coordination, stakeholder participation and existence of different level of decision-making at which integrated resource management can be pursued (Mitchell, 1990 cited in Mostert, 2008: 294). To elaborate, it involves management at basin-scale level; full

participation by all stakeholders; attention to the social dimensions; capacity building; full-cost pricing complemented by targeted subsidies; central government support through the creation and maintenance of an enabling environment; adoption of the best existing technologies and practices; reliable and sustained financing and equitable allocation of water resources (Sarvanan et al., 2008: 5-6).

The IWRM is undoubtedly the 'in-vogue' concept relating to water resource management. Its principles have therefore proliferated leading to framework for viewing all water resources problems and which could accommodate various values and approaches to managing water. IWRM looks at the entire hydrological cycle and the interaction of water with other natural and socio-economic systems. The same water can serve many different purposes, in different places. It is even possible for the same water to fulfill different purposes at the same time or sequentially, if proper planning takes place. The sustainable use of the resource therefore calls for the creation of institutions and systems that can transcend these traditional boundaries and involve a variety of users and other stakeholders¹⁰. Some of the elements of this approach include:

- Employ the full range of policy instruments to improve the efficient use of water resources and promote their allocation among competing uses in ways that give priority to basic human needs and balances human development requirements with the need to preserve or restore ecosystems and their functions.
- Include actions at all levels and adopt an integrated water basin approach.
- Support the diffusion of technology and capacity building for non-conventional water resources development and conservation approaches.
- Facilitate the establishment of partnerships, the involvement of all concerned stakeholders and, while respecting local conditions, provide stable and transparent regulatory frameworks, monitoring systems and measures to improve public accountability (Sarvanan, 2006: 4087).

This approach, being conceptually attractive, encountered a number of obstacles on its way to implementation. Several authors have noted this. Lachapelle et. al. (2003) elaborates on this wicked nature as “multiple and competing goals, little scientific agreement on cause-effect

¹⁰ The potential for IWRM to help overcome the problems and inefficiencies inherent in uncoordinated, sector-dominated and competitive water management approaches was clearly recognised at the World Summit on Sustainable Development (WSSD) in 2002. All countries were called upon to develop IWRM and water efficiency plans by 2005,

relationships, limited time and resources, lack of information, and structural inequities in access to information and the distribution of political power". Biswas (2004) criticises the concept for its vagueness and failure to provide specific programmatic recommendations. Mukhtarov (2006) shares the same view when he points out that IWRM is defined in quite general terms and might be difficult to interpret for practical purposes. Even the definition provided by the GWP does not specify what aspects of management to coordinate. Therefore, while IWRM provides a language to describe river basin management in holistic terms, it does not readily generate the necessary responses to deal with specific problems (see Lankford et al., 2007). IWRM is challenging in complexities in practice, since water resources are used by many sectors and water management involves many institutions. IWRM entails complicated issues regarding, for example, releases and reallocations between agriculture, hydro, aquaculture, industrial, and urban use; the feedback of industrial pollution onto water use; the impact of electricity subsidies on groundwater depletion; and the reuse of urban wastewater. The scope and content of IWRM needs to be fine-tuned in each situation according to needs, availability of funds, resource endowments, implementation capacities, and other factors. A salient point emerging from these aspects is that IWRM is considered as a process for which practitioners determine the most relevant goals, focusing integration at local, regional, and national levels; it is a broad menu of possible actions, and different practitioners choose to focus on areas that seem most relevant to their concerns.

Even though IWRM has proven difficult to implement and is arguably controversial, yet it has proliferated on a global scale through the proliferation of dominant IWRM discourses as a framework. Organisations such as the United Nations Development Programme (UNDP), the United Nations Environmental Programme (UNEP), the World Bank (WB), and the Asian Development Bank (ADB) have included it in their water agendas for promotion as the dominant concept in water management. A number of reports of the high-profile organisations and initiatives launched to support the IWRM planning. Examples include Agenda 21 (Article 18) 1992, where the aim to have the National IWRM Plans by the year 2000 was explicitly stated; the WSSD summit of 2002, which extended this deadline to 2005. IWRM framework urges government to retreat from the frontiers of development planning by reducing the size and costs of its activities in the water sector, deliberately shifting from a supply-orientation to a demand-driven approach, and improving efficiency in water use through application of the user-pays principle (see Derman and Nhira, 1997 cited in

Chizhoko, 2008: 1244). Policies and legislation are subsequently revised to suit the emerging water governance regime and new catchment-based institutional structures are put in place. According to Mukhtarov (2006), the (IWRM) has been shaped and widely promoted as the normative blueprint for sustainable water management. The international actors and the IWRM concept constitute an inseparable discourse, which generate 'effects of truth', that is, naturalizing specific ways of thinking and normalizing certain way of doing things (Stone, 2005 as cited in Mukhtarov, 2006).

3.3.2 *Global Policy Transfer Networks*

From the 1980s onward, a number of global initiatives were under way involved in accumulation and dissemination of the knowledge about IWRM and water management practices all over the world. These global water networks may be characterised as 'Global Knowledge Networks'. According to Stone (cited in Mukhtarov, 2007: 619), these networks

“...incorporate professional bodies, academic research groups and scientific communities that organize around a special subject matter or issue. Individual or institutional inclusion in such networks is based upon professional and/or official recognition of expertise, as well as more subtle and informal processes of validating scholarly and scientific credibility. The primary motivation of such networks is to share, spread, and, in some cases, use that knowledge to inform policy and apply to practice”.

The World Water Council, the Global Water Partnership, the World Water Assessment Programme, and the Global Energy and Water Experiment are representative of this newer approach to managing water resources. The process is one of policy standardization and formulation at the international level, as claimed by Mukhtarov (2006: 7-8).

A prominent member of this network has been (World Water Council, 2009), which was established in 1996 to provide policy-makers with up-to-date research and advice on global water issues and which labels itself as an 'international water policy think-tank' (World Water Council, 2009). Founded by United Nations, with the World Bank and the International Water Resources Association, the Council's 175 member groups include leading professional associations, global water corporations, government water ministries, and international financial institutions. Well-connected heads of major trans-national research and policy institutes, most of which share the World Bank and the bilateral aid agencies of the North as an important source of funding, fill out its ranks. In order to fulfill its mission, the Council

created the World Water Forum, ‘a major awareness-raising event and a series of stepping-stone(s) towards ‘global collaboration on water problems’ (World Water Council, 2009). It also produced the well circulated “World Water Vision” report quoted above with its unambiguous water privatisation agenda for the future. The World Water Vision essentially reiterated the Dublin Principles and proposed measures to implement them. The main proposals included the involvement of all stakeholders in integrated water resources management and the increase of cooperation in international water basins. On the financial side, it called for an increase in the public funding for research and innovation, but it also asked for a move to full-cost pricing of water services for all human uses and a massively increase in investment in water, coming essentially from the local private sector and community.

The World Water Vision and The Hague meeting were crucial to trigger several initiatives within the UN framework. One of the most important of those initiatives is the World Water Assessment Programme (WWAP), created in July 2000, to serve as an ‘umbrella’ to several UN initiatives, mainly freshwater resources policy. In 2002, the agenda for the Johannesburg Summit – UN World Summit on Sustainable Development – included freshwater resources as one of its six main points. The Millennium Goals were reinforced and private-public partnerships were presented as a recommended means of implementation. In 2003, UN Water was established as an umbrella mechanism to coordinate UN implementation of the plan of action agreed upon at the 2002 World Summit on Sustainable Development (WSSD) and the Millennium Development Goals (MDGs), which includes reducing by half the proportion of people without sustainable access to safe drinking water and basic sanitation. UN Water endorses activities like the UNESCO-led World Water Assessment Programme (WWAP), which has since 2003 published a triennial World Water Development Report (WWDR). In 2005, the UN launched the Water for Life Decade (2005–2015) to promote the achievement of the MDGs

A final transfer mechanism within these networks came about with creation of Global Water Partnership in 1996 under the aegis of World Bank, the United Nations Development Program (UNDP) and the Swedish International Development Agency (SIDA). Stone recognises the GWP as the Global Public Policy Network (GPPN); these networks enter the realm of politics and do the twofold job: 1) simplify the work of the epistemic communities

and knowledge networks (KNETs) in an effective and most commonly usable way; 2) communicate and disseminate the simplified strategy. Hence, the GWP describes itself as a 'global action network' (Global Water Partnership, 2009) of organisations interested in water issues with a mission to find 'practical tools' for solving water problems, particularly in developing countries. They are engaged to pursue material interests, but have in common a shared problem. GPPNs also act as advocates but are more institutionalized, performing with a greater degree of 'delegated authority'. Hence, GWP's supports countries in the 'sustainable management of water resources' and as Goldman (2005: 238) notes "this support is channeled through the ideological lens of interpreting water strictly as an economic good." Its main programme is to reform public utilities around the world and therefore prioritizes privatisation of water services. The Global Water Partnership (GWP) has particularly supported IWRM approaches through its network of twelve Regional Water Partnerships and seventy-one Country Water Partnerships and through wide distribution of guidance materials (GWP Joint Donor External Evaluation, 2008). GWP works with its partners to identify gaps, critical needs, available resources and potential action in support of sustainable – and place-specific – water management (Gayfer et al., as cited in Varady, 2009: 153). It attempts to measure achievements at country and regional levels through, for example, the integration of IWRM into national development plans and local river basin plans and processes (Gayfer et al. as cited in Varady, 2009: 153). Such activities help to bring IWRM guidance documents – largely hashed out at Global Water Initiatives (GWI) organisations, at large international water meetings, and in the water policy journals – to participants from individual water contexts (who may or may not have access to these other fora). This is therefore the 'third loop', as described by Walt et al. (2004:189) that involves the process of 'marketing' the standardized within the IWRM concept to the national constituencies.

To sum up, the preceding overview reveals a number of top-down, bottom-up, network, and side-by-side governance elements exist in parallel. The GWI network functions as part of a decentralised network, in which the aims and activities of specific initiatives connect, disconnect, and overlap at many points. This ontological shift situates GWIs as key sites for decision- making, knowledge transfer, and conflict resolution – all core components of governance (Varady, 2008: 2). The overall picture can be characterised as one of mobius web-type governance. Some initiatives are centralised, while others are decentralised. Some have a strongly global character, while others tend to be predominantly regional. No

centralised UN agency is authorised to make policy, and UN Water as a platform for collaboration among UN agencies does not have a strong mandate. There is a tendency of private governance providing direction to the emerging structures; in fact, there are no indications of an emergent global leadership. Water is thus a rising issue of global governance characterised by comparatively young and immature structures and processes that have slowly evolved over the past two decades (Pahl-Wostl, 2008: 427).

3.4 World Bank and ‘Politics’ of Policy Ideas

The World Bank has a significant presence in water sector across the world; during the nineties, around 16 percent of all bank loans were provided for the development of water resources and water-related services (Briscoe, 2003: 18). On average, it invested USD 3 billion annually, representing 5 percent of overall investment in the water sector of the developing countries (Briscoe, 2003:18). Therefore, as a primary source of external financing in developing countries, and exerting considerable leverage in policy-based lending, it takes critical decisions to steer the development and governance of water sector in the recipient countries. As it has been noted, “The Bank has quickly become ‘one of the most, if not the most important actor’ in the global water sector, be it in terms of financial aid or in terms of general policy-making in the developing countries” (Finger and Allouche, 2002:62). In fact, for decades the World Bank stood behind the public management of water resources¹¹, but mainly to the fact that the Bank was involved in project rather than policy lending, granting loans for the construction and development of infrastructure that would be operated and managed by the state. A fundamental reorientation of the Bank’s policies took place during the nineties. A crucial turn to neoliberal policies in developing countries in social sector reforms took place, which was ascribed to the Bank’s role in linking their application to loans disbursement (Ikenberry as cited in Suleiman and Waterbury ed., 1990: 95-96). In 1993 the World Bank Group published a policy paper where the orientation towards liberalizing and privatising water markets and the shift away of support from traditional integrated state-owned water utilities was made public (World Bank 1993). This shift became manifest in other important publications in 1996 and in 2000 (World Bank 1994; World Bank 2002). Since then, regarding water policies, the World Bank adopted a neoliberal stance and argued

11 For a comprehensive review of WB thinking along the years, see E. Mason and R. Asher, *The World Bank since Bretton Woods*, (Washington D.C: The Brookings Institute, 1973).

for more involvement of private business in the development of water sectors in developing countries.

With its 1993 policy paper (World Bank, 1993), the World Bank set the course for a fundamental shift in its policy regarding the entire water sector. With the failure to reach the goal of 'Water for All' in spite of considerable investments and the continuing deterioration of public water systems, the Bank's new water strategy was aimed at comprehensive reform of the water sector. The Bank planned to achieve improvements in access to drinking water not only via an extension of its financing for the sector but above all through fundamental changes in the water sector of the recipient countries. In keeping with the new development ethos emerging within the Bank about private sector participation as a viable option for improving performance indicators in public services, the Bank endorsed retreat of the state from water sector. The shift to private sector participation in water is a clear reflection of the generally critical view of the World Bank on the role of the state in development and of its advocacy for a 'downsizing of the state' (Bayliss and Cramer, cited in Pincus et al eds., 2001: 59). A simultaneous global movement for the recognition of the economic value of water in particular also boosted the Bank's preference for privately operated water services. This shift at the international level was reflected in many declarations and reports of the time, including the 1992 Dublin Statement that called for the recognition of water as an economic good (ICWE :1992). As a reaction to two general problems – inefficiencies in the water services projects and lack of concern for environmental and social considerations – the World Bank adopted the concept of Integrated Water resource Management (IWRM). In the Bank's view, the incorporation of the economic side of water into integrated water resources management serves multiple purposes. It works for a more environmentally friendly management of water, but also for raising the necessary budget for maintaining and expanding water services networks. The World Bank argued that the private sector could provide a remedy to many characteristic problems of publicly managed water services, such as corruption, inefficiency, obsolete technology, pollution and waste of resources. Given that, the World Bank was at the same time exhorting the withdrawal of the state from public services, the private sector soon became identified with integrated water resources management as the new main actor in the revamped scheme of management.

Since the nineties, the World Bank has been presenting itself more and more as 'Knowledge Bank' (Kapur, 2006). It started to redefine its role towards an international institution providing advice and knowledge about policy design, de-emphasising its role as a financial lending institution. The World Bank's policy shifts and arguments were highlighted in a series of publications during the decade. The legitimizing theoretical foundations of the World Bank policy advice in the field of water services are mostly found in neoclassical economic theories. In its role as knowledge provider the World Bank has delivered various arguments in favour of market logic in water. It argued that competitive market pricing and allocation will improve efficiency in water management, reducing wastage, preventing environmentally harmful uses of water and thus maximizing the benefits that can be derived from this scarce resource. The Bank equally underlined the importance of pricing water services as any other private good, charging the user according to their actual consumption (World Development Report, 1994 : 23). This latter statement actually 'constitutes the main change in the policy adopted by the main World Bank's water specialists' (Finger and Allouche, 2002:76), since it is central to the integrated management of water resources by private operators that the International Financial Institution (IFI) favours. Thus, while the Bank may have cut back financial support for reform programmes, it still sees itself as a key player in the field of development policies.

Several activities were taken up by the Bank to implement its policies. Through structural adjustment/policy lending programs, indebted countries had to engage in substantial changes to the legal and regulatory framework of said services in order to turn the water sector into an appealing opportunity for private investment (World Bank, 1993). The Bank through its technical advisory departments¹² played a role in this process of modification of local laws, decrees and administrative resolutions and in shaping their new contents in order to ease the transition from publicly managed to privately operated services. The leverage of World Bank policy advice is, in this sense, not to be underestimated: together with loan conditionality, policy advice forms a tandem for the imposition of public sector reform and for making its actual implementation possible. So between 1990 and 1999, 160 large private sector participation ventures were agreed in the water supply and sewerage sector, twenty times more than in the eighties (Asian Development Bank, 2002). However, experience showed that the contribution made by these projects to improving supply to low-income sections of

¹² These are the Private Sector Advisory Services (PSAS) and its Foreign Investment Advisory Service (FIAS), which provide governments and enterprises with advice on policy, transaction implementation, privatisation, and investment climate.

the populations frequently failed to meet expectations. Corporate representatives conceded that, in spite of price increases, involvement in the water sector and, in particular, supply for poorer sections of the population does not pay its way for them¹³. Moreover, there was resistance to privatisation on the part of trade unions, civil society groups and consumer organisations in many countries, such as in Cochabamba, Bolivia, in April 2000, in South Africa or in Tucumán in Argentina. Just like in the infrastructure sector as a whole, in the water sector, too, foreign investments dropped dramatically by around 50 percent after having peaked in 1997. Thus, the privatisation concept in the services and utilities sector ran into a deep crisis.

These difficulties prompted the World Bank to reassess its activities in the water sector. Early in 2003, the World Bank management drew up a new strategy for the water sector (World Bank, 2003) emphasising the fundamental principles of the policy paper issued ten years previously. However, the latter ‘need to be adapted to specific economic, political, social, cultural, and historical circumstances,’ explained John Briscoe (Briscoe 2003: 19), one of the most important architects of World Bank water policy since the mid-nineties and the chief author of its new strategy. Since 2002-03, therefore, the Bank has developed new principles and advocated new ideas to further establish neoliberal ideas, both in water resources and water services management.

Firstly, the focus shifted to implementation of its policies, especially in relation to impact on poverty reduction. The report ‘Bridging Troubled Waters’ (Pitman, 2002a) subscribed to the significance of the goals established for the sector in 1993 but maintained that a stringent regulation of water prices including special arrangements for the poorest of the poor was not in place in any of the countries that had been awarded World Bank credits for water projects. The setting up of regulatory authorities and the design of socially acceptable prices is insufficient. The contribution of private enterprises to providing poor sections of the population, in particular in rural and peri-urban areas, is meager: ‘getting the private Sector to focus on the alleviation of poverty and to design tariffs in a way that does not discriminate

¹³ J.F. Talbot, Chairman of the Board of Directors of the French utility SAUR International has expressed serious doubts about the viability and profitability of private provision of water in developing countries and insists that substantial grants and soft loans are necessary, because service users can’t pay for the level of investments required for social projects (Talbot, 2002 cited in Hall and Lobina, 2004: 272).

against the poor has proved hard to achieve in practice...’ (Pitman 2002a: 25). Thus, the report recommended that more support again should be given to the public sector: ‘So, where the private sector cannot deliver or sees the risks as too high, there may be a case for the Bank to intervene to improve capacity and policy to upgrade public sector utilities’ (Pitman 2002: 25). The World Bank has since started to analyse experience with reforms of public companies to benefit from ‘best practice’ there in its own policies.

Secondly, the Bank calls for even more state support of the private sector in water supply in order to boost implementation. Although the private sector has only achieved little to improve water supply for the poorer sections of the population over the last ten years, the World Bank continues to opt for strengthening it, albeit in a ‘mix of providers’, i.e. of public and private companies, user groups and self-help initiatives. The sector strategy refers to Private-Public Partnerships, public funding to minimize risks through currency fluctuations, an improvement of the investment climate and Output-based Aid as instruments to support private actors in the water sector (World Bank, 2003: 45-47). The World Bank has now realized that only considerably more attractive investment conditions can get private investors to engage in water supply in the developing countries, and that win-win situations by no means exist per se.

Thirdly, there was a focus on individual country strategies for the entire water sector. As an important new instrument, Country Water Resources Assistance Strategy were considered as important as other development strategies embodied in national Poverty Reduction Strategy and the principles of the World Bank Strategy Papers of 1993 and 2003 (Briscoe 2003: 19).

Fourthly, there was a reversal to earlier position of financing large-scale projects. Criticism of the negative impacts that major infrastructure projects such as dams have had on the environment and the population, the transition from ‘Brick and Mortar-projects’ – as referred to in the Action Plan for Infrastructure - to policy and regulatory reforms and institutional capacity building as framework conditions for private investments, resulted in a decline in World Bank funding for infrastructure projects in the nineties. Hence, by 2002, it was providing only half as much money for infrastructure measures, including water supply, as it had at the beginning of the nineties (World Bank, 2003: 2). But as Briscoe (2003: 18) argued in a contribution for the World Bank journal ‘Environment Matters’,

“Governments must support reforms to make the water sector more accountable, transparent, efficient, and environmentally and socially responsible. Strengthened

participation in these reforms by water users and civil society is indispensable. And when governments in poor countries adopt appropriate policies, they need to be supported by the international community.”

It was reiterated that the mobilization of massive investment in stepping up infrastructure, ranging from local rainwater harvesting structures to major infrastructure such as dikes, canals, dams, and interbasin transfers, would be taken up. In the Action Plan passed in July 2003, the World Bank announced its intention of drastically increasing finance for infrastructure over the next few years to offset the decline in private infrastructure investments, which had dropped by more than half from 1997 to 2002. In the WRSS sector strategy, it was then announced ‘the World Bank will re-engage with high-reward-high risk hydraulic infrastructure’ (World Bank 2003: 3). This trend is also reflected in the World Bank’s projects and programmes in the individual countries. For example, in December 2003, the Bank announced that it was to double its credits and subsidies for India and stated that the money was intended in particular for infrastructure measures and development projects in rural areas (Briscoe, 2005: 86).

Fifthly, there was a reiteration of goals of privatisation and commercialisation. Water supply plays a key role in this context. Here, the Bank emphasised the direct impact an improved infrastructure and water supply has on economic growth and on the prospects of reaching the Millennium Development Goals. It argued that the Camdessus Report (Winpenny, 2003); the new development initiative for Africa, NEPAD, and the Conference on Sustainable Development in Johannesburg in September 2002 had sharpened the perception of gaps in the provision of infrastructure services. The Bank notes that these gaps have to be filled, and that it has to respond by stepping up its activities in the infrastructure area (World Bank 2003: 2). Priority was also extending legislation and regulatory mechanisms and institutions to promote commercialisation and privatisation. Thus, the strategy emphasised the demand that water tariffs at least cover operating and maintenance costs. The assumption is that this would put an end to wastefulness and injustice, e.g. through subsidies to the benefit of affluent groups. Water distribution and use was to be regulated by an effective system of water rights, i.e. by supply and demand on a market economy basis. However, there was a new strategy adopted by the Bank to promote privatisation. It no longer opted solely for the private sector; other models such as Public-Private Partnerships or, ‘in some cases’, credits for ‘well-performing public utilities’ are becoming increasingly important. At the centre of the Action Plan was enabling ‘sustainable subsidies for private provision’ (World Bank, 2003a).

Furthermore, the World Bank announces that it is to step up its consultancy activities in the sector and, in addition to credits, increasingly provide countries with other financial instruments such as securities and guaranties for the funding of infrastructure projects. Thus, the Action Plan is characteristic of the World Bank's policy in the wake of hopes of privatisation having been dashed.

'Making Services Work for Poor People' is the title of the latest World Development Report, in which the Bank advocates 'alternative service delivery arrangements' (World Bank, 2004b). At the core of the Report is the notion of 'putting poor people at the centre of service provision', in order to raise the 'effective use of all resources, internal and external'. Improvements in the fields of education, health, water and sanitation and power supply are to be achieved by enabling the consumers themselves to 'monitor and discipline providers', by giving them more say in political decisions and by boosting incentives for providers to supply to the poor (ibid.). The aspect of accountability is emphasised in the mutual relation between providers, clients and political decision-makers. The prime objective of reforms is to promote political and economic decentralisation, strengthen solution concepts by the community itself and above all give a voice to poorer clients when addressing politics and the providers (World Bank 2004a).

Finally, a partially new direction was started in the 2004 Water Resources Sector Strategy (World Bank, 2004b). The WRSS focuses on identifying the opportunities for reform, tailoring the proposals to the country specific circumstances and providing the Bank with a better organisational structure and better human resources to implement the concept. The general perspective of the WRSS was supported by an external Commission on the Financing of Water Infrastructure, established by the Global Water Partnership and the World Water Council at the third World Water Forum in 2001 in Kyoto. Chaired by Michel Camdessus, it delivered a report Financing Water for All in 2003 in view of the Millennium Development Goals, focusing on the financing problems and potential solutions to water service delivery, but makes a supporting reference to the WRSS of the World Bank in its section on major hydraulic works (GWP, 2008). The observation of the reduction infrastructure investment lending, especially in IBRD countries, by 50 percent between 1993 and 2002, led to a request for a policy change in a Board meeting in early 2003. This was supported by the report of the Camdessus panel, the New Partnership for Africa's Development (NEPAD) and the World Summit on Sustainable Development in Johannesburg (WSSD). The Infrastructure Structure

Action Plan is, thus, a concerted action of the Bank's management to fill (at least partially) the financing gap between the MDGs and the decline of private investment and World Bank lending in water supply and sanitation, among other infrastructure sectors (World Bank 2003b).

Apart from publishing reports and numerous other publications, the politics of this policy shift is evident through its role in capacity building and networking. For instance, the idea of contracting out public goods and service provision to the private sector, and in particular, to globally competitive bidders, becomes a case of 'best practice' that is explored in the classroom and realized in development projects. Training is provided on topics as 'community empowerment and social inclusion' 'social risk management' and 'poverty reduction and economic management' to state and non-state professionals to implement its desired policy shift. This is accomplished by forging close ties with trans-national networks in water and becoming a dominant actor in these networks. It is the main sponsor of World Water Council and therefore the World Water Forum extends its policy position on water reforms. It is also the main funding agency in Global Water Partnership. The dominance and powerful authority commanded these networks base a platform for World Bank to influence global water agenda on its policies. Powerful NGOs within this network also embrace World Bank's ideas and endorses its idea on water privatisation as a solution to water woes across the developing world. In return, the World Bank is setting up a highly mobile set of global experts comprising the leadership and establishing the guiding principles of the new water reform movement to enable them to counter challenges offered by wide-ranging campaigns against neoliberalism, privatisation and structural adjustment.

Since it performs multiple forms of lending pressures, it is bound to be an efficient player of the idea game. According to Goldman (2005: 236), who illustrates this in his book 'Imperial Nature', writes on this role of the World Bank. In its early years, it was argued that the main function of the Bank was the regular process of 'consultation' between its expert groups and member countries. The overall purpose of this consultation activity was to develop a common value system among civil servants in the recipient countries, a common worldview that should establish a basis for shared definitions of problems and solutions for the framing of economic policy. Thus, the idea game concerns the formulation and transfer of those ideas

that are expected to induce certain types of behaviour within the developing countries. Later the focus shifted to a role that involves formulation, testing and diffusion of new policy ideas. In playing this role, the Bank can be depicted as an enormous think-tank, willing to help its member states with empirically based advice. It serves as a meeting place for various ideas. In this role, however, it is not a neutral policy advisor – it diffuses economic ideas on water management with social obligations and environmental concerns. In order to be an efficient player in the idea game, it arranges for national civil servants to meet and develop their personal and technical skills through learning processes such as socialization, imitation and coercion. Formal agreements are seldom made, but national officials return to their countries bearing ideas that may find their way into national legislation or regulations. Where the latter actually happens, the moral pressure can be said to have been influential; then the Bank has managed to establish what it considers a rightful national discourse and politically correct behaviour (Goldman 2005). According to the same author, some of the normative standards developed in the meeting rooms in Washington are well illustrated in the titles of some of the many publications produced by the World Bank secretariat, such as ‘A caring world’ or ‘Trust in Government’, titles that signal the ‘right’ and ‘good’ opinion about a complex set of problems. In addition, although member countries are not formally required to respect the World Bank criteria for ‘responsible’ economic behaviour, especially the laggards within the developing countries may nevertheless feel its recommendations as forceful moral pressure.

To sum up, the Bank has generated policy ideas in its endeavour to transform potentially explosive political questions about rights, entitlements and establish to technical questions of efficiency and sustainability. Hence as noted, by Goldman (2005: 240) tracing the discursive genealogies and relational biographies of this dominant global policy forum reveals the enormous role played by Bank in constituting and supporting these networks and their agendas.

3.5 Discussion and Conclusion

In this chapter, we have provided an overview of the emergence of global water governance and highlighted the ideological drivers of global policy change in water. In the chapter, we noted the failure of national governments to adequately address water concerns that had been adversely affected by the imperatives of economic globalisation. We then went on to highlight

the holistic framework of water management –IWRM- that has become pivotal in steering towards new governance norms and structures. We also noted the role of powerful international players such as the World Bank, the Global Water Partnership and a few United Nations Agencies that have either supported or advocated institutional reforms whose backbone is the IWRM framework. Finally, we discussed at length the decade-long shifts in World Bank’s position as it plays a critical role in translating the global agenda in water to practical ideas that are implemented across developing countries, either as hard loan conditionalities, or increasingly as softer policy-based options. In examining the three themes, we have gained an understanding about the concept, the actors and the ideas that are steering the world towards a new global order in water. Overall, we have noted in the chapter how the current effort to rescale water governance has become a political process under the dominant influence of World Bank.

Firstly, the conceptual basis of the ‘steering’ of global water is through the dominant discourse of IWRM. It is evident from the discussion in the chapter that in providing a holistic framework i.e. a comprehensive frame of reference of multilayered governance of water covering local to global, its lack of definition in operational terms has led it to being adopted and adapted for various purposes in line with the dominant perceptions of water governance. Hence, it includes a wide range of concerns - integrated,’ ‘participatory,’ ‘decentralisation’ ‘pro-poor’, ‘transparent’ ‘accountable’ practices that account for consensual practices as well as private sector participation and cost recovery that provides opportunities for neoliberal policies and practices. Each of these dimensions, in turn, enable to build its legitimacy, technical utility and relevance, several dimensions have been added to it. IWRM has gained popularity from all quarters, and among the reasons for this popularity is the ambiguity in what it actually means. Because of this ambiguity, as we have seen, its interpretation and conceptual clarification has become a political process. The World Bank’s role in using IWRM framework to generate and popularize ‘best practices’ is a case to the point. We have seen that one of the trends in water management under IWRM is the idea of transferring ‘best practice’, i.e. transferring the model behind successful water management institutions (most often from developed countries) to other contexts (most often developing countries). Closer analysis of the IWRM framework also reveals the negative effects of policy standardization and formulation at the international level, marketing and promotion of policy transfer from the top downwards (Mukhtarov,

2006). In this model, a network of international agencies, water experts and professionals collude to redefine the water resources management agenda in ways that promote transfer of neo-liberal oriented water policy prescriptions across the world. As a result, much of the IWRM decision-making prescriptions tend to ignore the social, cultural and political context, as well as the historical aspects within which these are embedded (Ashton et al. 2006 cited in Chizhoko 2008: 1245). Efforts to improve water management and allocation may be ineffective or even produce effects opposite from those intended, unless grounded in a good understanding of diverse social and cultural institutions that shape access to water, environment, economic activities, and other conditions (Bruns and Meinzen-Dick cited in Chizhoko, 2008: 1245). Since, there is no one best way to improve water situation in developing countries, IWRM therefore depends on carefully assessing the options available for improving the situation.

Secondly, the chapter has provided institutional frameworks, organisations and special events that focus on global water management. It is evident that this has not emerged as multi-layered, multi-actor governance with uniform influences. In its present form, it is characterised by an uneven distribution of power and decision-making and specific flows of ideas across policy spaces. As Varady et. al. (2008: 2) notes – these institutional arrangements overlap at many points, but as nodes in a network, they envelop a constellation of topics, specialities, and knowledge; in fact, the institutional proliferation and diversity is highly productive in terms of sustaining networks. He concludes that through these rich veins of organisational affiliations and collaborations that water management is globalised. Goldman (2005: 225) on a more critical note observes that they are ‘peopled by a narrow elite strand of professional, mostly high-level state and UN officials, Northern economists and a smattering of agricultural scientists’. The involvement of a wide-range of actors and institutions gives them not only a broad credibility and influence but also a self-acclaimed comparative advantage in the field of trans-national policy expertise with apparently few viable competitors.

The inclusion of water experts and scientific personnel within this group gives the networks the necessary authority to debate and argue on complex water problems that have ecological, social and economic implications. Hence, these global efforts have set global research and

implementation agendas, strengthened international collaborations and legitimised certain forms of water governance. The main ideas propagated are that national governments are inefficient, treats water as free and therefore encourage wasteful habits. Linking water scarcity to government's failure and thereby introducing the logic of pricing water. A whole array of theories, paradigms like IWRM, principles support this fundamental logic. The broad arrays of actors are unified in their endorsement of the principles laid down in 1992 conferences. By endorsing Dublin principles, they acknowledge that policy domain of water is now too big, the volume of exchange of goods and services is too high and the complexity of operations is too great to be able to be regulated by the state. Hence, global public policy networks in water are at the forefront of debates on scope and extent of IWRM.

Finally, the chapter has highlighted how generation of policy ideas in water is linked to the fundamental paradigmatic shift of World Bank policies since the 1980s, and more importantly, how potentially highly controversial ideas on 'water as an economic good' and 'appropriate pricing' as well as 'privately managed water utilities' bypass the conventional rights based thinking of water being a free good and its access as a basic right. The chapter has presented the different ideas generated by World Bank over the last three decades as it tried to extend its influence in the water sector in developing countries. Over the years, the focus of the Bank has shifted to IBRD lending in water sector with a focus on high-cost infrastructure projects and policy-based sectoral reforms. From the nineties, the policy solutions provided have hinged on economics based explanations. With the worldwide rise of neoliberalism in the 1980s, the World Bank reorganised water policy advice in several aspects and embraced research that advocates the commodification and privatisation of water. Thus, generally, World Bank policies are based on neoclassical assumption and neoliberal theoretical approaches that legitimise or justify specific policies. These approaches take the individual as a central category of analysis and conceptualise consumers as rational autonomous choosers, who have full information about the water market system. This implies that issues of structural inequality and societal contexts are not considered relevant determinants of an individuals' development. Facing severe criticism, the Bank in subsequent years has gradually turned to social and environmental policy, though primarily focusing on economic implications. In this way, the Bank has sought to promote its agenda of market logics in water.

To conclude, the mix of rapid processes of socio-economic change, demographic change and environmental change in today's world requires a broader conception of the determinant's of water supply. Yet, the lack of democratic processes in efforts to rescale water governance has often derailed the process. The World Bank's dominance and neoliberal agenda in water has also led to adverse impacts. To further our understanding of this phenomenon that will enable policy recommendations in the sphere of urban water, we undertake a study of the World Bank's policy transfer within a country context and the implementation of IWRM. In the next chapter, the discussion will be on how the World Bank transferred the global policy ideas on water to India.

Chapter Four

Central-Local Relations and Water Policy in India

4.1 Introduction

India, in recent years, has undergone transformations in its economy. Since 1991, the country has shifted towards a market-oriented development strategy. The institutional setting into which market-oriented approach to policy has been introduced in India has proven surprisingly conducive to the furtherance of economic liberalization. This led to a far-reaching programme of market-oriented reforms and a booming period in its economy. Subsequent transformations to its federal institutional set-up laid the groundwork of political sustainability of market-oriented reforms in public sector. The ongoing domestic socio-economic and political developments linked to its emerging economy status led to intentional and conscious decisions to direct multilateral financing to infrastructure and social sector development, including education, water, health, and transport systems. How is global water policy transfer to be viewed within this institutional context in India? We have noted in the previous chapter, the development of new water policies that revolutionize water management by introducing in whole or in part systems based on private property, individual rights and economic management of water delivery. We have also discussed World Bank's role in knowledge networks, policy-based lending and strong influence of the Bank with national governments. In this chapter, I illustrate that such policy change in water in India is as much a reflection of concerted global campaigns by trans-national actors, as also domestic political and economic processes, mediated through the agency of domestic actors, making the new water reforms a case of global water policy.

Hence, the main objective of this chapter is threefold. It will first discuss the far-reaching programme of market-oriented reform in India that is leading to embeddedness of markets and thereby facilitating introduction of market logics in water. It will then highlight how global networked organisations, their resources, and members aim at transforming water governance in India from a national to a global order through the adoption of new paradigms and ideas on water management. Third, I discuss how the institutional transformations and political/economic processes have directed the market reforms in water in India. I explore and identify the critical political and economic factors that guide

state interests and institutions in taking deliberate actions in water. Finally, the chapter documents the making of global water policy at the national level as a successful transfer. Overall, the chapter attempts to answer the research question on origin of water policy in India, by linking knowledge transfer in water to the wider context of state development in India.

The chapter has six sections. In Section 4.2, I present the changes occurring in India's federal political economy that forms the backdrop of this research. I discuss the context of the economic liberalization programme undertaken in India that set in motion administrative, economic and political decentralization trends leading to the emergence of new political and economic relations between the centre and States. In Section 4.3, I describe the diverse activities undertaken by global agencies for diffusion of global policy ideas in water in India. Section 4.4 deals with the transfer process – the significance of sub-national state as a major locus of water policy transfer is highlighted here. In Section 4.5, I focus on transfer content and outline the adoption of the new national and state water policies, as well as the introduction of a new urban water supply programme. Section 4.6 concludes the chapter with a discussion on the main findings of the chapter on global policy transfer in water and analyzing it in the context of wider federal political economy in India.

4.2 The Changing Context of Federal Political Economy in India

Centralized federation: The country until the nineties had recorded meagre economic progress¹⁴ with a combination of poor fiscal management, excessive protectionism, and a restrictive investment regime. The formal policy structure that governed economic development and center–state relations during the dirigisme period (1955 to 1990) was characterized as follows. *Firstly*, the licensing and locational controls characterizing the industrial regime were in central hands¹⁵; this had significant impact on the distribution and

¹⁴ India's rate of growth from 1975 to 2007 has been over 5.5 %, compared to the derisively termed “Hindu” rate of growth of 3.4 % over the period 1956 to 1975, and especially to the pathetic 2.6 % over the decade prior to the nascent liberalization in 1975 (Nayyar, 2007)

¹⁵ For instance, central government approval was required for all large private sector projects as well as for foreign investment proposals. An elaborate regulatory structure concentrated power into the hands of such central agencies as

generation of investment directly. The Indian economy in 1978 was dominated by the public sector, with 80 percent of all investment, while foreign investment as a share of total investment was extremely low at around 0.6 percent. *Secondly*, the fiscal structure was as centralized, although less discretionary than the industrial regulatory structure. The vertical reliance of the states on the center to meet the gap between revenues and expenditures led to sub-national dependence on central transfers. The Finance and Planning Commissions, both central institutions, allocated revenues and budgetary support to the various states and sought to plug the vertical asymmetry between revenues and expenditures pervasive at the sub-national level. *Thirdly*, local states lacked policy autonomy; the control of diverse policy instruments with respect to foreign trade, private sector and industry, were in the hands of the central government who affected the distribution and generation of investment directly. *Finally*, the political dimensions of the system—the provision of President’s Rule and a one-party dominant system—tended to confirm the appearance of a dirigisme and centralized federation (Sinha, 2004: 28).

Economic liberalization and Changing Policy Regime: In early 1991, India was caught in an economic crisis of exceptional severity - rising oil prices as the result of the Gulf crisis, the external balance on current account worsened, the central government's fiscal deficit rose to an unprecedented 9.5 percent of GDP and the inflation rate soared to an unprecedented 17 percent, while external debt mushroomed to over USD 70 billion. In the same year, the Congress-led government initiated radical restructuring of economic policies, which abolished many central regulations - import and export trade controls, b) domestic and foreign investments, c) tax structure and, d) public sector and financial sector activities including infrastructure - that led to withdrawal of discretionary powers and supervisory role of the central government. As Sinha (2004: 30) explains the long period of the central-state dominance ended was gradually transformed through processes of liberalization, deregulation and privatization. Policy regimes in the industrial, macroeconomic, and trade sectors were transformed and all sectors previously reserved for public enterprises were opened to private investment. An interesting phenomenon occurred: while on the one hand, the abolition of central regulations made the preexisting state-level regulatory machinery more salient and visible for investors; on the other, re-regulation of

Director General of Foreign Trade, Import and Export Control Board, and the various licensing committees of the Ministry of Industry.

liberalization by many state-level officials' enhanced provincial roles in investment policy. Many states saw in liberalization policies an opportunity to reassert their own regional agenda and extract further regional autonomy in development policy. Hence, economic liberalization programme in India resulted in unintended and unplanned decentralization in economic power and authority, which in turn impacted upon central–local relations. Jenkins (1999) argues that with a reduced centralized control over the economy, some local-state governments began taking initiatives to promote growth and attract investment, giving rise to local-state economic policies for the first time in post-independence history. Many States saw in liberalization policies an opportunity to reassert their own regional agenda and extract further regional autonomy in development policy. Although macro-economic policies remained the prerogative of the central ministries, it was convincingly shown that State governments have a decisive role to play in the reform process, with regard to both the scope and the pace. As one commentator notes, “Regional political elites are discovering that they can craft their own strategies, prioritize their public investments, and negotiate directly with foreign investors” (Kennedy, 2007: 96).

Political Decentralization: The formal and informal changes in India's policy regime were accompanied by significant political decentralization in the party system, electoral system, and the structure of coalition governments. The party system in India has undergone a significant change from a one-party dominant system, what has been termed the ‘Congress-system’, to a multi-party regionalized system. This realignment was evident in the late 1980s with the decline of the Congress party and the rise of regional parties. Over time, local interests in the States became increasingly organized and mobilized, and they sought representation through regional parties and mobilized around State-oriented cleavages. State governments became less restrained by the central government and more directly connected with local interests. The fragmentation of the dominant Congress party and regionalization of party system in India added to the regionalization of the Indian federation (see Manor, 1981). As Rudolph and Rudolph (2001: 1543) observe, independent causal chains may have resulted in economic liberalization and the transformation of the party system in the nineties, but the two phenomena began to interact in ways that proved mutually reinforcing. Sinha (2004: 32) observes that the maturing of electoral politics in many states—the stabilization of two-party systems within states, separation of national and state-level electoral logics, institutionalization of single-state parties, and the necessity

of pre-electoral alliances between national and single state parties—unwittingly contributed to sub-national policy autonomy

Sub-national Fiscal Crisis: This increase of sub-national authority was accompanied by more onerous demands on the regional states. Decentralization of authority led to decentralization of expenditures without the corresponding decentralization in revenue sharing mechanisms¹⁶. This made the fiscal health of most states much more precarious. Revenue deficit of all states as a percentage of the state domestic product (SDP) increased from -0.53 percent in 1993-94 to -3.57 percent in 1999-2000, while gross fiscal deficit as a percentage of GSDP increased from -2.80 to -5.78 in the same period. On average, revenue deficit of States increased from 0.3 percent in 1987-88 to 1.1 percent in 1996-97, shot up to 2.5 percent in 1998-99 (Howes et. al., 2004: 9-11). In addition, unlike the Centre, most of the States had not practiced any fiscal discipline even during the initial years of economic reforms. Failure to contain wasteful expenditure and reluctance to raise additional revenues on the part of State governments were the two common problems afflicting most of the State finances. Indeed, many of them reduced sales and other taxes competitively to attract private investment, which resulted in significant revenue losses without commensurate gains in terms of private investments and associated economic gains. In the era of frequent elections and competitive populism practised by different political parties aspiring for power, a regime of responsible public finance became extremely difficult. Deficits resulted from populist exploitation of soft budget constraints such as subsidies, administrative pricing and labor redundancy. The populist character of partisan politics that began to prevail at the State-level led to irresponsible campaign promises, like free electricity to cultivators (Rudolph and Rudolph, 2001: 1544). As a result, since mid-nineties, the public finances of States were clearly unsustainable. The outstanding debt of the regional states had simultaneously gone up. Regional investment hunger was compounded by declining central transfers, creating the potential for enhanced regional disparities in welfare outputs across states. An increase in regional divergence in growth patterns or investment levels seemed to confirm expectations of rising regional inequities. Some of the economic and social indicators of State level development during the period

¹⁶ In India, provinces have control over more inelastic taxes, while the central government derives its taxes from elastic sources. This limits the buoyancy of the states' tax-base.

provide a clear distinction between the two groups of States¹⁷, that emerged during the nineties (see Table 4.1) - the faster-reforming and slower-reforming States in India.

Table 4.1
Selected Indicators of State Level Progress in India

	State	Economic Indicators					Social Indicators	
		GSDP Per Capita (1992-97)	FDI % of Total Approved (1991-97)	Reductions in Poverty: Annual Change % (1988-98)	Developmental Expenditure per capita In Rs (1995-96)	Relative Infrastructure Dev. Index * (1996-97)	Total Literacy Rates% (1997)	Mortality Rate (1997)
A	Andhra Pradesh	3.8%	2.47%	-4.1	392	93.1	54	8.3
	Gujarat	8.4%	3.71%	-6.7	483.5	121.8	68	7.6
	Karnataka	3.4%	5.41%	-5.2	423.5	94.3	58	7.6
	Maharashtra	7.4%	12.49%	-4.0	491.2	111.3	74	7.3
	Tamilnadu	5.2%	5.39%	-6.0	407	138.9	70	8.0
B	Bihar	2.9%	0.13%	-1.7	160.5	77.8	49	10.0
	Orissa	1.3%	3.73%	-1.4	295.3	98.9	51	10.9
	Uttar Pradesh	2.9%	2.41%	-2.4	206.2	103.8	56	10.3

* Relative to All India level at 100

Sources: Table 1 and Table 9 (Bajpai and Sachs, 1999), p. 18; Table 4 (Shepherd et al., 2004) p. 12; Table 8 (Ahluwalia, 2000: p.26).

4.3 Global Water Policy Proposals for India

In India, the World Bank has for long funded urban water projects. By the end of 1999, the Bank's evaluation department noted that most of the projects in India did not perform satisfactorily (Pitman, 2002: 20), their sustainability was 'dismal' (2002b: 20) and commented strongly that India had made little progress to reform its water sector (2002b: vii). The Bank came out with a series of publications, which stated that while the government has succeeded in creating access to drinking water for 85 percent of the population, sustainability of supply and protection of water quality was not ensured (World Bank 1999a; 1999b; 2000). The Bank's India Report highlighted the inadaptability of the sector's bureaucracy to changing needs, and the growing concerns among consumers 'about the current supply situation' and their indication 'to pay for improved levels of

¹⁷ The group A in Table 3.2 is similar to *Reform-oriented States* as classified by Bajpai and Sachs (1999), while Group B include both *Intermediate Reformers* and *Lagging Reformers*.

services' (Water and Sanitation Programme, 2002: 7). The reports emphasized the need for reforms and sought fundamental changes in urban water systems, prescribing economic principles in water management (World Bank, 1999a: 28; 1999b: 11). In 2002, there was a major increase in Bank lending for water - including water resources, irrigation, water and sanitation, and hydropower, as provided in the 2005-08 World Bank's Country Assistance Strategy for India. By 2002, the share of water in World Bank funds for India has grown from 9 percent to 25 percent; investments in drinking-water supply and sanitation have since almost doubled to USD 520 million (Pitman, 2002a: 18). This was followed by a series of consultations on revising policies and principles of water resources and service management. Increasing support from the World Bank for privatization policies coincided roughly with the acceleration and deepening of privatization agenda in India during early 2000, especially in the infrastructure sectors.

Over the next 2-3 years, World Bank, through its activities in water sector development, directed its efforts at constructing a distinct water regime in India. Some of the highlights of these initiatives were:

First, there was an increased level of activity through programmes by Water and Sanitation Programme – South Asia (WSP-SA) – a multi-donor partnership administered by the World Bank to support poor people in obtaining affordable, safe and sustainable access to water and sanitation services. It organized an 'Urban Think Tank' in India, a participatory forum for experts and practitioners to address issues related to the service delivery of water supply and sanitation services to the poorest sectors of the community. The Think Tank was also intended to spark policy-level debate and provide a forum where the issues and concerns of municipal managers can be brought forward. The purpose was to share lessons learnt, highlight emerging issues, illustrate examples of best practice and provide a link between municipalities and other stakeholders to foster a better operating environment in the sector of water supply and sanitation services (WSP-South Asia, 1999). WSP-SA teams conducted two workshops in 2006 titled '24/7 Water Supply and Urban Sanitation: Planning a Better Future for Urban South Asia' to generate discussion and feedback on the draft 24/7 Urban Water Supply and Urban Sanitation Planning Guidance Notes prior to their publication in final form. Another series of workshops titled 'Willingness to Change' were organized to "provide an understanding of the underlying reasons for 'willingness to

charge' and... lay the foundation for follow-up analytical work, which will be useful for promoting the much needed tariff reform in the Water Supply and Sanitation sector" (Water and Sanitation Programme, 2002).

Second, there was emphasis on private sector participation and setting up of new instruments of inclusion of private actors. The Public-Private Infrastructure Advisory Facility (PPIAF), a multi-donor technical assistance facility, disseminated information about 'best practice' in public-private partnerships (PPPs). More in the nature of a trans-national think-tank, or as Stiglitz (2000 cited in Stone, 2004: 556) describes 'agents to introduce and adapt new policy initiatives' in developing countries, PPIAF published a report on India titled 'Country Framework Report for Private Participation in Infrastructure', which noted government efforts to pursue, and implement, out-sourcing, management contracts, and build-operate-transfer projects. It highlighted key issues as municipal governments must be financially sound and better managed if privately financed projects are to have a significant impact in the water sector. The PPIAF launched as a major initiative in India through a consultative workshop of policymakers and stakeholders on October 31, 2000, known as the 'Water Policy Reform Initiative' and along with World Bank and WSP-SA, introduced a series of five papers on 'Water Tariffs and Subsidies in India'. The papers presented the basics of tariff and subsidy issues and discussed research findings from several cities. Quantitative evidence is presented to demonstrate the extent to which subsidies bypass the poor in cities; and, better ways of delivering targeted assistance to the poor are proposed and discussed (PPIAF and the WSP, 2002).

Third, international consultants and water experts, who broadly labeled as 'reputational intermediaries' (Stone, 2004: 557) have also played a role. John Briscoe, an economist who has held various positions at the World Bank including Senior Water Resources Adviser¹⁸, has been one of the most prolific writers on economic management of water. In 2005, he published a report titled 'India's Water Economy: Bracing for a Turbulent Future', aimed to build 'a new India Water state' (2005: 54). He emphasized the need for 'stimulating competition in and for the market of water supply services', 'Empowering users by giving

¹⁸ Briscoe's publications though often carry the disclaimer that it does not necessarily reflect the World Bank's official position.

them clear, enforceable water entitlements' and 'Introducing incentive-based, participatory regulation of services and water resources' (Briscoe, 2005: 57-65). Vigorously advocating the entry of private players into the water supply chain in India, the report argues that the presence of private players is essential, as no civic body exists in the country that could provide water supply 24 hours a day. The entry of private players would improve the quality of services of local bodies, exactly as it has compelled State-owned enterprises in other fields to improve the quality of their own products and services (The Hindu Business Online, October 11, 2005). Briscoe also participated in workshops where his presentations highlighted the ongoing water conflicts in India or what he termed as the 'little civil wars in India' and highlighted the urgent need to speed up the reform process. The Ministry of Urban Development appointed Mr. J. David Foster, a senior environmental policy and infrastructure specialist¹⁹, as a senior resident advisor to Administrative Science College of India (ASCI), one of the leading Indian institutions providing capacity-building support for improvement of urban infrastructure and services (ASCI, 2007). ASCI partners with the Indian Ministry of Urban Development, the Confederation of Indian Industries, a number of prominent NGOs and development assistance agencies (USAID, DFID, UNDP, World Bank), and undertakes long-term capacity-building contracts with a number of Indian States. He played a leading role in the promotion of Continuously Pressurized (24/7) Water Supply, Capacity Building for Public Private Partnerships in Urban Services, and improving Water and Sanitation, Services, particularly, for the Urban Poor. He participated in several workshops and made presentations on the benefits of private sector participation and continuous water systems at various forums, where he justified pressured water supply on health grounds, cost-efficiency basis and benefits for the poor. The Ministry of Urban Development credited Foster and ASCI with helping move India from a situation where virtually no cities had 24/7 water supply to one in which 43 cities are now actively pursuing it.

Finally, the 24/7 water supply programme was launched in early 2003 by WSP-South Asia and USAID. The concept of continuous water supply may be linked to the earlier initiatives of USAID to institutionalize the delivery of commercially viable environmental

¹⁹ For full profile on David Foster, visit <http://www.mdaep.com/David%20Foster/>. His views on 24/7 water are available at <http://www.indiawaterportal.org/post/2198> and the ensuing debate is linked at <http://www.solutionexchange-un.net.in/environment/cr/cr-se-wes-27030901.pdf>.

infrastructure services at the local, State and regional level in India. As an agency of US government, it has been involved in export of policy knowledge and best practices in the area of urban infrastructure financing in India. Like other 'state agencies' across the world in knowledge transfer across the globe, the aim to help communities in developing countries find solutions to social, economic and environmental problems. In India, the Indo-US Financial Institutions Reform & Expansion-Debt Market Project (Indo-US FIRE-D) has been working to support the development of a sustainable urban infrastructure finance system. This was later expanded to a comprehensive programme of water infrastructure financing, which included private sector and the NGOs in the development, delivery, operation and maintenance of urban water infrastructure. The programme focus was to increase efficiency in the operation and maintenance of existing water supply systems by strengthening financial management systems at the local level, development of regulatory frameworks at the state level and capacity building through the development of an Urban Management Training Network. The main technical input of the programmed was to reduce 'wasted water' from transmission lines, which was very high in Indian cities, averaging a loss of 30-35 percent of the total volume of water (Shastry, 2006: 3-4; USAID-FIRE-D Project Note, 2000).

4.4 Water Policy Transfer

4.4.1 Sub-national Political-Economic Context

Inter-State Competition: Real annual average growth rates of per capita gross state domestic product (GSDP) as shown in the table reveal that the reform-oriented states (Group A in Table 4.1) were the fastest growing states in India in post-reform period. They were at 125 percent of the national average, while the poorly reforming states were at 50 percent (Shepherd et al, 2004: 7). The four States with the most improvement in growth rates over the 1980s were Karnataka, Maharashtra, Tamil Nadu, and Gujarat. As a group, they averaged a growth rate of 7.4 percent per annum in real GSDP during the period 1993-99, well above the average of 5.9 percent per year for 1980-90. All four States showed a marked acceleration in growth, particularly Karnataka (5.7 to 8.1percent) and Tamil Nadu (5.6 to 7.4 percent) showed higher acceleration than others did State level data on FDI approvals, domestic investment proposals, and disbursal of funds for investment also suggest that investments were skewed in favor of a few regions in the reforming group (Shand and Bhide, 2001: 5). For the remaining four States, grouped as low performing State

economies, the reform period growth rates were well below the All India and 14- State averages, in the range of 5.1 percent down to 4 percent.

The inadequacy of funds for economic growth and development led to increased mobilization of resources through foreign direct investment and regional growth strategies. The States began to compete for private investment, both domestic and foreign, on their own merits rather than simply navigating the central bureaucracy. In the post reform era, the nature of competition changed from *vertical* competition²⁰ to *horizontal* competition, where States competed with each other more directly and for resources from a wider variety of actors (Sinha, 2004: 29). The States were now free to approach the private sector, both foreign and domestic, directly in search of investment. The regional states began to play an increasing role in bargaining with international actors to attract foreign direct investments (FDI); in many cases, international organizations dealt with state governments directly – at times bypassing the central government. Hence, recent scholarship has begun to consider India’s developmental processes in a disaggregated framework (Sinha, 2006; Kohli, 2001). The data on investment ‘proposed’ shows that a few regional states continue to capture a disproportionately large share of proposals, with a definite regional pattern. Maharashtra and Gujarat alone received a quarter of all investment proposals from 1991 to 2000. Bihar received a mere 0.9 percent of total investment proposals, or only 430 proposals over the same years. Hence, economic liberalization provided an opportunity for local-state actors to develop new regulatory and developmentalist roles and potentially give their region or locality a competitive edge in the national and global economy. Leading commentators on India’s development noted ‘clearly a large part of the onus for stimulating economic development and attracting the necessary investment resources lies with the States’ (Shand and Bhide, 2001: 4).

As highlighted in section in the post-liberalization era of the nineties, the States began to compete for private investment, both domestic and foreign, on their own merits rather than simply navigating the central bureaucracy. In the post reform era, the nature of

²⁰ The idea of regional competitiveness is deployed in a strategic and persuasive way, often in conjunction with other discourses (notably globalization) to legitimate specific policy initiatives and courses of action. The rhetoric of regional competitiveness serves a useful political purpose in that it is easier to justify change or the adoption of a particular course of policy action by reference to some external threat that makes change seem inevitable (Bristow, 2005:300).

competition changed from *vertical* competition to *horizontal* competition, where States competed with each other more directly and for resources from a wider variety of actors (Sinha, 2004: 29). The regional states began to play an increasing role in bargaining with international actors to attract foreign direct investments (FDI); in many cases, international organizations dealt with state governments directly – at times bypassing the central government. In the post-reform era, the nature of competition changed from vertical competition (where states competed with each other but for centrally determined resources) to horizontal competition (where states compete with each other more directly and for resources from a wider variety of actors). Moreover, this horizontal competition became more symmetric, unleashing processes of diffusion and “learning by copying” across a larger number of states than before (Sinha, 2004: 29).

The World Bank were aware that market access in many service sectors was going to remain a distant reality until the time State governments in India agreed to open up sectors, like water, irrigation, education, agriculture and allied services etc. Since the mid-nineties, the Bank, therefore, shifted its co-operation away from central government in favor of providing those federal States with support that were willing to undertake public expenditure reform (Nagesh, 2006: 3467) such as Orissa, Rajasthan, Andhra Pradesh, Karnataka, and Uttar Pradesh. The World Bank with the active help of the Ministry of Finance at the Centre devised an administrative mechanism, which allowed the State governments negotiate via the Centre while raising finances from multilateral institutions. However, at the same time, did not allow the Centre to be a roadblock, when States approached the multilateral financial institutions for money. However, Jenkins (2003: 71) describes “the external activities of India's States as lacking the autonomy” since “World Bank lending instruments specify the government of India as the official borrower, and not just the guarantor for the loan. This places the central government in a position of great leverage... The government of India retains great discretion in deciding what provisions will be allowable. It has exercised this discretion on a number of occasions”.

To sum up, domestic politics has been a strong determinant of World Bank’s policy based lending in India. India’s economic reforms constitute an important backdrop to this analysis on water reforms because they have deeply affected economic and political

processes in the country at all levels. Of particular interest is the fact that as the federal government loosened its centralised control over the economy, some State-level governments began taking initiatives to promote growth and attract investment, giving rise to regional water policies for the first time in post-independence history. This has led to a new context of transfer and development of water policy in India.

4.4.2 The Policy Environment

The rapid urbanisation-taking place in India had led to a focus on the demand for drinking water supply in recent years. Under the Indian Constitution, drinking water is within domain of State governments and responsibility for the supply and distribution of water should be under local governments. Studies also show that many urban Indian households do not have adequate water available for their daily requirements. Whether in small towns or mega-cities, piped water supply is provided only for a few hours a day. Most households are forced to cope with poor quality water supply and sanitation service, spend time and money on expensive and unsafe substitutes and on treatment for waterborne diseases. With water priced very low, the municipal governments fail to generate adequate revenues and the low cost recovery has discouraged investments in improving the water supply infrastructure. Consequently, a large percentage of the water is lost. Estimates of these losses range from 40-60 percent of the total processed water in Delhi (Bhandari and Khare, 2006: chapter 4).

Earlier, drinking water had a low priority in public financial allocations, although programmes for drinking water supply and sanitation have been implemented since the inception of the first national development programme (1951–56). The central ministries used to formulate water policies unilaterally in one form or another for a period of 4–6 years, without any consultation with the beneficiaries and/or stakeholders or much discussion with the state- or municipal-level institutions. The private sector and non-governmental institutions had virtually no discernible role to play in the policy formulation process during the pre-1990 period.

India's first National Water Policy was formulated in 1987. This strongly signalled the need to move away from an excessive preoccupation with technocratic projects towards issues of resource management. The policy made explicit that the first priority should be drinking water. It was argued that "...this was no more than a pious declaration; and, despite the intention of shifting the focus from projects to resource policy issues, it still devoted what may now seem to be a disproportionate amount of space to large irrigation projects" (Iyer, 2003). More importantly, it was observed that though in subsequent declarations, there was a change in the language to include social concerns, there were no practical guidelines to achieve it. The central government's role in water sector development however underwent changes during the nineties, with the emergence of more decentralized forms of governance in the economic management in the country.

In early 2000, there was major dissatisfaction with the state of affairs in the water sector. The government-initiated studies indicated that public institutions were unable to deliver the adequate supply of water to its growing number of citizens. As per the National Sample Survey (NSS), about 70 percent of urban households receive water by tap and about 21 percent by tube-well or hand-pump. About 59 percent households share a public source. 66 percent of households have sources of drinking water within their premises, while 32 percent have it within 0.2 km (Planning Commission, 2007: 634). Further, there were significant gaps between demand and supply of water in almost all urban centers. Moreover, the central government had no earmarked taxes intended for social development exclusively; the expenditure came from (revenue and capital) receipts of States. While States were in need of huge funds to provide basic economic and social infrastructure, the fall in share of development expenditures of States over the period 1991 to 2000, as they diverted more of their resources to non-developmental expenditure and compensation to local bodies.

In April 2002 in a landmark decision, the National Water Resources Council adopted the National Water Policy. The Council formed by Government of India emerged as a prestigious and influential body in policy making in water in India, derived from its composition, with the Prime Minister as its Chairman, the Union Minister of Water Resources as its Vice-Chairman, and all State chief ministers and several central ministers as

members (National Water Resources Council, 2007). It provided approval for the National Water Policy; at a meeting of the council chaired by Prime Minister AB Vajpayee, it adopted the revised and updated policy. During the prime ministerial speech, at the Fifth Meeting of the National Water Resources Council held on 1 April 2002, he emphasised the urgency of tackling issues of water scarcity. The text of his speech reflect the recent thinking that had emerged in government circles and amongst the political and policy elite on water as a 'national resource' and 'to recognize water security as an overriding national objective — both as an inseparable aspect of food security but also in its own independent right'. There was an explicit recognition of water as a national resource and vital for economic development. Access to safe, adequate, and affordable water is a basic need of every citizen and right to drinking water was to become a national priority over every other alternative use (Press Information Bureau, 2007). Stating that this was not the end but a beginning of the new era, Mr Vajpayee said the national water policy provides that to achieve the desired objectives, each state will have to formulate its own state water policy backed with an operational action plan in a time bound manner in two years. The states should start working on this and come out with a workable action plan, he said. This reconceptualisation of water as an integral part in the efforts towards national development was noteworthy.

A working group with representations from select ministries and the Planning Commission was first set up in the prime minister's office in January 2002. This group brought out a concept paper on Public-Private-Partnerships (PPP) in June 2003. The Committee of Secretaries of various ministries, under the chair of the cabinet secretary constituted a sub-group on infrastructure PPP under the chair of the Secretary of the Planning Commission on September 9, 2003. The Planning Commission brought out its report in November 2004. The report conceded that PPP is a business model but maintains that it should be introduced in different sectors with adequate understanding. The report defines PPPs to encompass all non-governmental agencies, such as the corporate sector, voluntary organizations, self-help groups, partnership firms, individuals, and community-based organizations. The report also emphasizes that PPPs lead to improvement in both 'efficiency' and 'effectiveness' in services (Government of India, 2004a). Changes were introduced to allow 100 percent Foreign Direct Investment (FDI) in urban infrastructure projects (Sinha, 2002). This included development of water supply sources, water

distribution, billing, sewage reclamation and reuse, management of unaccounted-for water, manufacture of water supply equipment, and privatization of solid-waste management systems. The central government offered special incentives for investments, such as exemption from customs and excise duties on imported machinery and exemption from all taxes for the first five years of water and sewerage projects (Narsalay, 2003: 17). The government provided these fiscal incentives to encourage partnership with the private sector and to attract foreign investment in urban water supply and sanitation projects. It has further amended the municipal acts to enable municipal corporations to collaborate with the private sector and to improve governance and management (Rajamani, 2004).

In August 2004, there was a Bank-hosted multi-stakeholder consultation where ideas on future strategies on water were discussed by about 50 individuals from the Union Government, Planning Commission, State Governments, the private sector, financial institutions, urban water supply utilities, non-governmental organizations (NGOs), academics, professional associations, chambers of industry, bilateral and multilateral aid agencies, and UN agencies (Briscoe, 2005:13). The following year, in January 2005, the Ministry of Water Resources hosted a major consultation on 'Challenges for Water Development and Management in India and Future Strategies', which was addressed by the Ministers and Secretaries of Finance and Water Resources, the members of the Planning Commission of India, and the World Bank Country Director for India. The focus of the consultation was on the emerging themes from the Bank's study, the views of the Union and State governments, and the implications for World Bank involvement in water in India (Briscoe, 2005: 13).

Of the technocrats who were involved in closely working with the Bank on water policy development was M.S. Ahluwalia, who was the head of Planning Commission of India. He played a major role in the restructuring of industrial trade and fiscal policies that form part of the first generation of liberalization reforms in India. He has held key positions in the economic ministries, planning commission, the prime minister's office, and has chaired several committees. He has been an advocate of unbridled opening up of the agriculture sector to meet WTO obligations, also been the prime movers and supporters of the World Bank's prescriptions of shifting subsidies to infrastructure, including water. He said,

“Giving it free to farmers makes them waste it through use of subsidized power, leading to imbalances in soil. If we do not price water then there is a danger that farmers will switch to water intensive cropping pattern.... If property rights are not defined and water is not conserved then benefits will not accrue to all. Water should be treated as a community resource” (Financial Express, 2005). In a media report in September 2004, it was stated that the World Bank, in a recent statement, announced its decision, taken at the August 26 meeting of its Board of Executive Directors, to enhance lending to India from approximately USD 2.2 billion last year to USD 3 billion per year in the 2005-2008 period, adding up to USD 12 billion. The Bank says that it has identified three programme priorities — improvement in government effectiveness, support for investments in people and the empowerment of communities, and promotion of private sector-led growth. Indeed, shortly after the announcement of the enhanced lending, the Planning Commission Deputy Chairman, Mr. Montek Singh Ahluwalia, informed the media that leading Indian companies and multilateral agencies such as the World Bank and the Asian Development Bank will, henceforth, be involved in the country's planning process and that their representatives will be members of the consultative committees being set up by the Planning Commission to evaluate the Tenth Plan (2002-07). Mr. John Briscoe, Senior Water Adviser at the World Bank will be on the committee on water resources, and Mr. Sudipto Mundle, chief economist of the ADB, on the committees on agriculture, transport and financial resources.

In 2005, a partnership was forged with the Indian business sector, which also moved into the water sector. At the Indian Economic Summit in New Delhi on November 27–29, 2005, the Indian Business Alliance on Water was launched with the support and partnership of the Confederation of Indian Industry (CII), UNDP, USAID, and World Economic Forum. The alliance was intended to facilitate the development of public-private partnerships in water projects, broaden business-sector engagement in the commercial water projects, and promote best corporate practices in water (Indian Business Alliance on Water, 2007).

4.5 The Transfer Content

The results of the policy transfer process can be described as a success. The discussion on Integrated Water Resources Management in the earlier chapter showed that global efforts in water proceed along three basic pillars – of enabling environment of appropriate policies and laws, the institutional roles and framework, and the management instruments for these institutions to apply. IWRM addresses both the management of water as a resource, and the framework for provision of water services. In doing so, the basin (river, lake or groundwater) is recognized as the basic unit for planning and management. These basic ideas were further developed by the World Bank to emphasize the role of private sector and market-logics in water management. The Bank's efforts directed at initiating global governance in water in India, was reflected in the water policies and practices that were adopted in 2002.

Successful transfers were evident in several areas. *First*, the new national water policy in 2002, superseding the earlier policy of 1987, firmly established the primacy of economic management of water, and the role of water sector for the economic development in the country (Government of India, 2002: 8-9). *Second*, it promoted the mechanism of basin management in water, by emphasising planning of water resources development and management as a hydrological unit such as drainage basin as a whole or for a sub-basin, as provided in Section 3.3, (Government of India, 2002: 2). Hence, concerns on sustainability of water sector development gained prominence for the first time. *Third*, another important change brought about by the notion that water is an economic good is that all water services must be based on the principle of (full) cost-recovery. In a situation where the provision of drinking and domestic water as well as irrigation water is substantially subsidised, this implies a significant policy reversal. At the national level, the policy was to make water users pay at least for the operation and maintenance charges linked to the provision of water. This provision was included in Section 11 (Government of India, 2002: 5). *Fourth*, it sought to comprehensively reform governance in the water sector, in particular to reduce the role played by the public sector and to emphasise the direct contributions of individuals to their water needs. It emphasized decentralised decision-making to the lowest level and to allow 'beneficiaries and other stakeholders' to be involved from the project planning stage, as included in Section 6(8)(Government of India, 2002: 4).

Finally, it emphasized private sector participation in water as well. The policy asserted that private sector participation should be encouraged in planning, development, and management of water resources projects for diverse uses, wherever it is feasible. It further elaborated on the benefits of developing an attitude towards private participation by stating, “Private sector participation may help in introducing innovative ideas, generating financial resources and introducing corporate management, and improve service efficiency and accountability to users” - Section 13 (Government of India, 2002: 6). Hence, not only did the document establish new instruments for water services but also reflected the need to adopt new attitudes and ideas mark a more holistic shift to a new paradigm in water management in India.

Transfer mechanisms were specifically directed at ‘privatisation and commercialization’ of urban water services. In 2004, Ministry of Urban Development published policy and procedural issues in initiating governance reforms in urban water services. Titled ‘India: Urban Water And Sanitation Services Guidelines For Sector Reform and Successful Public-Private Partnerships’, it sought to embed an evolving role for the private sector, facilitate a systematic assessment of the issues and options for successful private sector participation (PSP); and prevent improperly designed and executed PSP transactions. The incorporation of World Bank’s ideas was complete as the document set out various types of private sector contracts like BOT, BOOT etc. (Ministry of Urban Development, 2004). Within a year, the Ministry launched Jawaharlal Nehru National Renewal Mission (JNNURM) – a programme addressed towards meeting the requirements of infrastructure gap of the cities, reconstructing urban infrastructure and revamping the provision of citizen services.

The transfer content was also adapted in the new context of sub-national state in India. The policy ideas were also successfully transferred at State levels in India. Since the mid-nineties, the World Bank shifted its co-operation away from central government in favor of regional governments willing to undertake public expenditure reform (Prabhu, 2006: 3467) such as Orissa, Rajasthan, Andhra Pradesh, Karnataka, and Uttar Pradesh. The Bank linked its loan disbursement to a series of Water Sector Restructuring projects and sectoral reform

programmes in various States. The Bank's activities towards initiating new governance regimes in water therefore were linked sub-state development in India. It successfully transferred policy ideas in a few States. For instance, in the case of Madhya Pradesh Water Sector Restructuring Project, the World Bank, justified establishment of an independent water tariff regulatory authority for the state. The State Water Policy stated, "The pricing of water would be taken out of the political domain and entrusted to an independent tariff regulator. This would minimize risks associated with inadequate water charges being imposed due to political constraints" (State Water Policy of Madhya Pradesh, 2003). A similar policy was introduced in Uttar Pradesh. A common theme for several of the water policies was the priority to provide drinking water supply – several policies made it imperative for the government to provide adequate safe drinking water facilities to the entire population (Section 1(4) - State Water Policy of Uttar Pradesh, 1999; Section 4, State Water Policy of Maharashtra, 2003 and Section 8, State Water Policy Rajasthan, 1999). The reduction of the role of the State in the water sector is also linked to the promotion of the use of incentives to ensure that water is used more efficiently and productively (Section 1(3), State Water Policy of Maharashtra, 2003). The main consequence is the call for private sector involvement in all aspects of water control and use from planning to development and administration of water resources projects. An area that is singled out for private sector participation is urban water supply (see for e.g. State Water Policy of Rajasthan, 1999). The main thrust of water sector reforms is to transform the role of the government by transferring part of existing governmental prerogatives to users and private actors. This includes, for instance, the transfer of operation, maintenance, management, and collection of water charges to user groups (Section 6(7), Karnataka State Water Policy in Government of Karnataka, 2002).

Hence, the transfer processes involving World Bank and trans-national actors in water in India is a multilayered process, requiring adaptation of policy ideas within individual contexts.

4.6 Discussion and Conclusion

In this chapter, I documented the source of water policy in India in 2002, exploring its origin in the context of historic evolution of federal political and economic institutions in India. I have provided an overview of the earlier initiatives towards construction of global

water governance in India and described the political and economic processes that have transformed domestic policy structures that have influenced the transfer of global water policy in India. I also provided evidence on the transfer process through interactions between national policy elite and the World Bank. Finally, I discussed the form and degree of transfer as new water instruments and programmes were developed in India. In examining the four themes, we have gained an understanding about how the transforming state interests in India linked to transitional policy structures, on the one hand, and emerging federal economic interests on the other, have influenced the policy learning process on water in India. Overall, I have highlighted that water policy change in India involves not the national-state and an international actor, but a host of trans-national actors and sub-state actors, making water policy change in India, truly global in scope. The chapter made the following points.

This chapter has noted that the transfer of World Bank's policies and practices in water in India has a few main characteristics. As the main vehicle of global policy transfer, the Bank is initiating governance regimes for urban water systems. It is evident from this chapter, that in order to impose such governing order on the processes and issues of urban water supplies, the Bank moved beyond project financing to water sector liberalization and marketisation. Hence, several of the initiatives have been focused on bringing in private players in infrastructure development, creating financial viability of local water systems and regulated mode of water supplies. Another characteristic has been major global policy actors has joined a trans-national coalition group supporting the new water reforms. I highlighted the role of World Bank and a several trans-national and international actors as principle architects and intermediaries in the process. The coordination among the global policy actors is evident. They put the new water reforms on the agenda by organizing events, publishing material and collaborating with domestic agencies. Finally, the initiatives may be characterized as an ongoing and reflexive process of learning and expanding, as evident through the several workshops and seminars being held in partnership with local state and non-state actors in India.

The chapter documented the changes to India's federal political economy that became a critical factor in global water governance in India. Of special significance is the fact that as

the federal government loosened its centralised control over the economy, some state-level governments began taking initiatives to promote growth and attract investment, giving rise to regional economic policies for the first time in post-independence history. Hence, transformations in India's federal political economy have contributed to the emergence of new forms of economic governance in India that have implications for policy reforms in India. The locus of developmental activity shifted to sub-state regions and strong competition among the states has set the scope and pace for reform-related activities. The regionalization of development processes in India is especially notable in those reforming States that are in a high growth path. The fiscal crises facing sub-national governments during late-90s and early 2000 is therefore a crucial context for examining their policies, as they are increasingly compelled to adapt to a more competitive environment and to more stringent fiscal constraints. It is striking to observe how policy-makers have been inspired by international examples, and how they are adjusting their strategies to global market conditions. It is in this context that global water policy development as introduced by the World Bank needs to be examined. To explore the ways that specific, localised strategies interact with global water transfer processes.

The new water reforms were developed in India in early 2000 by a group of technocrats, strongly supported by political leaders at the national level and policy elites (state politicians/civil servants). The technocrats were embedded in US-based education, training and policy ideas. The water reforms in India were strongly linked to the new economic thinking amongst India's policy elite. They were concerned with deteriorating conditions of the water sector; economic competitiveness of the state within the international community, economic concerns on fiscal crises in states, the political considerations of granting of increasing policy autonomy for provincial governments to take charge of social sector development, led them to situations where continuing with existing arrangements looked no more feasible. In the search for new solutions, they drew on ideas presented by the Bank and global agencies. Hence, we may say that policy transfer took place in India not because of specific sectoral interests or international pressures but the process was much more exclusive. Hence, one of the findings of the chapter was that reforms were not only 'pressed' by influential global actors, but the domestic elite also 'chose' them. The policy was chosen because important political actors decided that it merited action in relation to overall economic growth of the country. The national leaders advised lower

level governments to adopt the model proposed as national water directive in 2002, as a template for their own reforms.

Finally, I provided details of the new water policies at national and state levels in India. The contents reflected basic principles of Integrated Water Management, included some of the ideas proposed by World Bank especially private participation in water and incorporated the new paradigm of global water development by linking sectoral improvement to economic development of the country.

From the evidence in the chapter, we have understood water policy-making in India as strongly influenced by state interests and institutions. The policy transfer mechanisms revealed that one of the main influences that led to the transfer and adoption of National Water Policy 2002 and State Water Policies over next 2-3 years, were related to Indian state's historical transformation as a federal state. Hence, the chapter indicated that though the influence of international agencies as the World Bank was pivotal in the transmission of global policy ideas, domestic political and economic interests linked to evolving federal arrangements in the country was a critical factor in the dissemination, development and institutionalization of the ideas. A significant finding of the chapter was the transfer of IWRM principles to sub-national levels in India. Overall, the chapter indicated that, sub-national politics of policy reform is a determinant of political globalisation of water in India. Next, we expand our findings on global governance in water in India by looking at the policy processes in the context of a single State in India. In the next chapter, I discuss the transfer of new water reforms and urban water model, through its adoption within a single State in India. The new domestic political and economic constituencies influencing the sub-national state decisions to reform water will be our focus of study.

Chapter Five

Water Policy Transfer to Karnataka

5.1 Introduction

Reforming states in India are those on a high economic growth path. They have been variously categorized as ‘fast-growing’, ‘high-performing’ or ‘high-income’ States. The common characteristics of this group of States are they are bureaucratically driven, reform-minded’ and are highly focused on economic development. The southern states in India are predominantly from this group; the empirical research on water policy reform was carried out in the southern State of Karnataka in India, where I conducted research for a political economic understanding of water policy transfer processes in the State. In India, as we have seen in the earlier chapter, water policy reform has followed a trajectory that is inextricably linked with economic reforms in the country on the one hand, and donor involvement in the other. Hence, water policy transfer to India by multilateral agencies currently shares a mutually constitutive relationship with sub-national economic development in the country. These States are where developmental assistance and policy-based lending is directed by multilateral agencies. Therefore, through an understanding of the transfer of urban water policy by the World Bank in Karnataka, I attempt to provide answers for a broader understanding on why, what and who is involved in policy change in water in India.

In this chapter, I examine how sub-national state institutions and domestic interests have interacted and influenced transfer agents leading to new opportunity structures for water policy transfer. The chapter focuses on four main themes: it a) identifies the actors, who make specific choices to put World Bank’s policy ideas on the public agenda; b) describes the wider State-level political and economic interests influencing their decisions; c) focuses on the specific policy ideas and principles that are involved in the transfer and learning; and d) determines the policy environment that motivated the transfer. Overall, the chapter contributes to a critical understanding how political globalisation is mediated through sub-national political institutions and interests in India.

The chapter is divided into 5 parts. Section 5.2 describes the political and economic context of Karnataka. Section 5.3 identifies the political and economic interests and influences on policy elites in Karnataka and the nature of State administration in Karnataka during 2000-04. Section 5.4 highlights the motivations of transfer agents in bringing new policy ideas on water to the State. Section 5.5 outlines the role played by transfer actors. Section 5.6 highlights the transfer content and Section 5.7 is the case analysis and conclusion.

5.2 Karnataka: political and economic context

Karnataka is situated in the southern part of the Indian sub-continent and is the seventh largest State in India with a population of 52.73 million. Karnataka had an average growth rate of 7.9 percent (in comparison to all-India growth rate of 6.2 percent) during the nineties. Its per capita income moved up from below the national average in the 1980s (4.7 – units? as against all-India average of 5.4) to above the national average in the 1990s (7.3 as against all India average of 3.3) (Rao and Singh, 2001). It has provided a good investment climate with average to high performance in labor productivity, infrastructure, and bureaucratic regulations (Joseph, 2003: 3920-3921).

During the nineties, there were major structural changes in Karnataka's economy; there was a rapid expansion of its tertiary sectors (from 41.2 percent in 1996-97 to 47 percent in 2000-01) in comparison to agriculture (27.5 percent in 2000-01) and industrial sector (25.5 percent in 2000-01). The economic performance during this period may be characterised as a boom period due to the State government nurturing the Information Technology (IT) sector with a substantial range of concessions. This contributed to Bangalore's (State capital) position as the leading IT centre and outsourcing destination in the country. There are over 1,500 software companies in Bangalore, including major global corporations as Oracle, Hewlitt-Packard, Bell Laboratories, which together employ 26,000 professionals in IT and IT-enabled services. During the nineties, the State emerged a leader in the country in the software industry - in 2002-03, Karnataka exported USD 3.09 billion worth of software, contributing to around a fourth of India's total exports, the bulk of it from the Software Technology Park in Bangalore (The Hindu Business Online, June 4, 2003). The

sector generates export revenues of USD 4745 million from the city alone and its presence has spawned an entire subsidiary service industry.

The state has witnessed rapid urbanisation since the early nineties, but provision of urban civic amenities declined substantially during the period (Paul and Shekhar, 2000; Paul, 2002). Karnataka is ranked as the fourth most urbanized among the major states in India with approximately 34 percent of its 52.73 million populations living in urban areas. The State's high urban growth was largely caused by migration from neighbouring states and with the growth of knowledge and services industries (Connors, 2005: 202). However, the urban infrastructure is poorly developed, the inadequacy evident especially in the poorer urban neighborhoods with minimal civic amenities. Poor roads, inadequate sanitation facilities, intermittent water supply were common complaints by increasing number of urban residents, who were now being surrounded by swanky offices and plush high-rises. As one commentator has noted, 'it is living in both worlds' (Menon, 2005). There was increasing concerns in policy circles about the state of urban infrastructure, as another commentator notes 'the issue of city infrastructure breakdown has become a handy stick with which to beat the government'; 'the government has had to bear the brunt of the criticism for the breakdown of civic services and amenities' (Menon, 2005). In view of the growing prominence of services industry, and to meet the growing demands of the ever-burgeoning urban population in the State, the government decided to focus on building urban infrastructure including the development of the urban water services.

Some reform initiatives were undertaken in the nineties in view of the crises in urban water supply. The Karnataka Urban Infrastructure Development Project (KUIDP) was initiated to support the central and State governments' efforts towards decentralisation. The second project, Karnataka Urban Development and Coastal Environment Management Project (KUDCEMP), set a block tariff system for water supply to promote greater cost recovery for urban services. As per the loan agreement in KUDCEMP, there were initiatives 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 (Asian Development Bank, 1999: 7). The document 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 wastewater treatment. At the beginning of the KUDCEM Project, the state assessed 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 (Asian Development Bank, 1999). However, the government proceeded only cautiously; the reason was the difficulty in transforming the traditional mindset of government and consumers that water is a free commodity to be provided by government (Ashok Jain, interview on 12/08/06; Jalakam, interview on 04/08/06, Bangalore). The pervasiveness of the idea of public provision of water was a prominent feature; perception was that majority of people cannot afford water; it is a free good for community sharing and needs to be provided as a public good. However, lack of political will and strong public sentiments against levying user charges prevented any subsequent actions in this direction. According to Ashok Jain (Bangalore, interview on 12/08/06),

“The bureaucratic will was always there but lack of political support prevented any action. The agenda to be initiated needed an external agent to push through the reforms.”

While the government opened up to ideas on commercializing water delivery services, it was still not open to the idea of private sector participation in water. During the late 1990s, European water companies like Vivendi Water of France and Anglian Water International of Great Britain, began to negotiate with Government of Karnataka over possible private sector participation in urban water supply for Bangalore and other major cities in the State. In 1997, in two consecutive workshops were held in New Delhi, organised by the World Bank and Government of India, where Bangalore Water Board (BWSSDB) was identified as the highest revenue earner (World Bank, 1998). As noted by Jalakam (Bangalore, interview on 04/08/06),

“The performance of BWSSDB has always been an important factor in Bank’s calculations for introducing private sector participation in urban water supply in India. It had a reasonably good image, and even though their water is one of the most expensive in the country, they are still able to meet demand of all sections of the people. It is not ideal, but it is one of the better boards.”

The reasoning was evident in a report published by the Bank in 1998 titled ‘India - Water Resources Management Sector Review’ (World Bank, 1998), which noted that Bangalore, has, the highest tariff in India (for details see McKenzie and Ray, 2005). However, the

attitude of the political elite in the State on the issue of private sector participation remained predominantly negative. The State leadership was not keen on World Bank; Chief Minister J. H. Patel, who was a former leader of a State employees union and ideologically Left-oriented, was not favourably disposed to the Bank. When the Bank began to sound out on a program loan to support power sector, fiscal, and governance reforms, it was greeted with flippancy bordering on hostility, "I'll come to you when I need the medicine," Patel reportedly remarked (Kirk, 2005: 309).

Summing up, it may be said that during the phase prior to policy transfer in water, we do find disinterest among the political elites as revealed in unwillingness to accept new ideas, and a desire to uphold the interests of the agricultural lobby, who otherwise would suffer with water pricing. The prevalent public mood and strong political considerations therefore restrained any sort of policy learning for the State policy elites. With respect to private sector participation, it was a case of non-transfer or absence of policy transfer, because the political establishment considered it inappropriate. However, there was a policy turn around by 1999 - the earlier lack of initiative in water reforms gave way to more receptivity to global ideas and the policy elites demonstrated more inclination to initiate market reforms in water.

5.3 Political Interests and Institutions

Conditions in water supply systems were dismal throughout the State during nineties. Yet the existence of a problem, or even public awareness of it, does not explain either the introduction of reform initiatives. So why did that situation change? The case evidence showed a series of concerns that brought greater political salience to global policy ideas in water in Karnataka in early 2000. There was a change in political leadership, which led to major initiatives being taken to improve economic prospects for Karnataka. In October 1999, a new government was formed under the Congress (I) party and S.M. Krishna became Chief Minister on a crest of a wave of popular support²¹. The Congress (I)

²¹ Congress (I) won 133 seats in the 224-seat State Assembly. While several factors contributed to the massive mandate, the most important one was the people's desire for a change of administration. The last two years of the J.H. Patel Ministry were characterised by virtual non-governance (Menon, 2001).

government, therefore, started with the advantage of a large reservoir of public support and confidence. This groundswell of goodwill was also an endorsement of the leader of the team, S.M. Krishna, who was seen as a politician with integrity and administrative acumen. S.M. Krishna as the Chief Minister was an influential actor in the process. He was a qualified lawyer, ex-Fulbright fellow, and had served in central government. The local press named him 'Oxford Krishna' because of his academic credentials. He projected himself as a well-informed, pro-big business head of government and built an image of a new-generation politician, bravely entering the new economy, and making the most of new technologies to generate wealth (Scoones, 2003: 4). He was hailed as a 'committed reformer' (Kirk, 2005: 287) 'for his economic policies and sustained commitment to liberalization.'

5.3.1 State Interests: Economic Growth and Global Investments

As explained earlier, domestic compulsions confronting States in India have led them to remain competitive for investible funds and resources. State governments have an important role to play in the acquisition of competitive assets with proactive policies, such as in infrastructure, complemented by competitive processes (Babu, 2002: 1281). S.M. Krishna epitomises many other State leaders in India with similar ideological and material preferences. With the fiscal squeeze hitting hard, raising external investment was seen as the key. Hence, S.M. Krishna pursued innovative strategies for the industrial development and economic transformation of the State.

In June 2000, he organised a month-long Global Investors' Meet (GIM), to attract foreign and domestic investments to his State. The purpose was to revive the sagging fortunes of his State. In an interview, on why he had organised the GIM, he said that the urgency of making up for the lost time over the last couple of years when the State slipped from its eminent position of being a favourite destination of investors. Aware of the reasons for such a state of affairs, Krishna's government decided to take measures to show that Karnataka offers tremendous opportunities for investors with its abundant natural and human resources, excellent law and order situation, cordial labour relations, and an investor-friendly administration. He had been to the World Economic Forum at Davos in early 2000, to highlight what Karnataka has to offer and how it could attract funds for

development. He also projected Bangalore's fame as the Silicon Valley of the East and its enormous potential in becoming an excellent centre for knowledge-industry. The State government also engaged the services of McKinsey & Co., the world's leading consulting firm, to streamline its economy and locate more jobs for its citizens (Krishnaswamy, 2002).

5.3.2 *Economic Policies*

The State government was keen to present new policies that would reinforce its image and attract the requisite investors. The State leadership, through regional competitive policies played a crucial role in maintaining the lead. He relied on State-led strategies of reform and was committed to the idea of making Karnataka and Bangalore competitive. In his budget speech for the year 2000-2001, he said,

“While Karnataka is the acknowledged leader in IT, I would like the State to lead in other knowledge sectors. Karnataka already has the training and knowledge base necessary to drive the revolution” (Scoones, 2003: 4).

He identified Karnataka's core competence in knowledge economy and he openly declared his commitment to pro-liberalization policies to bring in prosperity to the region. Realizing the need for quick action to gain some of the ground that the State had lost in IT sector to its neighbouring state and with backing from leading business and science figures in the State, he was quick to establish a policy rhetoric, which saw the hi-technology sector as key to economic growth in the state. He was keen to translate his ideas into policy proposals and actions. Several policies were formulated that were to act as catalysts for the growth of IT Industry in the State. The major focus of this new policy was to take IT to the common person. He also took some dramatic and bold measures to bolster his urban support by focusing on Biotech sector. He emphasised the role of knowledge-based sectors, such as biotechnology, as Karnataka State ranked high in educated manpower and work force.

This fits the larger pattern emerging in India where regional States created their own momentum of policy and institutional innovation in attracting domestic and foreign capital. S.M. Krishna, the Chief Minister of Karnataka, pursued innovative strategies for the industrial development and economic transformation of the State. Hence, under the new leadership, the state's policy elite became actively engaged in promoting the information

technology industry, and the government initiated several policies to facilitate and support the IT sector through an array of incentives and concessions for investment in the IT sector.

5.3.3 Projecting Bangalore

One strategy pursued by Krishna to enhance State competitiveness was to raise the 'brand equity' of Bangalore (Pani, 2006: 23). With Bangalore's impressive array of elite science institutions on hand, a readily available highly educated and skilled workforce, Bangalore, was potentially an important investment destination for biotech and IT. Realizing the need for quick action to gain some of the ground that the State had lost in Information Technology (IT) sector to its neighbouring state, Krishna announced a series of new policies to sustain Bangalore's primacy.

Krishna was eulogised for his proactive role in pushing Bangalore into the league of fast-paced, globalised cities and in fostering the growth areas of information technology and biotechnology (Menon, October 27, 2001). He organised the second edition of the 'BangaloreIT.com 1999' to demonstrate the strength of the city in the field of knowledge-based industry and reaffirm the eminence of Bangalore as the IT capital of India. His mission was to check the flight of capital from Bangalore to neighbouring cities such as Hyderabad, Madras and Pune, where better infrastructure facilities had been too tempting for investors to resist.

During the initial period, Bangalore was envisioned along the lines of Singapore (Webb, 2001). Bangalore's spatial development was influenced by investment and expertise from Singapore, seen for instance, in the construction of the IT Park in Whitefield, located in the eastern fringes of the city. Another prominent global influence on city structure was the initiation of the IT Corridor project by the Bangalore Development Authority (BDA) occupying an area of around 8000 acres and situated between Electronics City and Whitefield. It was planned to provide state of the art facilities for the development of knowledge-based industries.

However, given the population pressures and deteriorating infrastructure, Bangalore's elite feared that the city would be unable to sustain its newfound status. Hence, Krishna, who held the portfolio for urban development, declared his determination to make Bangalore more competitive globally and focussed on instituting dedicated investments for mega-projects, most significantly in infrastructure. Regarding infrastructure in the city and State, S.M. Krishna remarked, "It is on the top of my agenda" (Rediff business interviews, June 13, 2000).

5.3.4 Bureaucratic System

A significant actor in the new policy environment in Karnataka was K.P Krishnan²² (henceforth Krishnan). In 2003, he was appointed as the Managing Director of Karnataka Urban Infrastructure Development Finance Corporation to help modernize the urban infrastructure. As a senior state bureaucrat, Krishnan's work experience included 3 years as Adviser to the Executive Director, World Bank and 12 years in various senior positions (including as Secretary, Finance Department and Secretary, Urban Development Department) in the Government of Karnataka. K.P Krishnan's educational qualification included PhD (Economics/Finance Specialisation) from Indian Institute of Management, Bangalore, a leading educational institute in the country, and his thesis was on 'water and public health'. He has written extensively on decentralisation in urban services and has been a strong proponent of financially viable urban infrastructure development.

Karnataka instituted a full-fledged, parastatal agency, in 1993 under Companies Act, to assist urban development agencies in the State in planning, financing, and providing expertise to develop urban infrastructure (KUIDFC, 2007a). It was set up to draw on national funds and funds from international bilateral and multilateral agencies, to develop urban infrastructure financial market through urban project development and financing and channel institutional finance for large infrastructure projects. It is a state-owned public sector undertaking, professionally managed and incorporated under the Companies Act 1956. The State government nominates the Members of KUIDFC Board and the Board of Directors, comprising of 12 directors, manages the affairs of the company. Its objectives are listed as – project formulation and appraisal of urban infrastructure development

²² His bio-note is available at <http://www.developmentfunds.org/pubs/KP%20Krishnan%20bio.doc> accessed on 23/06/2007

projects, providing financial and technical assistance to municipalities/development agencies, mobilization of funds from different sources - government and financial institutions, project monitoring and implementation and capacity building/training to enable efficient implementation of urban development projects. By 2003, KUIDFC had authorised capital of USD 23 million (KUIDFC, 2004). Currently, they bring a variety of resources to improve urban sector - its status as described in its website is “to assist the urban agencies in the state in planning, financing and providing expertise to develop urban infrastructure” and is the “nodal agency for the externally aided projects and the centrally sponsored Megacity Scheme.” Though KUIDFC does come under the State's Urban Development Department, it is not accountable to the urban local bodies for which it prepares projects and policies.

On assuming office, Krishnan, made a strong pitch for KUIDFC to play a significant role in the ongoing urban transformation in Karnataka, as a change agent for urban services in the State. Against the traditional problem areas of low coverage and poor collection of property tax, low efficiency, poor consumer orientation, dependence on government for funding, guarantees, and subsidized tariff, the agency was to facilitate a new approach to financing urban services in Karnataka (Krishnan, September 2004). This was instrumentalised via KUIDFC, through which developmental funds are routed.

Krishnan also strove to redefine the image of KUIDFC by bringing in a new work-culture. Participating in numerous workshops and conferences at State, national, and international levels²³, he attempted to highlight KUIDFC as the ‘new face’ of urban development agencies in India (Krishnan, September 2004). In an interview in 2004, Krishnan had stressed the need to make “KUIDFC a 21st century organisation by focusing on core competencies project management/development, engineering excellence, system for quality control, etc.” For the purpose, it was imperative “to appoint consultants for areas where we lacked domain expertise” and to adopt practices, such as “GIS mapping, rationalization of tax structure, market orientation, and substitute escrow for guarantees, capacity building, and private sector participation” (Krishnan, March 31, 2004).

²³ Including Workshop on "Sharing best practices on urban sector projects in India, Bangalore, May 2004; Seminar on Regional Roundtable Breakout Sessions: Current Experience, Innovations and opportunities in Asia, September, 2004.

The discussion on Krishnan's role in emphasizing modernization and creation of financially sustainable urban infrastructural assets needs to be seen in the light of the changing perceptions of urban development among civil servants in Bangalore. The competition with the neighbouring state of Andhra Pradesh was creating a major impact on policy-makers in Bangalore. In the neighbouring State of Andhra Pradesh, the Chief Minister had already gained a reputation as a 'tech-savvy', one who would create new wealth and a new politics (The Indian Express, July 21, 1998). By 2002, he had transformed Hyderabad to another major IT hub that rivaled Bangalore. The export of software from the Software Technology parks in Hyderabad amounted to about USD 1092 million in 2003-04 and reached USD 1630 million in 2004-05. The competition between the two cities peaked when in 2002, Bangalore lost out in the race for the 3 billion US-dollar FAB City project, a silicon chip manufacturing facility. "This was creating a major impact for policy-makers in Bangalore. The ripples from Hyderabad's rapid rise were felt beyond its borders. The threat of competition has galvanized Bangalore's once lethargic politicians and bureaucrats into action. The 'Naidu' factor has forced Bangalore to pull up its socks", admitted Vivek Kulkarni, Karnataka's top civil servant for technology (Dhume, 2002: 31).

5.3.5 *State-Business Interface*

An important development in Karnataka under Krishna's leadership was to involve the private sector in the process of transforming the working of State agencies. In August 2003, the cover page of 'Business Today', a leading corporate magazine in India, portrayed a photograph of the Chief Minister of Karnataka, S.M.Krishna, alongside the Commissioner of Bangalore Development Authority and the top executive of the Bangalore-based global IT Corporation with the caption 'City in Sync' (Business Today, 17 August 2003). It signaled the formation of Bangalore Agenda Task Force (henceforth, Bangalore Task Force), an initiative mainly to involve the private sector and civil society in the governance of Bangalore with "the goal of transforming Bangalore into *a world-class city*" (Chand, 2006: 32, emphasis added).

The Bangalore Task Force consisted in part of senior figures, several of whom came from the business community (and among whom people linked to the major IT company, 'Infosys', loomed large). The chief executives of the seven government agencies were also

members, as was the chief minister. Nandan Nilekani, Chief Executive Officer of Infosys, chaired the Bangalore Task Force. James Manor (2006: 385) notes that the government was able to pursue the urban reform programme because it was able to find the human resources from within the administration, but also from the private and voluntary sectors in Bangalore, because those latter sectors have flourished there to an extraordinary extent by comparison with most other Indian states and less developed countries. Those sectors were also capable of generating the ideas that shaped these initiatives.

The Government Order established a loose mandate for the Bangalore Task Force to consider the ways and means to upgrade Bangalore's infrastructure and systems, raise resources for its development; and secure greater involvement of citizens, corporations, industry, and institutions in the orderly development of the city with enhanced quality of life of its residents. The three protagonists were represented as the elements of synergy, essential for effective implementation of public policy - a high-level political figure, a senior bureaucrat, and a successful corporate leader. The government asserted that establishing the Bangalore Task Force would take advantage of the expertise of 'knowledge institutions' based in Bangalore to reverse the trends of deterioration caused by rapid growth in the city. The government order constituting the Bangalore Task Force stated that, "The Vision of the government is to make Bangalore the best city in India within the next five years" (Ghosh, 2005: 2496).

While the Bangalore Task Force experience was hailed as unique in urban governance in India (Chand, 2006: 35), it also received criticism for serving private interests. "Ideas about Bangalore's economy being based predominantly on the IT sector and the imagery of a 'world class city' are disengaged from the reality of the city's economic structure and physical form" (Ghosh, 2005: 4914). She elaborates that private developers, financiers, and corporations employ the unsubstantiated rhetoric of 'world class' to justify and further bias the expansion of the city for their particular interests, providing an opportunity for a convergence of interests with high level urban, State and national governments. This, according to her, requires close examination about "how private sector participants use the current discourse to enable their entry into higher levels of policy-making" (Ghosh, 2005: 4914).

The Bangalore Task Force experience created diffusion of ideas of close working of public and private sectors. Its communication literature described the new circumstances in the following way:

“In a scenario where liberalization is a catch word, and the private and public sectors are increasingly working closer together for economic growth, development and improvement of the quality of life of people, the Bangalore Task Force was an idea whose time had come” (Urban Initiatives, 2005: 2).

Its vision was to encompass a variety of sectors from upgraded infrastructure, transparent citizen-centric enhanced municipal services delivery standards aimed at bettering the business environment for a healthy and robust urban economy (Urban Initiatives, 2005: 2). Therefore, the Bangalore Task Force was strongly focused on the introduction of private sector participation in urban infrastructure. The role played by Bangalore Task Force during S.M.Krishna’s rule suggests the way economic interests gained primacy in policy-making circles and promoted urban and regional strategies that were strongly aligned with business interests within the State.

5.4 Transfer Motivations

5.4.1 Drought

An ecological crisis precipitated during 2000-02, arising from inadequate annual rainfall in the State, that led to widespread drought-like conditions²⁴ in the countryside of Karnataka. Karnataka’s physiological features and the hydrological cycles in the region put pressure on drinking water sources, both ground and surface, and on the distribution system; water scarcity, particularly during the summer months, results in fluctuations, irregularity, and reduction in per capita availability. In 2001, normal south-west monsoons²⁵ failed, and rainfall in Karnataka was only 473.3 mm as compared to normal of 552.5 mm, indicating an overall deficiency of 14 percent. The drought was described “as the worst in the 10 years” (Rajendran, 2001: 3423). Of the 27 districts in Karnataka, around 25 were affected by drought, causing severe stress to the State economy. The failure of the monsoon affected agricultural production, rural employment, fodder availability, and drinking water

²⁴ Droughts in Karnataka are a recurring phenomenon. Around 2/3 of the total geographical area, falling in the semi-arid zone, receives less than 750 mm of annual rainfall with frequent drought conditions (Government of Karnataka, 2003a: 37-38). Provision of drinking water is therefore constrained by scanty rainfall occasionally, few perennial river systems and sharing of river water with neighbouring States (Government of Karnataka, 2003a: 37-39).

²⁵ Southwest monsoons are a seasonal wind of the Indian Ocean and S Asia, blowing from the southwest from April to October, characterized by heavy rains.

availability in villages and towns. However, the biggest challenge was in drinking water. Groundwater aquifers had been over-exploited, the water table had fallen everywhere, reservoirs filled up with silt, and watershed management had not delivered on its promise (The Hindu, August 28, 2001). Over the next two years, the annual rainfall did not improve. In 2002, situation turned worse. In July, the rainiest month of the year and crucial for triggering farm activity throughout the country besides augmenting surface and ground water storage, the rainfall recorded 49 percent deficiency, making it even worse than the previous year. During the year, coastal Karnataka received (-) 30 percent rainfall of the normal, north interior Karnataka had 31 percent deficiency and south interior Karnataka 44 percent deficiency (The Hindu Business Online, October 5, 2002). The India Meteorological Department officially acknowledged that the year was “the first-ever all-India drought year” since 1987 (The Hindu Business Online, October 5, 2002). In 2003, although the country as a whole, received adequate rainfall of 922.5 mm against normal rainfall of 902.7 mm, some regions in the south including Karnataka received less than average of 185 mm. (Government of India, 2004b).

The drought conditions in the State, led to difficulties for the government. Additional funds were required to finance water supply schemes in the rural hinterland since District Commissioners were asked to drill bore-wells and supply drinking water through tankers (The Times of India, December 6, 2001). Hence, more and more developmental funds were required for this sector. Financing water projects in the State was a difficult decision given the fundamental weaknesses in the State finances with increases in non-developmental expenditure and a high proportion of interest payments taking out a substantial portion of revenue receipts.

5.4.2 Budget Deficit and Searching for Ideas

In the late nineties, State government expenditure in India had increased rapidly: aggregate State-government expenditure increased from 13.9 percent of the State GDP in 1996/97 to 15.4 percent in 2001/02. Since revenues were stagnant if not falling, the viable alternative was higher borrowing to support expenditure, leading to deficits at unsustainable levels. The situation of Karnataka's finances - with committed expenditures on interest payments,

salaries and pensions accounting for 60 percent of revenue receipts - was no different (The Hindu, March 28, 2001).

The Karnataka Chief Minister, S. M. Krishna, accorded high priority to restructuring of State finances to tackle USD 61.7 million-deficit budget for the year 2001-02. Although the budget estimate put the fiscal deficit at 5.87 percent of the Gross State Domestic Product (GSDP), he said the State was committed to bringing down the revenue deficit to zero by 2004-2005 (Menon, 2001). He proposed a Medium Term Fiscal Plan to contain the fiscal deficit to less than 3 percent of the State Domestic Product. The Government of Karnataka also published a White Paper on State Finances in 2001, the first to address fiscal crisis in India. In 2002, it passed the Fiscal Responsibility Act, once again the first State in India to publish this Act. With the fiscal squeeze hitting hard, raising external investment was therefore considered as the key for undertaking infrastructure projects. As Ashok Jain of KUIDFC highlights (interview in Bangalore, 12/08/06),

“There were several options for borrowings for the State government. Market borrowing was high, and therefore, not attractive given that the State was targeting to achieve zero percent fiscal deficits by 2009. The main options open for the government to fund infrastructural projects were small savings loans from Government of India, at an interest of 9.5 percent. This was high burden for States like Karnataka and hence, the State government decided for external financing for infrastructural projects such as the World Bank since its lending divisions like the IDA charges 0.75 percent and comes as a soft loan and IBRD is 4 percent approximately.”

The Chief Minister also announced the Government's intention to either close or privatise ten unviable public sector units. According to a senior official, Government of Karnataka, J.Manjunath (interview in Bangalore, 27/07/06),

“Krishna was aware that public interest may be hurt with strict fiscal measures. But to him, managing the consequences appeared politically possible, given that he was in no hurry to face the State electorate.”

Financing urban water projects in the State, was a difficult decision given the fundamental weaknesses in the State finances with increases in non-developmental expenditure and a high proportion of interest payments taking out a substantial portion of revenue receipts. It was within this policy context that government policymakers began to search for solutions

to meet the worsening situation of drinking water supply in the State, especially in the context of inadequate rainfall during three consecutive years.

5.4.3 Relations with World Bank

The Government of Karnataka had approached the World Bank for financial support for its reform programme in 2000. According to Bank documents of mid-2001, Karnataka had performed well in respect of the four ‘activating triggers’ that would make it eligible for the first Karnataka Economic Restructuring Loan (KERL) (Menon, 2004). More specifically, the Bank upheld the State's efforts to control the fiscal deficit as steps in the correct direction. As Menon (2004) highlights, by 2000, the State had taken steps to control off-budget borrowing; it had put the brakes on the power sector deficit; and most importantly, from the Bank's perception, it was cutting public expenditure. The State government formulated a Medium Term Fiscal Plan (MTFP) to guide yearly budgets. In the area of power reform, the State had enacted the Karnataka Electricity Reform Act (1999), and had introduced a power policy based on future privatisation of distribution. It had also established the Karnataka Electricity Regulatory Commission (KERC) in 2000, which in the same year awarded Karnataka's first power tariff increase since 1998. The State government also “started to rid itself of the burden of state-owned commercial enterprises”, the Bank noted. A Policy Paper on Public Sector Reforms and Privatisation recommended the withdrawal of the state from all commercial activities through the sale or closure of these units. Hence, the World Bank sanctioned the first tranche of the KERL, comprising USD 150 million in June 2001.

By 2003, however, Krishna sought to avoid becoming too closely associated with the World Bank. As Kirk (2005: 21) has argued that Krishna followed a strategy of asserting ownership and ultimate control over the policy process to the point of publicly stating—even in the presence of senior Bank officials - that there was “nothing like a fixed frame for the reforms to be completed” and saying simply “it is an ongoing process.” Kirk emphasises that Krishna’s clear message was that the Karnataka government, not the Bank, was in the driver’s seat. This enabled him to avoid any kind of political backlash (2005: 21). He cites Wolfensohn’s visit to Karnataka in late 2000, when he stressed that the Bank had not forced the government to take up a reform agenda, saying, “It is for the States to

decide what they want to do.” He remarked that since he was “not the elected chief minister of any State, he would prefer to leave any detailed policy discussion to Krishna”; he also noted that in Karnataka, “no one had complained about terms being laid down by the Bank” (The Hindu, November 10, 2000 cited in Kirk, 2005: 22). Describing the nature of dialogue between the State officials and the World Bank team, P. Dasgupta who was a member of the team, commented (Interview, New Delhi, 27/05/06),

“Karnataka has evolved to a stage where more than loans, they need technical assistance...they need advice to improve on a few policy issues. The bureaucrats do not talk to us as sole advisory agency. They have thought through the developmental process themselves. We are just another source of information. They may take it or completely reject it...and you have plenty of those in our dialogue with Karnataka.”

The Bank had already made it clear in its Country Assistance Strategy that it has decided, “to discontinue financing of urban water utilities unless they are associated with major institutional reforms” and the Bank is focusing its advisory services on privatisation on those States “which have shown commitment to fiscal and institutional reforms” (World Bank, Country Assistance Strategy, 2004). By 2003, the Bank’s new country director Michael Carter declared that Karnataka’s fiscal adjustment had been “slower than expected,” and pronounced that the State did not qualify for its next installment of assistance “as per agreed milestones”. From the evidence above, it is clear that with respect to setting conditionalities in water, the Bank has shown some restraint in pushing through its agenda. Hence, the Bank’s only new loan to Karnataka during the same period was a relatively paltry USD 40 million for an urban water sector project (Kirk, 2005: 311).

5.5 Transfer Agents and Influences

The main transfer agents and their influences were:

5.5.1 Political Leader

S.M. Krishna’s idea of a modern industrial state was Singapore – with modern infrastructure, knowledge industries, public services of global standards and modern governance systems. His ‘Singapore’ vision for Bangalore is crucial for an understanding of ideas on urban-based public services – megaprojects, like airports, highways, and transit systems, coupled with a strong civic sense and orientation for paying user charges for public services. While the material aspects of Singapore were an essential part of this vision,

Krishna extended the model to the non-material sphere as well. The strong vision of 'Singapore' as a development model prompted not only decisions regarding large mega-projects in the State, but also levying of user charges across all services in Bangalore and gradually across the State. He insisted that his desire was "to see that the value systems adopted by the citizens of Singapore, like accountability, civic sense, and respect for law get spread to Bangalore and other cities of Karnataka"(Economic Times, March 19, 2000 as cited in Pani, 2006: 247). Thus, there was a strong focus on policy change guided by the 'Singapore model' to make the State of Karnataka 'investor friendly'.

His ideas on reforms in water sector were based on his ideas on urban infrastructure linked to his vision on Singapore. Regarding infrastructure in the city and State, S.M. Krishna had remarked 'It is on the top of my agenda' (Rediff business interviews, June 13, 2000). During the initial period, as discussed earlier, Bangalore was envisioned along the lines of Singapore (Webb, 2001). Bangalore's spatial development was influenced by investment and expertise from Singapore, seen for instance, in the construction of the IT Park²⁶ in Whitefield, located in the eastern fringes of the city. Another prominent global influence on city structure was the initiation of the IT Corridor project by the Bangalore Development Authority (BDA) occupying an area of around 8000 acres and situated between Electronics City and Whitefield, It was planned to provide state of the art facilities for the development of knowledge-based industries. The emergence of Singapore as 'an icon of modernist development' for Krishna (Pani, 2006: 254) meant that projects could be justified in terms of their similarity to what existed in Singapore, rather than their actual importance in the development process (Pani, 2006: 247).

Subsequently, Krishna was instrumental in initiating urban developmental projects with multilateral and bilateral donors. In September 2000, Vivendi Water and Northumbrian Water Group were offered a contract by the Bangalore Water Supply and Sewerage Board (BWSSDB) to manage the water services in two pilot projects comprising one million consumers in each of the piloted areas. Stressing on the need for effective water management including operations/maintenance of water distribution pipelines with private

²⁶The IT Park was a joint venture between a Singapore Consortium led by Ascendas, local partner Tata Industries and the Government of Karnataka. It was conceived in 1992 and was opened in 2000. The Park has around 1.9 million sq. ft. of office and commercial space and houses many multinational and national companies.

sector involvement, Krishna explained that the government's intention was to provide best services for citizens. He said. "When Bangalore is called an international city, it is obligatory for the government to provide quality infrastructure, which includes water." SM Krishna began mulling over large-scale private sector participation, in terms of a concession contract, for urban water supply in Bangalore. Hence, Krishna made his intentions clear: "The state government has an open mind on the proposed move to privatise Bangalore Water Supply and Sewerage Board (BWSSB)", he told the Legislative Council. The government issued an order on July 11 giving the Bangalore Water Board the 'go-ahead' to begin negotiations with two French companies - Vivendi Environment and NWG - for privatising water supply in the city. Following the Government Order, the entire opposition stalled House proceedings demanding its withdrawal because it commissioned two private companies for water supply and sewerage in two divisions of the city, inspite of discussion on the issue was pending. Soon however, to help matters politically, in August 2002, the Chief Minister temporarily halted any further decision on privatising water supply in Bangalore, until a detailed discussion on the matter with the opposition. Chief Minister SM Krishna left for United States on a 10-day tour, beginning August 28. On the way, he met potential French investors (including representatives of Water companies) in Paris. His Washington visit included meeting with World Bank President²⁷.

5.5.2 *Bureaucratic Actor*

K.P Krishnan was instrumental in disseminating ideas on efficient management of the sector, based on economic rationality. Krishnan's policy beliefs were more along the lines of market-based management of water services with appropriate pricing and delivery mechanisms. His expertise was in financial management and public health, and he was strongly motivated towards rationalization and professionalization of public services, especially in grounds of public health. He was focussed on building financial viability of urban local bodies. He used his senior level position within government to adopt ideas of decentralised management of urban water services.

As Managing Director of Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC), Krishnan pushed for new modes of urban water management.

²⁷ Compiled from interviews with State officials in Bangalore

Under his leadership, KUIDFC began a programme of reviving urban water services in the State and called on the local governments in larger cities, known as municipal corporations, for a 'healthy' partnership between State and local governments. In 2003, the agency published the first comprehensive document on urban water supply in Karnataka, where he stated, "Facilitation in the provision of adequate and quality infrastructure services in urban Karnataka is the *raison d'être* of Karnataka Urban Infrastructure Finance Corporation" (KUIDFC, 2004: i). Influenced by the success of the Urban Infrastructure Fund – the TNUDF - in the neighbouring State of Tamilnadu, Krishnan argued for external financing as the most viable means to build urban infrastructure in smaller towns. According to Krishnan, KUIDFC had examined all the avenues of loans including that from the Indian banks consortium, which worked out more than that of the Asian Development Bank (ADB). Pointing out that the global race for investments was guided by a city's competitiveness in providing matching infrastructure, he said, "Many urban local bodies in the country were way behind global standards" (Krishnan, March 31, 2004).

Various anecdotes related to his strong personality and forceful way of dealing with local officials was related to the researcher. At a meeting with officials of Mysore city Corporation who were not agreeable to the Asian Development Bank (ADB) project had to face Krishnan's wrath as he remarked,

"Don't expect any state government help, if you are not ready to reform" (Gururaj Buddhya, interview in Bangalore, 13/07/06).

At another meeting with Hubli-Dharwad Corporators, Krishnan made it clear,

"The days of free riding on State government is over" (A. Patil, interview in Hubli-Dharwad, 08/08/07).

The remarks suggest that external funds have far more significance than just financing. The significance is also in the ability to ensure enforcement and discipline of locally elected bodies to act according to the wishes and dictates of higher level of government. This is instrumentalised via the State-level body, KUIDFC through which funds are routed. The strategy was to 'escrow' the account heads of these urban local bodies to pay for higher water charges imposed as part of the water privatization program that the KUIDFC promotes. The 'threat' here, as in other cases, is to withhold all funding for water schemes,

having serious and immediate political consequences for the elected body in power. A sentence often repeated by senior bureaucrats during interviews, “no one can go against the ADB, and its loan conditionalities”, suggesting the importance of having international developmental agencies to support the venture.

5.6 Transfer Content

The new State Water Policy 2002, for which the Government Order was issued on May 3, aims at exploring private sector participation in urban drinking water supply and sanitation. Given the size of urban areas in the State, the Government decided to allow different methods of service provision and different service providers. “Given the state of the sector, private sector participation (PSP) will necessarily have to be gradual,” says the policy statement (Karnataka State Water Policy, 2002). The emphasis is on preparatory work required for private sector participation in “fostering a culture of commercialisation, encouraging outsourcing and building local capacity.” The Government will enact laws to allow private participation in water supply.

In the same year, the Indo-USAID Financial Institutions Reform and Expansion (FIRE) Project²⁸ was requested by the government to assist in developing a project. USAID in association with the financial intermediary Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC), the BWSSB- the public water utility for Bangalore and Urban Development Department (UDD) of the State government, prepared a project development report, outlining the feasibility of the project and project structure. As noted earlier, regarding the proposed move to privatise BWSSB, Chief Minister S.M. Krishna had told the Legislative Council, “I have an open mind and am not committed to any one position,” (The Times of India, August 1, 2002). In 2004, the government declared that a mega-project titled ‘Greater Bangalore Water Supply Project (GBWASP)’ would provide access to piped water and therefore serve the new neighborhoods of Greater Bangalore. In his budget speech for 2003-04, Chief Minister of Karnataka, S. M.Krishna said,

“The urban local bodies (ULBs) surrounding the city of Bangalore have recorded unprecedented growth in the last decade. Basic infrastructure services need to be

²⁸ An initiative in the urban sector started in India with the launching of the Financial Institutions’ Reform and Expansion Programme – Debt component/infrastructure (FIRE-D) programme. Launched under the auspices of the United States Agency for International Development (USAID) in early 1990s, the objective of the programme was to develop commercially viable urban infrastructure projects through the development of a long-term domestic capital market.

upgraded to keep pace with urbanisation. Therefore, my Government has conceived and sanctioned an innovative project called Greater Bangalore Water and Sanitation Project for providing water and sanitation to these ULB areas” (S.M Krishna, 2004).

Hence, the transfer of 24/7 water policy and programme in Karnataka is linked to attempts by domestic political actor to: a) be more regionally competitive for FDI and hence cope more effectively with the challenges of globalisation, b) win urban electoral support, c) enhance corporate interests in local economy, and finally, d) be more rational with respect to efficient management of urban infrastructure, by involving global development agencies.

Government of Karnataka enacted the Karnataka State Water Policy in June 2002 (Government of Karnataka, State Water Policy, 2002a), and subsequently the Karnataka Urban Drinking Water and Sanitation Policy, 2003 (Government of Karnataka, 2002b). While the former focussed on water resources management of the State, the latter was concerned specifically with urban water services. The 2002 policy begins by highlighting water crises in the State, since it “is endowed with limited water resources that are stressed and depleting...increase in population, urbanisation, rapid industrialization and rising incomes are putting this resource under stress” (Article 1). The policy emphasised the State’s commitment to meet the Millennium Development Goals and therefore, “provide 135 litres per person per day in city corporation areas” (Article 4.1). It, therefore, prioritized drinking water supply over all other needs of water (Article 6.4), similar to the provision in NWP 2002 (Article 5). The policy stressed on service efficiency and, therefore, corporate management of water services to improve accountability to users (Article 6.14), and also sustainability of infrastructure for which it encouraged private sector participation “in various aspects of planning, investigation, design, construction, development, and management of water resources projects for diverse uses, wherever feasible” (Art 6.14). Depending upon specific situation, various combinations of private sector participation, in building, owning, operation, leasing and transferring of water resources facilities will be considered (Article 6.14). Regarding tariff, the policy states “Water rates for various uses will be revised in a phased manner and fixed to cover at least the operation and maintenance charges of providing services” (Article 6.15).

In May 2003, the Karnataka Urban Drinking Water and Sanitation Policy was adopted. The new policy aimed at:

‘Ensure universal coverage of water and sanitation services that people want and are willing to pay for, preserves the sustainability of the precious water resources of the State and ensure a minimum level of service to all citizens’ (Government of Karnataka, 2002b: 1).

It envisioned a regulatory role for the government for the sector – to undertake policy formulation, regulating monitoring efficiency of operations, setting minimal standards of service, promotion of the economic and commercial viability of water supply systems, and encouraging the use of public private partnerships as well as private sector participation to achieve the sector goals. The local State bodies would have the choice of providing the services directly through public bodies or through such appropriate private sector participation arrangements. However, it was also mentioned that the State would also monitor strictly policies relating to minimal tariff operations autonomy of the municipal water operations given the paramount need for financial and commercial viability of the operations. The policy further elaborated on tariff, suggesting full cost recovery of providing services; it specified that tariff will be structured to discourage excessive consumption and wastage of water, while ensuring a minimum ‘lifeline’ supply to the poor (Government of Karnataka, 2002b: 3). The earlier role of the Karnataka State Water Board, laid under the KUWSDB Act 1964, was mainly for capacity creation and augmentation in all urban local bodies and organisation and management in selected corporations. Under the new policy, its role would be redefined so that in longer term it can become a publicly owned independent provider of technical assistance and management support to corporations (Government of Karnataka, State Water Policy, 2003: 3).

Both policies - the Karnataka State Water Policy 2002 and Karnataka Urban Drinking Water and Sanitation Policy, 2002 - reflected the urgent need for commercialisation and privatisation of urban water services, as laid down in National Water Policy 2002. While the former focuses on water resource management and services management in the State, the latter is exclusively deals with urban water services in the State. At a broader level, they reflect the World Bank’s agenda to recognise the economic value of water. Provisions directing the State “to enhance the commercial and economical sustainability of the operations” by “fostering a culture of commercialization” and “identifying and expediting

the necessary legislative institutional and regularly changes that are necessary of private sector participation” (Government of Karnataka, 2002b:1-3) is clearly laid out. There is similarity between the State policy and national water policy, especially with respect to private sector participation and prioritizing drinking water supply highlighting the convergence across global-national and State-levels. In fact, Karnataka is the only State, which has explicit provisions on it, signifying the strong move taken by the State regarding initiating private sector participation. While not being explicit about it, the Karnataka State water policies reflected a clear shift signaling decentralisation and retreat of the State. The urban local bodies would continue to be responsible for water services although for efficient management of services they may involve private operators. The State Water Boards were assigned a technical and advisory role in the end (Government of Karnataka, 2002b).

In 2004, Karnataka became the first State in India to initiate a ‘structured approach to private sector participation’ in urban water supply. The World Bank-assisted project was to be implemented on an experimental basis in three major cities in northern Karnataka and the project would introduce ‘24/7 water supply’ and a phased sector reform process. It was the only State in India to initiate two projects involving management contracts in urban water systems with an innovative technical and a financial component.

5.7 Case Analysis and Conclusion

The chapter has elaborated on sub-national state interests as a determining factor for water policy transfer in India. In the chapter, I have emphasised how certain ideas remained marginalised for years, until 2000, when they were placed on the agenda, and by sketching, the process demonstrated how political, economic and commercial interests had taken precedence over sectoral imperatives to solve water crises. Following is a review of the chapter’s key theoretical and empirical conclusions. The main theoretical findings on the political economic interests of the State of Karnataka that have induced and facilitated policy learning in water from supra-national agencies are:

Political Interests: Political interests were linked to building a strong state capacity of an advanced industrial State in India, and for the purpose to compete for global investments.

Unlike in previous eras, where state support and planned budgets were allocated by the centre, much of the industrial enterprise for the sub-national states were to be largely driven by the private sector, and often through direct or joint-venture arrangements with large, foreign multinational corporations. Karnataka's particular focus was on knowledge-based industries requiring highly skilled workforce and a reliance on good infrastructural support. Hence, the political interests of the State veered towards investor-friendly policies.

Bureaucratic Systems: The case evidence clearly points to the emergence of a new 'water bureaucracy' in the State, focused on monitoring of State-led strategies of reform. It proposed greater governmental action in various urban developmental programmes to ensure greater investment to Karnataka. It emphasized aggressive mobilization of investment funds through consistent and ongoing institutional reform. Urban water policy was considered a part of this new scheme to be developed through building appropriate links with the broader agenda of financialisation of urban infrastructure as proposed by USAID in India.

Corporate influences: A number of key corporate groups and individuals in Bangalore within the Karnataka government had close ties to the urban infrastructure-corporate complex, which I have argued, has facilitated this close 'working relationship' with respect to water policy. The documentation of the relationship between corporate and political interests indicates corporate interests have been involved to some degree in shaping regional urban development policies. While the chapter does not provide any direct evidence of their involvement in urban water, their distinctive approach to shaping urban governance in Karnataka, based on commercial interests, have considerable significance and implications for the nature of policy learning and knowledge transfer in the building of water infrastructure in the State.

Economic Conditions/Historical Influences: The setting of Karnataka from a slow-paced public sector-led economy to a high-paced technology-led economic success, has been an important determinant of the transfer of global policy ideas. The newly emergent knowledge based industrial enterprise as evident in the up-coming biotechnology industry and rapid proliferation of Information-Technology industry facilitated processes of learning of new ideas and knowledge transfers for economic development of the State.

Empirically, the case has highlighted some of the key features of the transfer process.

Who actually conducted the transfer? Two main actors who proposed and initiated specific reforms based on global policies were at the core of the government. The case evidence highlights that the elite-centred activity that led to the transfer involved two actors - the State Chief Minister as the political leader and a senior civil servant. The case highlighted the personal traits of the transfer actors in initiating learning processes and transferring knowledge from abroad to solve domestic problems. The political leader was described as 'techno-savy leader', strongly focused on learning of pro-market interventions in public delivery services, open to neoliberal rhetoric on efficient functioning of urban water supplies, and highly driven to introduce a new 'corporate and private-sector-led' economy for the State. This fits the larger pattern emerging in India where regional States are creating their own momentum of policy and institutional innovation in attracting domestic and foreign capital. As discussed earlier, one feature of contemporary policy-making in India is the increasing importance of State-level processes. In contrast to the past when central planning and budget allocation from the centre dominated as part of five-year planning regimes, contemporary policy processes are characterized by more regional autonomy, although such autonomy may be substantially limited by lack of resources (Manor, 2006; Jenkins, 2001). Hence, chief ministers are increasingly vocal and proactive in pushing State interests. See for example the interviews by the respective Chief Ministers – S.M.Krishna (Rediff Business, June 13, 2000) of Karnataka, Jayalalitha of Tamilnadu (Hindu Business Online, August 30, 2005), Chandrababu Naidu of Andhra Pradesh (Rediff Business, February 9, 2000).

Complimenting him in the new era of policy-making in the State was the role-played by a senior bureaucrat, who also made his mark as a 'policy entrepreneur' in touch with global economy, developments in new public management and e-governance.

An argument put forward with respect to the role of politicians in the policy transfer literature is that they are subject to electoral exigencies and uncertainties and as a result tend to adopt quick-fix solutions. As elected agents, they are seen as being primarily

interested in maintaining electoral support and this often leads to adoption of a policy innovation reflecting an action of intentional learning (Evans, 2009: 244). However, in this case, the strong urgency of political leadership had less to do with maintaining electoral support than the fear of 'being left behind'. This may have led to a tendency "to jump, rather than learn" as described by Dolowitz (2009: 322). The combined role of executive and bureaucracy was critical in bringing specific proposals and ideas onto the policy agenda, including private sector participation, cost-recovery principles and setting up of water pricing mechanisms. The borrowing of ideas and knowledge on improved urban water services, reflect important considerations in the transfer. There was a commonality of values and ideas between the World Bank and the new group of leaders in Karnataka in enhancing the State's economic prospects and strengthening its political prospects.

Another important actor that the case highlighted was that of the role of of an economic actor – KUIDFC - as an agency for financing urban infrastructure. The case highlights it's functioning and interests are vital determinants of policy learning in water. All multilateral funds for water reform programmes are being routed through this agency and that has increased its influence and role in state urban water policy implementation. KUIDFC has played the role of 'change-agent' for the sector. Its composition and functioning ascribes to a highly elitist style of policy-making that has emerged in Karnataka. It has practically no local level representation. Their governing committee is constituted mostly of administrative officers under the direct control and supervision of the State government. Its significance in water sector, therefore, needs to be linked to the more top-down and centralised decision-making systems within corporate economies.

What have been the motivations? With respect to motivations of transfer, the chapter suggests that it has been a case of 'voluntary transfer', where dissatisfaction with domestic conditions was the prime mover of policy learning. In case of Karnataka, the ecological crisis worsened the situation of water availability, as the water infrastructure in the State was already under strain. Another consideration was to look for innovative solutions from abroad, to legitimise its aims of introducing market principles in water. The proposal for 24/7 water supply programme was an attractive model that would build the necessary support for some of the politically risky measures to be introduced. Evidence on voluntary

transfer is also indicated in World Bank's relations with state leadership during 2002-04, when the Bank showed restraint in pushing through private sector participation and only provided broad directions for reforms in urban water services, and a small amount of loan for a pilot project.

What was the transfer content? From the seven different categories the Dolowitz and Marsh (1996: 350) highlight as transfer content, two have been prominent in the case of Karnataka. The state adopted the policies as intent of action and a programme for urban water reforms as a course of action. The latter set out the details of who would be responsible for the administration of the programme, what would be the instruments of reform and the various legislations to be adopted. A closer look at the policies and programmes highlight to what extent original policies have been adhered to. There have been instances of 'copying' in the policies since some part of national water policies are directly incorporated in state water policy (provision on private sector participation). With respect to 24/7 programme it has been an 'emulation' of the original plan as it has brought in domestic variations in the implementation processes.

Karnataka's urban water policy was an institutional innovation that was inspired by fresh thinking about urban water in the state as it faced economic competition and strong urban growth circumstances. Hence, the emphasis was on economic and commercial sustainability of water delivery operations. The document was strongly inspired by World Bank's ideas and hence explicitly mentioned appropriate cost recovery mechanism, debt service plus a reasonable return on capital. There was an emphasis on a range of different private sector contractual arrangements for service provision and insistence on economic efficiency and technology upgrade of service providers. Finally, the chapter highlighted the emulation of idea of '24/7 water supplies'. The programmatic idea of 24/7 water supply built around technical innovation of reduced wastage of water through improved distribution systems was incorporated into sector improvement policy at national level. It was subsequently developed locally into a full programme, incorporating viable designs and principles.

To summarise, in this chapter I have focused on transfer of global water policies to States in India that are strongly influenced by regional interests of economic competitiveness, political leverages and business opportunities, and guided by new state-level institutions and interests. I argued that changing economic and political processes in Karnataka linked to new configurations of central-local relations in India, created opportunity structures for transfer of policies. This had critical influences on State leadership and policy-makers, when faced economic exigencies and natural scarcity of water, resulting in policy learning from global agencies and its development during early 2000, This was one of the most important factors for launching of the new water policy in the State in 2002-03. Overall, I highlighted political salience to the transfer of global policy ideas that introduced market logics in water in the State, and concluded the strong influences of wider political economy rather than pure sectoral interests in acknowledging and transferring World Bank's policy ideas and proposals in water.

Chapter Six

Designing and Implementing Global Water Policy: The case on Greater Bangalore Water Supply Project

6.1 Introduction

In the earlier chapter I discussed global water policy transfer to a sub-national state in India influenced by regional interests of economic competitiveness, political leverages and business opportunities, and guided by new State-level institutions and interests. My focus in this chapter is the design and implementation phase of the policy transfer process. I provide a critical account of a water supply project in Bangalore, funded by international financial institutions, to extend water supply distribution for peri-urban areas of Bangalore. The main concern of this chapter is to highlight some of the local influences that have shaped water policy transfer and development in designing and implementing the project. In the end, I illustrate how project goals and practices were communicated as discourses, and consider questions on appropriateness of the transfer. Hence, the chapter is aimed at examining a) the ‘politics’ of learning in project principles and practices; and b) the specifics of the scope, nature, pace and sequencing of the learning content. At an empirical level, it will address the project actors, project motivations, the project design and degree of transfer, and project constraints.

The case study is organised in five sections. Section 6.2 sets out the political-economic settings of Bangalore. Section 6.3 provides an overview of the policy environment of drinking water supply for the city. Section 6.4 discusses the policy transfer processes in water in designing the drinking water project. Section 6.4.1 discusses the transfer motivations, Section 6.4.2 discusses transfer content and design of projects, Section 6.4.3 focuses on transfer actors and influences involved in the design of the project, Section 6.4.4 focusses on the discourses that were used to establish project practices and Section 6.4.5 highlights the factors that restrained any further policy transfer. Section 6.5 is the case analysis and discussion.

6.2 Bangalore: the making of a global city

Bangalore, capital of Karnataka, has earned the title of ‘Information-Technology (IT) capital of India’. It was a relatively quiet city until 1970s, where predominant location was

for public sector undertakings. The city has experienced exponential growth with the large influx of global IT investments in the state, over the last two decades. Karnataka has emerged in the global limelight for its remarkable growth of information and communication technology (ICT) sector. Since the early 1990s, its extraordinary transformation into 'a hub of the great Indian boom in software' (The Economist, September, 2005) has made it the frontrunner of India's neoliberal transition. The distinct advantages of the city due to its cool climatic conditions, and a cosmopolitan character with well-educated middle class made it a preferred destination for the high technology industries. In recent times, it is estimated that nearly 1,300 electronics and ICT companies along with numerous services and supplier firms carry out business in the city, employing 170,000 people (Dittrich, 2007: 48).

Earning nicknames as 'Electronics City' and 'Silicon Valley of India' (Dhume, 2002: 28), Bangalore's demography has undergone rapid transformation. During the nineties, with the boom in the software industry, the urban areas of Bangalore district witnessed one of the country's fastest growths in population, after Delhi, recording almost 38 percent growth rate. This is in comparison to an average of 17 percent growth in Karnataka, and 21.34 percent in India during the decade. Economic migrants were responsible for the huge influx of population; they came from the villages surrounding the city and from neighboring States, due to huge distress in the agricultural sector. Another group of migrants were the young, well-educated people, who were beckoned by jobs in the IT, and call-centre businesses. From 1981 to 2004, population of Bangalore doubled to about 6 million (Dittrich, 2007: 46). With demographic changes, the city also witnessed a spatial transformation along its peripheral areas.

The population upsurge combined with the proliferation of industries initiated a boom in real estate in the early nineties, which focused in particular on vertical growth around the city's center. With the core city quickly swelling to saturation point, development began to expand to the peripheral areas. As shown in Fig. 5.1, the main city under Bangalore City Corporation²⁹ (BMP) is limited to 226 square kilometres. This is surrounded by the

²⁹ Municipal bodies in Karnataka are categorized as a) 'City Corporations' with population above 2,00,000; b) 'City Municipal Councils' with population of 50,000- 200,000; and c) 'Town Municipal Council' with population 10,000- 50,000. Hence, Bangalore was under a City Corporation, while 7 City Municipal Councils were created in Greater

Bangalore metropolitan area, which covers 439 square kilometres and a ‘green belt’ of 839 square kilometres. This extension of city limits to Bangalore’s Metropolitan Areas occurred through the process of ‘peri-urbanisation’, a process “where agricultural and nonagricultural activities are integrated with industrial development, suburban layouts and other uses of the land” (Tacoli, 1998: 148). As Benjamin describes the ‘revenue-layouts’ in the outer city areas turned to ‘non-resident Indian³⁰ layouts’ with exclusive ‘farmhouse’ clusters and apartment blocks (Benjamin, 2000: 38).

Map 6.1
Map of Bangalore and Greater Bangalore



Source: Map of Bangalore Metropolitan Area (Greater Bangalore) and Core City Area under Bangalore City Corporation, accessed from <http://www.maps-india.com/bangalore/bangalore-map/bangalore-map.gif> [23/03/07]

In addition to serving as residential areas, these outlying areas began to serve as home to India’s burgeoning IT industry. Industrial estates and software technology parks were set up in or around four of the eight municipal regions. Hence, during the nineties, the

Bangalore. Bangalore, under City Corporation, is run by a Council comprising elected representatives (‘corporators’), one from each of the 100 wards

³⁰ Non-resident Indians are people born in India but settled and taking up citizenship in other countries. India, yet, does not allow dual citizenship.

'International Tech Park', one of India's first world-class IT parks, was located in the Bangalore suburbs; and Electronics City in the southern outskirts, which houses more than one hundred IT-companies, including such global corporations as Hewlett-Packard, Motorola and Siemens. Bangalore, therefore, underwent a remarkable process of transformation, with the IT boom.

In view of the ongoing developments, there was an administrative decision to extend the jurisdictional boundary to include the outlying areas. In 1996, the Government of Karnataka created 'Greater Bangalore' in the metropolitan area surrounding the core city. It comprised of seven City Municipal Councils (CMCs) and one Town Municipal Council (TMC)³¹, with a population was 1.2 million (2001 Census). The rapid urbanization witnessed in Bangalore had not led to any rapid build-up of infrastructure. With respect to urban governance settings in Karnataka, it is argued that the concept of the IT sector as a basis for modernization has captured the imagination of Bangalore's political and bureaucratic elite. These relate to very large public investments and to fiscal policy. The main justification is to make Bangalore "globally competitive". Corporate groups, in general, demand better infrastructure in Bangalore investment by the State to promote growth. State government response has focused on instituting dedicated investment for mega-projects, most significantly, in infrastructure. These funds focus on modernizing Bangalore by urban renewal and urban design. The funds do not necessarily go towards improving conditions within the towns but, rather, towards acquiring land to promote large corporate residential and work environments and related infrastructure such as multi-lane highways and dedicated water supply and electrical power systems (Benjamin, 2000: 37-38).

6.3 Policy Environment in Water

The high cost of living and congestion in the inner city of Bangalore led many of the new population to move to squatter settlements in the suburbs of Greater Bangalore. But, rapidly rising land prices pushed poor and middle income groups to seek housing and work in even more distant locations, many of them un-serviced (Benjamin, 2000: 38). This can

³¹ Municipal bodies in Karnataka are categorized as a) 'City Corporations' with population above 200,000; b) 'City Municipal Councils' with population of 50,000-200,000; and c) 'Town Municipal Council' with population 10,000-50,000. Hence, Bangalore was under a City Corporation, while 7 City Municipal Councils were created in Greater Bangalore.

be explained by the peri-urban interface frequently featuring, on the one hand, a population of disproportionately poor households and producers and, on the other, the possession of important environmental services and natural resources that are consumed in the towns and cities (Allen, Dávila & Hofmann 2006: 334). In Greater Bangalore, the sole source of water is groundwater. According to one estimate, about 3,500 tube-wells were maintained by the City Municipal Councils, in addition to 1000s of individual tube-wells (Babu, 2005: 38). The municipal tube-wells operated subject to power supply. Water was drawn from public stand posts and taps in the streets, and supplied to houses that were connected via individual pipes. The water supply was intermittent; municipalities supplied groundwater via tankers arranged by individual ward councilors, who had connections and contracts with landowners and paid them (or intermediaries) with money collected via revenue taxes. In addition to these arrangements, many households drew water from their own wells. It seemed that most landowners preferred not to rely on the municipal system but to be self-sufficient in the matter of water for domestic and other needs. Many households, without a (functioning) well and thus without access to groundwater, contacted and paid directly to landowners or intermediaries who delivered water more or less regularly. Water requirements in commercial and business centers, such as the many sprawling IT companies were often met with groundwater from deep tube-wells and increasingly also by commissioning the Water Board to deliver water via a network laid exclusively for the company³².

Therefore, with the creation of Greater Bangalore, one of the biggest concerns for the Government of Karnataka was expansion of urban infrastructure, including roads, water and electricity. In 1998, the Government asked Bangalore Water Supply and Sewerage Board (BWSSB) to develop project proposals for implementation of a water and sewerage project in these areas. The Board, with the assistance of Kirloskar Consultants and Water and Power Consultancy Organization (WAPCO), prepared a detailed project report; however, the project could not be implemented due to the lack of adequate financial resources.

³² Information collected during interviews with residents at one of the suburban municipalities, Yelahanka during November 2006.

Bangalore is a water scarce city with an average rainfall of 450 mm per annum. The city is situated at an elevation of 900 meters above sea level, in a semi-arid, drought-prone region with moisture indices of less than 50 percent (Ramachandra and Kamakshi, 2005: 38). The topography of the city is characterised by a series of well-defined valleys; the physical terrain had caused water to assemble in tanks and lakes, and over several centuries was the source of water for drinking, irrigation and other needs. However, over time, there was encroachment on these water bodies and the sites came to be dotted by commercial establishments and residential layouts. The filling up of the lakes and water tanks and their demise as sources of drinking water supply led to exploitation of groundwater supply as well. There was excessive drilling of bore-wells by both Bangalore Water Board and personal users to supplement existing supplies (Anand et al. 2005: 18). Providing sufficient supply of water to its growing population was, therefore, of utmost importance. The average demand for water in the city was 850 MLD, which increased to 870 MLD during summer months. The rapid population growth in the capital and its adjoining peri-urban areas created a further increase in demand for water supply in the city. The population, estimated at 48 million, of whom 70 percent resided in poorer neighbourhoods areas. The city, therefore, reflects profound inequities in the distribution of water and civic amenities across different areas. These inequities have serious implications for the success of the water sector reforms. Thus, the focus of the reform is driven by efficiency in operations and sustenance in water supply (Chikozho, 2008).

Currently, apart from seasonal rainfall, the only source of water is the Cauvery River, situated at a distance of 100 kilometres from Bangalore and at 500 metres below city level. This has led to over-dependence on water supply from the river, which is currently providing over 87 percent of water to the city (BWSSB: Cauvery Water Supply Schemes, 2007). According to Thippeswamy, “The dependence on Cauvery has grown as Arkavathy river, the other source, is contributing around 10-12 percent, but dries up in summer months or during low rainfall years” (Interview in Bangalore, 02/08/07). While pumping and transporting 860 MLD water through an elevation of 500 metres, almost 30-40 percent is lost. The distribution system, the pipes through which water from the Cauvery is transferred by the public utility within Bangalore, is up to 60 years old, as they are affected by corrosion. This has resulted in leakages amounting to approximately 30-40 percent, of the water drawn from the Cauvery. The Bangalore public water utility, BWSSB, in its

performance report in 2005-06 notes that “the initial overall leakage was 64.25 percent and current level is 48.67 percent (BWSSB: Annual Performance Report 2005-06). Some of the ‘unaccounted-for water’ – alternately termed ‘non-revenue water’ – disappears because of illegal connections being made to the network, and some is distributed but never paid for. Therefore, against the potential availability of water, the per capita availability of water is less, far below the national standard of 150 litres per daily recommended by central guidelines in India³³. According to Prof. G.V. Shastry, Ecological Economics Area, at the Bangalore-based Institute for Social and Economic Change (ISEC),

“Due to resource constraint, water is being supplied to the city on alternative days. ... 115 per capita litres supplied per day, which is very much lower than the prescribed per capita supply of 150 litres per day. In reality, owing to higher percentage of unaccounted for water, the water received by consumers is only 75 litres per person daily” (Shastry, interview in Bangalore, 25/10/07).

As per data provided by Bangalore Water Board, the level of drinking water supply in Bangalore lies in the range of 105 litres per person daily, considering industrial use and 30 percent of UFW (BWSSB ‘Supply and Source’, 2007). This reflected a declining trend from 145 litres per capita daily in 1995.

Not only is Bangalore facing inadequate water supply in the face of rising population, the Bangalore Water Board also incurs huge costs for bringing water to the city - pumping and transporting 850 MLD to 930 MLD daily over 100 kilometres and at an elevation of over half a kilometer. Capital investment on the four phases of Cauvery river projects have increased with increased costs and labor charges. Capital investment in Cauvery Water Supply Scheme in the four phases varies by two folds to bring the same quantity of water. Even the average cost of water, which was Rs. 1.70 per thousand liters in Stage-I, increased to Rs.4.63 per thousand litres, when Stage-III project was completed. Though there is ample scope for development of water resources in Bangalore, the cost of bringing additional water to Bangalore in the near future would sharply rise, in view of the cost of construction of projects and their maintenance. Moreover, presently the Bangalore Water Board is running under deficit budget, and the expansion of metropolitan region may make it difficult to obtain the land for laying the pipelines for transport and distribution due to

³³ In the Tenth Five Year Plan (valid for 2002-2007), the Government of India set the minimum standard for piped water supply at 150 LPCD for metropolitan and large cities. But since May 2002 this has now been the ‘desired’ level of supply. A minimum of 135 LPCD was instead set for large cities and metropolises. In the Karnataka Water Policy, the level is also 135 LPCD for city corporation areas (Planning Commission, 2007).

the rise in capital costs of land (Smitha, forthcoming: 6). For the Board, recovering just the supply costs from tariffs has not been possible, even though Bangalore water tariffs are among the highest in the country³⁴. The major share of the revenue expenditure goes towards power charges (51.4 percent) followed by establishment (15.8 percent). High share of power charges is mainly due to pumping of Cauvery water to the city from a distance of 98 kms to the height of almost half a km for water distribution in the city (G.S Sastry, 2004 as cited in Smitha :10).

Supplying water to Bangalore from a single surface water source as river Cauvery, therefore, has many challenges. The problems are compounded with falling levels of groundwater supplies and defunct conditions of lakes and tanks in Bangalore that has led to over-dependence on it. The scenario presented above clearly indicate a) rising costs of bulk water supply from Cauvery; b) inadequate volume of water supplied to distribution networks in Bangalore, arising from losses and leakages in the piped network; and c) inadequate revenues for the Water Board.

The critical conditions in urban water supply system in Bangalore adversely affect the poorer neighbourhoods and slum areas. Public water standposts, a common sight in urban areas of developing countries, provide water to citizens not connected to the public distribution network, that is, to the slum dwellers. Public taps substitute piped networks in serving the low-income neighbourhoods within cities in India. These group connections are important since they ensure water as a human right. According to one estimate, close to one-third of households in Bangalore still use public taps. Of those who use public taps, 7 percent have no other source of water, while the remainder uses the taps, along with Water Board connections and groundwater. Public taps are prominent in the old wards of the city, but less so in the newly added wards. In 2002, there were approximately 15,000 of these public taps, of which 7,000 were authorized and billed for (Connors, 2005: 207). Regarding responsibility of the standposts, Connors describes that slums are the responsibility of various agencies, depending on land ownership, location and declared status, they have tended to fall through the cracks in this delivery model – ‘responsibility is eagerly passed

³⁴ The Water Board applies a volumetric-consumption-based charge instead of a flat-rate tariff. The tariffs, applied monthly, run in slabs between Rs 6- 36 per kilolitre for domestic consumption; non-commercial users pay Rs 36-60 per kilolitre while industrial users pay a flat rate of Rs 60 per kilolitre.

around' (2005: 203). After responsibility for water supply in Bangalore was transferred to the Bangalore Water Board in 1965, the utility also assumed responsibility for the management of public taps; however, it was not responsible for meeting the costs of this water, supplied to residents free of charge. For years, this arrangement persisted, and the Bangalore Municipal Corporation paid most of the bill from its municipal revenues, through a pricing structure based on joint gauging of the water flow undertaken by the utility and the city every few years (Connors, 2005: 210).

6.4 Policy Transfer

Although not a very familiar term in project implementation, with the involvement of consultants and international think-tanks and developmental agencies in the Bangalore water project, it is possible to see the water supply project as a case of policy transfer.

6.4.1 Transfer Motivations

The poor municipal water supply and sanitation services were one of the major problems in Bangalore. The infrastructure was in the dire need for reconstruction and expansion, and the management has proven to be inappropriate. The water administration in Bangalore increasingly focused on operational efficiency. The following evidence highlights this. During 2002, the Corporation passed a Resolution with the effect of cutting funding for public taps, as it did no longer agree to pay the charges. The reasons for this decision are not entirely clear, but Connors (2005: 210) describes:

“The decision was taken in the belief that city revenue was insufficient, that the water board BWSSB had the social responsibility to provide for slum dwellers and could fund taps using its own cross-subsidies, and that increasingly erratic water supply throughout the city altered the original terms of agreement. The consequences of this decision, taken to their logical conclusion, are extreme”.

With more than 15,000 known taps scattered across the city, the Water Board was faced with a dilemma. On the one hand, according to its no loss-no-profit mandate, it could not afford to continue the practice of supplying water free of cost. On the other hand, disconnection drives to date had met with large-scale opposition from the community. In practice, the Board continued its supply via taps. Nevertheless, this was not compatible with the requirement that for all water supplied, payment shall be made (Sec 31) of the Water Act. A drive to close down the public taps began, regardless of the many protests.

When the Water Board connected direct lines to each house, the public taps were simultaneously removed. The closure of public taps in Bangalore is indicative of the new circumstances of urban delivery services emerging in Bangalore, the way public agencies were redefining their role and the way rights, obligations, and issues of access to water are being framed, including the way the poor are referred to other strategies for coping with their needs. Thus, while the core city of Bangalore was grappling with severe water problems, at the same time, the city was encountering rising demand for drinking water supply because of migration to the city and extension of the territorial and administrative borders. A question therefore arises, how was planning of water supply in Bangalore carried out.

In 2003, the Karnataka government jointly with the World Bank and the Japan Bank for International Cooperation started Greater Bangalore Water and Sanitation Project (GBWASP). Government of Karnataka opted for World Bank financing whereby International Finance Corporation designed and financed a part of the project. In December 2003, Government of Karnataka issued an order sanctioning the proposed GBWASP at an estimated cost of USD 153.2 million (Rs. 6586 million). The project marked expansion of water supply to peri-urban areas of Bangalore, private sector participation and extensive water reform in urban areas. Stated objectives contained in the order (Government of Karnataka, December 26, 2003) included a) to provide Cauvery water to all the urban local bodies; b) to provide supply of 120 litres per capita per day; c) to reform urban local bodies and ensure financial discipline; and d) to introduce privatization of operations and maintenance. According to the project plan, while the project was to be implemented by the Bangalore Water Board, which would allocate required water source and capacity, and provide water within the project cities, the operations and management of the network was to be arranged through private sector participation. Therefore, the project aimed at not only supplying water and sanitation to the growing population and commercial interests of Greater Bangalore, but also introducing new governance structures in order to ensure financial discipline on the urban local bodies, as well as to introduce private sector participation in the management of water distribution network at a later stage. Later, other donors, such as the Asian Development Bank, became involved in the water supply project. Not only did the government retain the World Bank

group's International Financial Corporation (IFC)³⁵, there was a representative of the World Bank's Water and Sanitation Program, who was involved in drafting the Terms of Reference for consultants. In the Table 6.1, I provide a timeline of events related to GBWASP during the period 1997-2004.

**Table 6.1
Chronology of Events in GBWASP Project**

DATE	EVENT
1997	The World Bank identifies Bangalore Water Board as one of the better-performing water boards in India.
1998	Government of Karnataka retained a consulting company, WAPCO to prepare a detailed project report for water supply to Greater Bangalore. However, the project could not take off due to lack of finances.
1999	Report published by Special Subject Group on Infrastructure, formed by the Indian Prime Minister's Council on Trade and Industry. It recommended corporatization of Bangalore Water Board.
2001	The World Bank committed a fund of USD150 million for capacity building in the water sector for 13 towns in north Karnataka. A part of this fund would go towards awarding management contracts with the new regional utilities through international bids.
2002-03	The State Water Policy 2002 and State Urban Drinking Water Policy 2003 enacted that allowed private sector participation and envisaged redefining roles of the Bangalore Water Board and Karnataka State Water Board.
2002-03	Bangalore City Corporation stops paying to the Water Board for public standposts; within months Bangalore Water Board announces closure of all public taps in low-income localities.
2003	USAID was brought in, based on its pooled finance models worldwide, to raise funds from commercial sources.
September 2003	USAID completed their detailed project report in September 2003, in which they determined that current financial structure of municipalities' will not work in case of GBWASP.
December 2003	Government of Karnataka issued an order - G.O No UDD 27 MNI 2000- to implement water and sewerage projects for the 8 municipalities around Bangalore.
April 2004	SM Krishna during the State Budget Speech announced GBWASP Project.

Compiled: USAID (June 2006) 'Greater Bangalore Water And Sewerage Project (GBWASP), India' *Project Note No. 35, Indo-US Financial Institutions Reform and Expansion Project - Debt Market Component FIRE(D)*; Menon, Parvati (13 June 2001) 'Cautious Corporatisation' *Frontline*, 18:13

³⁵ International Finance Corporation is the private sector affiliate of World Bank, which is involved in areas, such as infrastructure, health care, and education. The World Bank provides loan and grant assistance to governments, whereas the IFC lends to, and takes equity positions in, private sector projects.

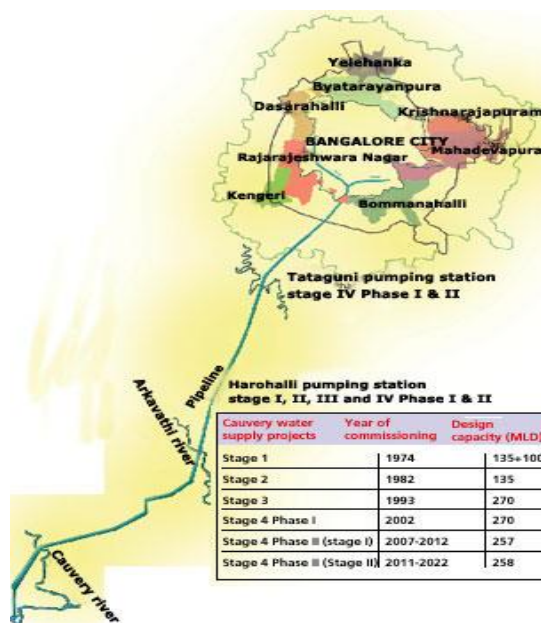
6.4.2 Transfer Content

6.4.2.1 Water Component

The GBWASP project aimed to bring additional piped water supply to Greater Bangalore from river Cauvery. The main objective of GBWASP Project was to provide Cauvery water to the outlying municipalities at the rate of 120 litres per capita daily. It proposed to bring an additional 700 MLD across 95 kms away from Cauvery. Since the bulk arrangements at Cauvery Water Supply Scheme I, II, III and IV-Phase 1, were providing water to main Bangalore city, the temporary arrangement was to draw 100 MLD out of the existing stage 1 of Cauvery Phase IV to meet the demand of 180 MLD in 2006 (CASUMM, 2007a: 2). As per the project plan, the additional 515 MLD would be supplied from stage 2 of Cauvery Phase IV that would come in two phases of 257 MLD each. The latter was expected to come any time between 2012 and 2022. In other words, a growing population in Greater Bangalore would have to manage within a limited supply of 100 MLD. An engineer with the Water Board said,

“This implied that only 100 MLD of water would be available in 2006 and divided among 1.3 million people of Greater Bangalore, it would amount to only 65 litres per person daily, factoring in a conservative estimate of 15 percent transmission loss” (Water Board Engineer, interview in Bangalore, 10/07/07).

Fig. 6.1
Source of Water Supply to Bangalore Metropolitan Area



Source: Down to Earth (December 16, 2005) ‘Virtual Realities’ *Down to Earth, Science and Environment Online* 14: 15, <http://www.downtoearth.org.in/fullprint.asp> [accessed 12/11/2006]

More importantly, the current volume of water withdrawn has to be shared between Bangalore and Greater Bangalore. According to a senior faculty at the Institute for Social and Economic Change, Bangalore,

“The growing population of Bangalore city will compete with the suburbs for the limited water. By the end of 2010, per capita daily water availability in the suburbs will be down to 30 litres” (G.V.Shastry, interview in Bangalore, 25/10/07)

The way the project was planned out necessarily leads one to question the government’s commitment to a minimum level of service to all citizens, which was upheld in the 2003 Urban Drinking Water and Sanitation Policy which proclaimed ‘ensuring at least a minimum ‘life line’ supply to the poor’ (*sic*) (Government of Karnataka, 2002b).

Table 6.2
Trends in Bangalore’s Population, Water Availability and Shortage

Year	Population (in million)	Water Potential Available (in MLD*)	Quantity of Water Req’d. (in MLD)	Shortage (in MLD)	Per Capita Availability	% of Unaccounted Water
1997	5.21	705	781	-77	140	27.85
1998	5.39	705	808	-104	110	30.66
1999	5.57	705	835	-131	110	31.97
2000	5.75	705	862	-157	110	33.27
2001	6.00	705	900	-195	110	32.46
2002	6.04	705	-	-	110	-

Source: Handbook of Statistics, 1997-98 and 1998-00; Annual Performance Report 2000-01 and 2001-02; BWSSB website

6.4.2.2 Finance Component

The project aimed at not only supplying water and sanitation to the growing population and commercial interests of the municipalities but also at reforming them by ensuring financial discipline, and introducing privatization of operations and maintenance at a later stage. As a first step, it proposed a financial structure for the project that would involve municipalities to undertake a host of reforms for capacity building and ensuring the collection of user contributions. Due to a number of factors, including the declining

availability of government funding, the adoption of Fiscal Responsibility Act by Government of Karnataka, the local municipalities were compelled to explore alternative sources and methods of funding. Consequently, “a more flexible and inclusive model for borrowing from domestic capital markets was needed” (J.Manjunath, interview in Bangalore, 27/7/06).

The project financing was designed as follows. To meet the total project cost of USD 153.16 million, several sources of fund were identified. As shown in Table 6.3, these include a contribution from the residents, called the ‘beneficiary contribution’, of USD 27.77 million; market borrowing by means of pooled finance model for USD 23.25 million; grant from Government of Karnataka of USD 17.28 million; loans from external sources of USD 53.28 million and a Mega City loan of USD 10.89 million (USAID, 2006: 3).

Table 6.3
Financing Structure of GBWASP

Parameter	Component Value	
	Rs Million	USD Million
State Grants	743	17.28
Beneficiary Contribution	1194	27.77
Market Borrowing	1000	23.35
Loan from Multilateral Agency	2291	53.28
Others	1358	31.58
Total	6586	153.16

Source: USAID (June 2006) ‘Greater Bangalore Water And Sewerage Project (GBWASP), India’ *Project Note No. 35, Indo-US Financial Institutions Reform and Expansion Project - Debt Market Component FIRE(D)*; P 3.

The two innovative financial schemes, therefore, were the ‘pooled finance scheme’ and ‘beneficiary capital contributions’. The first step to launching the pooled finance model in Karnataka was to establish a debt fund under the name of the Karnataka Water and Sanitation Pooled Fund (KWSPF). USAID FIRE (D) in another southern State, Tamil

Nadu pioneered the model in 2003. It was similar to the United States bond bank - a state-sponsored intermediary that borrows from the capital markets, usually fortified by a state or federal credit enhancement, which then uses the proceeds to on-lend to local bodies to finance infrastructure projects. Because the bonds are repaid by a diverse pool of local borrowers, risk is diversified, which reduces interest rates for local governments (USAID, 2006: 2). The KWSPF, which was created in 2004 under the management of the KUIDFC, served as the intermediary between the local municipalities and the capital market. It accessed the capital market through a bond issue on behalf of participating municipalities. The KWSPF was to borrow from the market and on-lend to the municipalities at terms determined by the KWSPF. All the trustees were bureaucrats with no representation of elected councillors from the municipalities. During June 2005, the KWSPF successfully floated one thousand tax-free municipal bonds, each with a face value of USD 23,000 and an annual interest rate of 5.95 percent resulting in a sum of USD 23.25 million. The 15-year bonds were redeemable in 15 annual installments and callable at the end of 10 years. KUIDFC was appointed the Fund Manager. The main security for the debt to be mobilized for the project was a Water Project Account, maintained by each of the participating local bodies. An amount equivalent to 1.5 times the annual debt service payments because of the market borrowings was to be transferred to this account from the participating local body's general revenues such as property tax revenues, and state devolution and annual operating grants from the state government for the debt servicing. From the Water Project Account the required amount would be transferred to the KWSPF. The financial component was, therefore, criticized:

“we see that the revenues of the local bodies were to be diverted towards the repayment of market borrowings. This comes at a time when these municipal corporations were already facing a serious financial crunch. One would remember that the municipal corporations have been denied the authority to collect development charges, which, is one of the significant sources of revenue for them. Despite this severe financial crisis, the escrowed account allowed automatic transfers of 40 percent of the general revenue surpluses to the Water Project Account” (CASUMM, March 27: 2007).

Given the sum of money involved and the amount of debt and responsibility incurred by each urban local body, combined with the fact that the pooled finance concept has a limited precedent in India, the investor risk in purchasing the bonds would seem substantial. The Government of Karnataka set up several mechanisms to mitigate the default risk of municipalities. They set up Bond Service Fund (BSF), which was backed by several fund sources, including government sources, a State Intercept Committee and a

USAID guarantee. USAID had committed to guarantee upto 50 percent of the bonds, for a fee of 0.5-0.75 percent of principal, which is Rs 2.5-3.75 million. This meant they would pay bond owners in case of default by the urban local bodies (but subsequently recover the guaranteed amounts with interest from Government of Karnataka. (CASUMM, 2007a: 3).

The second innovative scheme was the Beneficiary Capital Contribution, which comprised 35 percent of the pooled finance scheme and involved residential units that were to pay Rs 2,500 to Rs 15,000 a year depending on the area of the dwelling unit (Government of Karnataka, February 26, 2005). The contributions went to separate account of Bangalore Water Board and municipal corporations had no control over it. The charges settled varied between Rs. 2,500 (USD 58) to Rs.15,000 (USD 349) for domestic properties and Rs. 5,000 (USD 116) to Rs. 20,000 (USD 465) for non-domestic, and these were in addition to the access and connection charges levied by the Water Board and the road cutting charges to be paid by property owners to the municipal corporations. Further, based on feedback from the urban poor sections of the project area, the State Government exempted the urban poor residing in dwellings of less than 600 sq. ft. from paying the beneficiary contribution. The Government emphasized that those who do not make the beneficiary contributions will not be entitled to water.

According to a recent study by the Centre for Budgetary and Policy Studies Bangalore, the above framework has been enforced as conditionality for the guarantee provided by USAID. This, according to them, is the first step towards privatization of the basic services like water. Hence, only the market borrowings are a protected investment and not the beneficiary contributions of the citizens. The State intended to pass only 10 percent of the water supply costs to the 'users'. In the same Government Order, the tabulated amount of 'user' contribution works out to 34.04 percent. However, as of April 2006, the portion of 'user' contribution is 44 percent of the total water supply cost. These numbers are not available to anybody at CMC level nor has there been any discussion about these matters in CMC. The State has withdrawn steadily from its original financial commitment (down from 23.33 percent to 18.45 percent); the burden has shifted to citizens, now called 'users'. The burden on citizens is both direct: user contribution per connection, and indirect loans to the CMC.

There was no discussion about slums and the urban poor; and the issues of local need and equity were not addressed at all. With regard to the poor there is a lot of ambiguity regarding the beneficiary amount though it is clear that public taps (community taps) will not be laid. ‘The BWSSB would extent the provision of service to urban poor, at tariffs decided by BWSSB from time to time, by way of a lower access fee for individual house connections’ (Government of Karnataka, December 26, 2003). On the issue of citizens, one question that arises in the context of GBWASP is whether the urban poor and slum dwellers of these eight urban local bodies are even considered citizens! Their exclusion took place on many fronts. There was no mention of the exact amount of beneficiary contribution expected from them. However, it is clear that they are expected to pay up if they want water. Though GBWASP strictly made “user pays” as the basis of water supply, there is no consideration for the fact that most of the urban poor do not have the capacity to make such payments considering that the wages they receive barely ensures food security. The low wages received by the urban poor is one of the main reasons for their unwillingness to pay for water. In a BWSSB report it is stated that “...willingness to contribute was observed lowest in slums (15 percent), followed by 34 percent in low-income, and 39 percent in middle-income group consumers” (TCE Consulting Engineers, 2004).

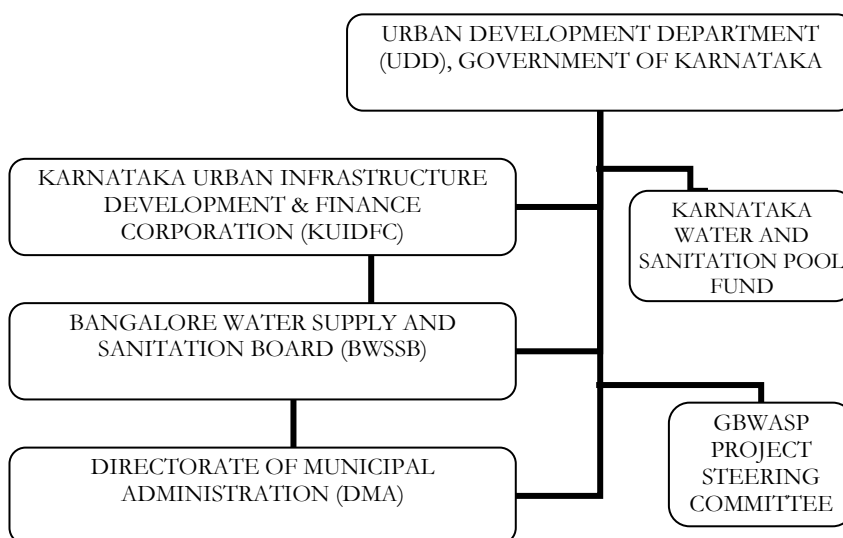
6.4.3 Transfer Actors and Influences

Those who were part of the project team included the main implementation agencies- the Water Board (BWSSDB) and KUIDFC. The other actors were the Urban Development Department (UDD), KUIDFC and Bangalore Water Supply Board (BWSSB). External Agencies involved were USAID, Water and Sanitation Programme - South Asia (WSP), and Jaanagraha, as civil society participating agency. All the actors and agencies in the group had an intrinsic interest in the concept of sustainable urban development and 24/7 water supply.

The BWSSDB had responsibilities that included allocation of required water source and capacity, provide water and sewerage system within the project cities as per design modifications, operate the entire network within the project ULBs, provide water and

sewerage services to users directly or through PSP (private sector participation), set tariffs and collect revenue directly (Government Order, 2003). The project finance was routed through Urban Development Department and KUIDFC. A Trust fund was also created to sell bonds in the financial market - Karnataka Water and Sanitation Pooled Fund (KWSFP) - in order to generate funds for the GBWASP project. All the members of the Board of trustees of KWSFP were bureaucrats with no representation of elected councilors. The management committee of the board of trustees included: Principal Secretary (UDD); Principal Secretary (Finance Department); Secretary to Government; Director of Municipal Administration; and Managing Director, KUIDFC. (Government of Karnataka, 26 December 2003:10).

Fig 6.2
Schematic Diagram Showing Organisational Arrangements for GBWASP



Particular attention needs to be paid to the constitution of Project Steering Committee, to guide and monitor the project. It was the core team whose key members were Principal Secretary (UDD), Secretary (Finance Department), Managing Director (KUIDFC), Chairman (Directorate of Municipal Administration), Chairman, the Bangalore Water Board, representatives of USAID FIRE-D project in India and representatives of municipal corporations of Greater Bangalore. Hence, there was an attempt to ensure stakeholder participation. However, in practice, the Committee used small group of core

members work out action plans designed to implement the common ground visions (as evident from project documents and conversations with KUIDFC members). So while the steering group was more or less representative of all stakeholders (in keeping with the fundamental aim of IWRM - full participation by all stakeholders), the critical decisions were often reached within a core group of influential members. Questions raised or suggestions made at Steering Group meetings were often turned down or diverted³⁶. With KUIDFC raising funds, the equation changed - the deeply indebted suburban municipalities agreed to project proposals put forward by KUIDFC, which approached them with the funds (A view expressed by a few Corporators in Greater Bangalore, during interviews in August 2007). The situation in Yelahanka Municipal Corporation was described as,

“Commissioner initiated a discussion by stating that the corporation has already approved that it would bear its part of the cost to the project. He said the CMCs stake in the project had been hiked from 13 to 16 percent. As per the new equations, CMCs had to pay Rs 87 crores. Part of this could be met by mega-city loan and part by raising user charges. The domestic user has to pay CMC Rs 10,000, get a no-objection certificate and then pay Bangalore Water Board Rs 1750 to get water and underground connection. The Councillors expressed unhappiness over this, stating that Rs 10,000 was too high and the poor could not afford it. The minister informed them that some public taps would be provided to them. However, the councillors raised the issue of Rs 10 being charged for public taps, which would rise if Cauvery water supply were provided for. The Minister replied that the households have to pay Rs 10,000 irrespective of whether they have paid Rs 2600 or not to the CMC” (Anonymous Councilor, interview in Bangalore, 22/6/07).

In January 2004, resolutions were passed in the eight municipalities of Greater Bangalore to implement the project in their respective areas and to abide by the financial and other conditions of the project.

6.4.4 From Practices to Discourses

Initially, the user contributions failed to take off. Until end-February 2006, an amount of USD 15.34 million was collected (as against the target for USD 28 million approximately) from the residents of Greater Bangalore. It was reported that city municipal councilors said they are not to blame: “There are political problems coming in the way of collection,” they said. Water Board sources added that residents were wary of the water charges. “Initially, people said they will pay once GBWASP starts. Now they say they pay when the project is

³⁶ Interview with KUIDFC member of the Committee

over,” the sources said (Times News Network, 8 August 2005). In order to overcome the problem, the Project steering Committee of GBWASP decided on an intense and sustained public campaign for collection of one-time contributions all the more imperative. On 21 May 2005 ‘Janaagraha’³⁷, a non-governmental organization in Bangalore, was appointed as the agency to facilitate citizen participation in the Greater Bangalore Project. This citizen participation component was named ‘Jalamitra’³⁸ - that would ensure citizens participation in the project in a formal and institutionalized manner. More specifically, the Jalamitra mandate in the GBWASP project was to establish a structure to facilitate participation and provide citizens with the training and support required to fulfill their role. According to the mandate, “it goes past the ‘why’ to designing the ‘how’ on the question of citizen participation. Jalamitra brings in formal citizen participation for the first time in urban India, and in doing so, brings in partnership and a two-way accountability between government and citizens” (Janaagraha, 2007). The objective of this collaboration was described as “to effectively create and efficiently manage the project with active and formal citizen participation” (Janaagraha, 2005). A significant statement in the agreement was to provide communication collateral so citizens can “make informed choices on paying the customer financial contribution for capital works” (Janaagraha, 2005). The rationale behind Jalamitra was described as a citizen's movement committed to the practice of participatory democracy. It is a platform for citizens to collaborate and interact effectively with government. The key operating premise was that when citizens hold themselves and their representatives accountable, instead of ‘electing and forgetting’ they will ‘elect and engage’ to see noticeable improvements in their neighborhoods and city. A key aspect of the initiative was to create the opportunity for every citizen to play a part by giving a few hours a month, keeping the priorities of their lives in balance: this was named ‘Practical Patriotism’. Hence, Janaagraha replaced organised ‘political/social activism’ with what the documents refer to as ‘Practical Patriotism’ and ‘professional volunteerism’ in order to ‘create the opportunity for every citizen to play a part by giving a few hours a month, keeping the priorities of their lives in balance’. It believed that its role in the project required it ‘to maintain a neutral stand’, so that it could ‘build a solid citizens platform without any bias’ (Bangalore, various project documents on Jalamitra, 2007).

³⁷ Janaagraha was set up by Ramesh Ramanathan, an international banker having spent considerable years in USA before returning to Bangalore in 1998. Ramanathan became interested in how internal systems of governments work as part of BATF and worked to clean up the accounting and financial systems in Bangalore City Corporation. He also explored where citizens could be brought into the decision-making process, some form of participatory democracy.

³⁸ ‘Jal’ refers to water and ‘mitra’ refers to a friend in the local Hindi language.

Another aspect of Janaagraha's work was the spirit of professional volunteerism. "It is likely that there could be many issues of concern that arise over the duration of the project. Janaagraha's view was that the affected citizens of the municipalities must have a say in these matters", according to one of the main coordinators of Jalamitra (interview at Bangalore, 11/08/06). The objective of the memorandum of understanding was to effectively create and efficiently manage the project with active and formal citizen participation. It was expected that the project "may be a blue print for further infrastructure projects undertaken by the government bodies in the country." The criteria of selecting GBWASP were 'mass impact', 'sustainable solutions', 'scalability' and 'replicability'. For Janaagraha, each activity has to have documentation of how it was before and have a plan for generating desired, measurable outcomes.

Ensuring citizens' participation into the project in a formal and institutionalized manner was undertaken through an exercise called Participatory Local Area Capital Expenditure (PLACE). The criteria and structures for such participation were called 'Institutionalized citizen involvement' where Janaagraha was to be responsible for ensuring 'Organized and structured design of citizen participation.'" The institutional mechanism proposed for citizen's participation was elaborate. Janaagraha, developed a clearly defined structure for citizen involvement and participation - a three-tier one, composed of the establishment of citizen committees at ward levels, at the level of municipal corporations, and a co-ordination committee at the project level. The details of each of the citizen committees would be clearly defined, in terms of constitution, composition, functioning, roles and responsibilities, and decision-making processes. Structures for regular interaction, information exchange and shared decision making between these committees and the parties were also defined. This was done to create a representative citizen/customer/stakeholder platform for decision-making, as per plans for participatory mechanisms of Jaanagraha. Various committees were set up according to a 3-tiered structure of citizen, ward, and project levels. There were Citizen Steering Committee, Municipal Level Committees, Ward Project Committees, Citizen Advisory Committee, and Janaagraha Project Coordination Group. It was also agreed that local corporate-sector institutions and opinion leaders would also be contacted, and brought into the communication stream for the project. Urban local bodies were to facilitate Janaagraha's work, and participate in meetings as necessary. The Water and Sanitation Program (WSP)

of the World Bank agreed in principle to bear the Phase 1 training costs estimated to cost equivalent of USD 100,000. The International Finance Corporation (IFC) also came forward to extend financial support. Water and Sanitation Programme (WSP) indicated an interest to fund the integration of the urban poor and additionally to fund any study that may be required for formulating the pro-poor policy. USAID also indicated interest in extending some financial support but the extent is yet to be ascertained (Janaagraha, 2005).

In a large project, aiming to connect many million people to a central water supply network, the question of end-user participation would seem fundamental. The above evidence suggests that the Project, however, did not provide for any public participation or citizens' involvement. Citizens' participation, funded by USAID, became a reality only after citizens beneficiary contributions failed to generate the necessary resources. Janaagraha became a 'partner' in the programme and had the intention to bring in a component of citizen participation to the project, in a 'formal, institutionalised manner'. It described itself as a platform using information dissemination to encourage users to pay the Beneficiary Capital Contribution. However, not much evidence comes to light that its work was well coordinated with the Project Steering Committee in charge. Janaagraha disengaged from the Project in February 2006, partly because the Campaign against Water Privatization posed strong opposition to all its efforts.

6.4.5 Policy Transfer Restraints

On November 22, 2005, several organisations opposed to the project launched a public campaign against the Greater Bangalore Water Supply Project. It created a new forum – 'Campaign against Water Privatisation' (henceforth, Campaign). Comprising of about 40 NGOs, who came together to demand an end to what they saw as an anti-poor trends in the Greater Bangalore project, the Campaign stated that the impact of water privatization had been disastrous in societies where it was introduced with water tariffs increasing steeply, making it exorbitant for the urban poor to purchase water (Babu, 2006). The Campaign targeted Janaagraha's programme for citizens' participation, labelled as 'Democracy in Action'. It questioned the motive behind the programme Jalamitra, especially its tie-up with WSP-South Asia, whereby WSP offered financial support to Janaagraha for funding the training programmes. Clifton Rozario, one of the lead campaign activists, questions,

“Can it be that Janaagraha is the smokescreen that, in the name of ensuring citizens participation, prevents citizens from raising questions regarding policy and financial choices? Train citizens not to question privatization! This is so tragic since this is being done in the name of citizens’ participation! The role of Janaagraha clearly is to ensure that the privatization of water supply takes place smoothly” (Clifton, interview in Bangalore, 26/07/07).

The Campaign also seriously opposed Jaanagraha’s role in trying to bring in ‘professional voluntarism’. The civil society organization, The Concerned for Working Children, raised serious concerns about ‘practical patriotism’ that was promoted by Jaanagraha in place of ‘political/social activism’. The aim of Jaanagraha to create the opportunity for every citizen to play a part, keeping the priorities of their lives in balance, thereby made “a mockery of all the political and social movements in India that have contributed to nurturing and protecting democracy” (as narrated by Meera Baidur, interview in Bangalore, 22/09/07).

Probing the concept of ‘citizens’ participation’ as promoted by Jaanagraha, concerns were raised that the participation of the citizens was being encouraged only within a framework that has already been defined by various forces including the USAID, IFC, and the WSP. It was observed that the PLACE document lists the various stages during which citizens will participate – conspicuous by its absence in this list is involvement in the design and policy development phase. Clifton (2006: 13) sums up,

“That water supply will be privatized is given. That every household will contribute a huge sum of money (without being provided adequate information about their entitlements and future risks when entering into such a contract) is also given. That Janaagraha will play in crucial role in defining the constitution of the various committees is also given. Is this citizens' participation?”

The campaign therefore focused on the issue that citizens could not become involved in raising questions regarding policy and financial choices. Because of the Campaign, Janaagraha disengaged itself from the Greater Bangalore Water Project. In a letter to the Government, Janaagraha founder Ramesh Ramanathan said they had sought some clarification regarding the project, with specific relation to water supply for the urban poor. There was serious concern about the kind of water supply options to be offered to those in the urban slums. “Specifically, there is great concern about privatization and what this could mean from a pricing perspective. Janaagraha's view is that the three-tier *Jalamitra* structure for citizen participation, including representatives of municipalities, should be

involved in consultations for taking any decision on service options,” the letter said (The Hindu, February 2, 2006).

Another important issue raised by the campaign was its anti-poor nature. At a seminar in October 2005, several campaigners emphasized that this water privatization process is designed to deprive drinking water to the urban exploited communities living in slums (as told by Gururaj, interview in Bangalore, 22/09/07). ‘Any private operator will not have any social or rights-based measure for his operations. For the operator, the main concern will be all about reducing his operating ratio and maximizing profits’, according to Meera Baidur, one of the participants in the Campaign (interview in Bangalore, 22/09/07). Voices, therefore, were raised asserting the rights of the poor in the ‘cyber-city’. A basic concern was whether urban poor and slum-dwellers of Greater Bangalore specifically and Bangalore generally were considered as citizens with equal rights over water? According to Clifton,

“Though GBWASP has strictly made ‘user pays’ as the basis of water supply there is no consideration for the fact that most of the urban poor do not have the capacity to make such payments considering that the wages they receive barely ensures food security” (Clifton, 2006: 15).

It was also asserted that the project might result in centralising the decision-making and control while decentralizing the debt burden. The city municipal councils served by the project may have to incur debts to finance their part of the funding and pass it on to consumers in the form of increased tariff. A disturbing feature was that while the CMCs incur debts to fund the water supply, they might have fewer funds left for providing civic amenities to the residents. The urban poor in ‘non-notified slums’ may be left out of the picture altogether. The project was developed with little public consultation or disclosure of information, while elected members of the local governments have had no part and their role has been left unclear. A study by CASUMM (Collaborative for Advancement of Study of Urbanism through Mixed Media) shows the total cost, with overruns still on, may exceed Rs. 8500 million. The water supply component of Rs. 4500 million will be financed by a combination of grants (Rs 748 million), loans of Rs. 468 million, municipal bonds of Rs. 1000 million, and beneficiary citizen contribution of Rs. 1194.4 million, based on 50 per cent of citizens signing up. According to CASUMM's Vinay Baidur, who was actively involved in the study, the project debt may well force the urban local bodies to cut back on

other routine works. These urban local bodies are expected to serve the debts before incurring any other expenses. The project relies on a steady increase in property taxes for debt servicing. This may not materialize even if land value goes up under Greater Bangalore entity, since property tax cannot exceed 50 percent of the market value under a legislation (CASUMM, April 4, 2006: 3). The result will be the urban local bodies cutting down on expenses related to road repairs and street lighting.

The Campaign demanded that the government be more transparent in its policies and budgetary allocations. Clifton reiterates the need for participation of citizens in framing the policies and plans to make water available, to be done so within the wide framework of the Constitution, with the cooperation and participation of wider social movements (Clifton, 2006: 21). At a workshop held in Bangalore in March, 2007, several proposals were put forward: depoliticizing the decision making process and make draft reports public (Baindur); information sharing between states, local and state governments to build better public institutions, and hence civil society organizations role is to make information available to the elected representatives by processing data (Rath); and, finally the need to balance water availability and demand with water rights through policy and planning at ecological levels like rain water harvesting etc. and involve the private sector not with profit guarantees but through efficiency in distribution (Gopiprasad)³⁹. The Campaign posted an important gain when government announced not to collect beneficiary contributions from the poor and to frame a comprehensive policy for the urban poor with regard to access to water.

6.5 Case Analysis and Discussion

This chapter applied the framework on political economy of policy transfer and examined the design and implementation of Greater Bangalore Project. The chapter provided empirical evidence on which of the global policy ideas and goals gained primacy in the design, who were part of the design team, why were certain ideas made prominent and how were these ideas on water reforms disseminated? Consequently, the chapter examined which local influences in water mediated between global programme and local implementation? Moreover, how is a global programme translated into local practices?

³⁹ Compiled from workshop notes of the 'NIAS-CASUMM Workshop on Water Challenges in Greater Bangalore' held on March 27, 2007 at Bangalore

Political and Economic Interests of the State: The wider influences that played a role in knowledge transfer in designing the project are the economic settings of Bangalore, a city with global aspirations. The case highlighted political interests in consolidating Bangalore's reputation as a global city, increasing its potential as destination of global capital, enhancing its competitive strength vis-vis other cities in southern India with excellent infrastructural facilities and finally the political leverage in building a world-class city. These factors played a part in elite decision-making that involved laying out the design and implementation plans for the Greater Bangalore Water project.

Who were the transfer actors? While there was a strong involvement of international group of actors, domestic actors included those from state bureaucracy who mainly worked through the financial intermediary-KUIDFC. Hence, a few actors belonging to this core group have been active participants in the transfer process through both the phases.

What was the transfer content and degree of transfer? The learning in this case has mainly involved transfer of policy ideas on a) setting up financial viability of water supply projects; and b) environmental sustainability of projects. The project involved transfer of financial instruments as 'escrow account' and administrative techniques as 'Beneficiary Capital Contributions' 'pooled finance scheme', and 'mega city loan'. The knowledge transfer also involved learning about institutions such as the setting of Trust Funds for water financing and ideas on generation of resources by various means to make water systems commercially viable. Finally, the knowledge transfer has involved practices and development of positive attitude towards private sector participation in urban water projects. The case highlighted setting up of mechanisms as PLACE and Jalamitra for developing community participation spirit in water delivery services. To ensure financial viability and not rely on central and State-level grants, the project content included new instruments of capital contributions named as 'pooled finance scheme', 'mega city loan' and 'beneficiary capital contributions'. These instruments had strong links with USAID initiatives on financialisation of urban infrastructure in India (see USAID Fire-D Project Note, 1998a). Overall, the transfer content was a combination that blended various elements in designing the project.

Project Restraints: The case of knowledge transfer in GBWASP may be considered an inappropriate transfer. Of great significance in this case has been the legitimacy and transparency in the process. The involvement of international actors in the provision of water supply led to questioning on the intentions of the government. Concerns were raised about the legitimacy of the process. Another concern was institutional and cultural fit of participatory mechanisms. Discourses and mechanisms on citizens' participation were adopted to enroll users in the extension, construction, and management of water networks, particularly in squatter and marginal communities. The framing of ideas in the discourses revealed two main policy goals – of creating financially viable water supplies through revenue generation based on user contributions and setting up hierarchy-based community involvement through institutionalized mechanisms such as PLACE. The project practices however, failed to generate enthusiasm among local residents, burdened with high user charges. Finally, the feasibility of design was questionable. These complexities of implementation that arose from the design of the project were embodied in the statewide campaign against Water privatization in November 2005.

To conclude, the political and policy context highlighted by the case study clearly established Karnataka's interests in consolidating Bangalore's reputation as a global city, increasing its potential as destination of global capital, enhancing its competitive strength vis-a-vis other cities in southern India with excellent infrastructural facilities and finally the political leverage in strengthening the regions capability as an advanced industrial state. These factors played a part in elite decision-making that involved laying out the design and implementation plans for the Greater Bangalore Water project. Hence, in this chapter I have been able to show how the global policy ideas on sustainable development of water have influenced local water management. By outlining the degree and extent of which policy ideas were transferred on a project allowed me to highlight how IWRM principles were transposed on a local scale within a 'global city' in India. In the next chapter, I follow up with another case study of a local water project that will enable us to develop a comparative perspective on how domestic settings and interests influence transfer and adaptation of global policies in water in India.

Chapter Seven
Designing and Implementing Global Water Policy:
The case of 24/7 water supply project in Hubli-Dharwad

7.1 Introduction

The earlier case demonstrated how local interests in Bangalore played a role in the design and implementation of the transferred policy. Strong commercial interests linked to the city's emergent status as a globalised city and real estate development was a strong influence in the adoption, design and implementation of global policy ideas on water. In this chapter, I provide a case on urban water project in the city of Hubli-Dharwad, in northern Karnataka. The city located around 405 km north of Bangalore city for years, had faced severe drinking water crisis, with drinking water being supplied once in seven to eight days. The possibility of creating an improved water supply system in a few cities in northern Karnataka was under consideration by the State government as part of an attempt to reduce the problems of the deteriorating urban infrastructure. Seeking external financial assistance in its attempts to improve the city's water supply system, Government of Karnataka in 2003 approached the World Bank, who agreed to support a project. In 2004, the Bank proposed a pilot project of 24/7 water supply. The aim was to develop new practices in water management and to demonstrate 'continuous water supply'; more broadly to introduce ideas of sustainable supply of water and practices upholding efficient management of its delivery. In this chapter, I consider the initiation of World Bank's 24/7 water supply project in Hubli-Dharwad and its implementation as a case of policy transfer. The chapter attempts to identify the influences that shaped water policy and practices in Hubli-Dharwad; and provides an evaluative account of the transfer in this context. For the purpose, I identify the projects actors, the design, and the practices involved.

The chapter is structured as follows. In Section 7.2, I provide the political economy context with a brief description of Hubli-Dharwad as a city, that drew the attention of policy-makers in Bangalore in early 2000. In Section 7.3, I discuss the policy environment focusing on the water situation in the city. In Section 7.4, I discuss processes of transfer by describing the motivations (Section 7.4.1), the transfer actors (Section 7.4.2) and the transfer objects in the context of the design and implementation of projects (Section 7.4.3). In Section 7.4.4, I highlight how discourses were used as an instrument to turn policy ideas into practices. The chapter ends with an analysis of the case in Section 7.5.

7.2 Hubli-Dharwad: the new destination for IT industry

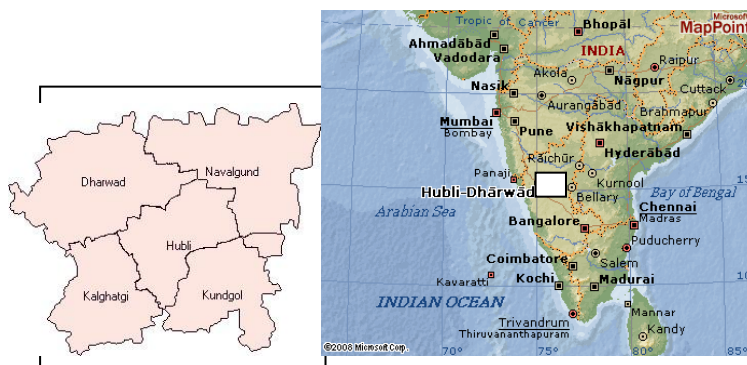
The twin city of Hubli-Dharwad, situated 427 km north of Bangalore city, are two separate cities approximately 20 km apart, which were administratively twinned in 1962 following a reorganization of the municipal boundaries. With a population of less than a million (0.78 million as per 2001 Census) and spread over an area of 202 sq. km, it is the third-largest city in Karnataka, after Bangalore and Mysore (Budds and Allen, 1999:1). Hubli-Dharwad is characterized by a low population density by Indian standards (3395 inhabitants/km²), yet has experienced high rates of population growth in some parts of the surrounding area (Universities of Birmingham, Nottingham, and Wales at Bangor, 1998, as cited in Budds and Allen, 1999:1).

The twin cities are located in a predominantly rural region where agriculture is the principal economic activity due to the productive nature of the soil. In spite of this, State-level policies have promoted the conversion of agricultural land to industrial uses, based on Hubli-Dharwad's strategic location and good connections between Bombay and Bangalore, the availability of water and forest resources, and cheap labor, all of which make it a prime location for industry (Budds and Allen, 1991). Hubli, therefore, has developed as the commercial capital of north Karnataka with all the major industrial and trading centres of north Karnataka located within it. Its partner city Dharwad, situated west of it, is the administrative centre. All major higher education institutions in northern Karnataka are situated in Dharwad.

The twin-city is divided into 67 wards and is administered by the Hubli-Dharwad Municipal Corporation (HDMC). The HDMC is responsible for implementing local projects and city-wide plans and maintenance of public utilities. However, there is a high degree of centralization at the State level, which means that the municipal authorities, such as the HDMC, do not have significant power or financial autonomy to carry out independent decision-making. According to Manivannan, Commissioner of HDMC, 'Decentralization in the real sense has not taken place with respect to urban local authorities' (interview, Hubli-Dharwad, 16/10/06). This is exemplified in the process of industrialization and urbanization promoted by the State government. Budds and Allen (1991: 6) emphasise the centralization feature in urban governance in Karnataka. In

describing the peri-urban areas of the twin cities, they highlight that despite entrusting the rights to approve (or reject) requests for land conversion to the local governments and municipal corporations, in practice the State government has the power to acquire the land and overrule the lower-level authorities. Hence, the regional government tends to impose a top-down approach, with Statewide policies on industry and urbanization drawing little resistance from the rural authorities (Budds and Allen, 1999: 6). Around 75 medium and small-scale industrial units were set up in Hubli-Dharwad, dealing with various types of industries, such as agro products, engineering products, machine tools, chemical and pharmaceutical products, and industrial valves. Karnataka State Industries Corporation also developed a new industrial estate around 7 km from Dharwad city, inspite of the region rich, fertile soil (KUIDFC, 2006b: 15). This highlights the strong impetus that existed at the State level to industrially develop Hubli-Dharwad as a second tier city in the State.

Map 7.1: Map and Location of Hubli-Dharwad, Karnataka



Source: a) Map of Hubli-Dharwad, Karnataka, India, 2008, Microsoft Encarta, http://encarta.msn.com/map_701513216/hubli.html [accessed 15/2/08]

b) Dharwad District, 2008, Karnataka State Small Industries Development Corporation Ltd., http://www.Kssidc.Kar.nic.in/karmap_files/dharwad.asp [accessed 15/2/08]

Since early 2000, the Government of Karnataka made plans to set up an integrated IT city in Hubli-Dharwad as part of a larger plan to attract IT investors to ‘Tier II’ cities and decongest Bangalore. Media reports, during the period, highlight the State government’s plans for Hubli-Dharwad. In 2004, Karnataka Industrial Area Development Board set apart 300 acres for the IT industry in Hubli-Dharwad twin cities. It was expected that the IT industry in Karnataka would provide employment to about one million professionals by

2010, of which 30 percent would be located in north Karnataka. The government committed itself to the development of IT industries in all secondary cities of the State. Therefore, during 2004-06, momentum picked up to develop Hubli-Dharwad as the new IT destination, including the organization of 'Destination Hubli' to promote an IT Park. The city was described as an "enterprising urban centre experiencing tremendous growth in every sector", with the 'advantage of big city living without the associated high costs and congestion of a large centre" (Hubli-Dharwad Municipal Corporation, 2007). The State Government began to develop Hubli at a frenetic pace as part of its operation – so that the bristling commercial centre with its salubrious climate and availability of all critical needs - power, water, and access - will emerge as a key tier-II IT destination in Karnataka.

7.3 Policy Environment in Water

With globalization, the traditional regional inequality in Karnataka intensified – most of the northern districts were far behind the southern districts in per capita income and other indices. Unlike the cities of south Karnataka, the cities of the north had not received any special grant for development projects. The transformation of Hubli-Dharwad into an 'IT city', therefore, was described as,

'Outsiders might be deceived by the gleaming apartment blocks and mushrooming shopping malls, taking them for unmistakable traits of Hubli's development. However, behind the façade lies the primitiveness of the city. Most buildings are bereft of basic amenities and have to dig up trenches of 5 to 10 feet deep to get water once a week' (Deccan Herald, July 13, 2004).

The situation of drinking water supply was especially critical. The water service delivery suffered, since the municipal corporation did not have adequate staff. Water use in many households had not been metered and the loss that accrued to the corporation ran into thousands of rupees. Due to inept way of sanctioning new water lines, twin cities had 30,000 illegal connections. Those associated with water distribution blamed it on old lines and improper planning; others blamed it on the Water Board (The Times of India, January 22, 2002). In a situation similar to Bangalore, several lakes, which dotted Hubli-Dharwad, had disappeared. According to Deputy Commissioner of Hubli-Dharwad, one of the main reasons for the drying up of most of the tanks has been increasing population and destruction of forests (Deccan Herald March 22, 2005). Therefore, the promotion of

industrial activity in Hubli-Dharwad required the twin initiative of building the city's infrastructure, which was in poor shape.

The Karnataka chief minister S.M.Krishna's major policy target was to make the development of Karnataka as robust as possible. In March 2002, the Government of Karnataka announced two new universities and a separate commissionerate of public instruction for north Karnataka as part of his 'regional imbalance correction' package. In the same year, a Committee on the Removal of Regional Imbalances, popularly known as the Nanjundappa Committee made recommendations that held the key to the development of north Karnataka. The report called for an additional investment of Rs. 20 billion a year for a seven-year period to bridge the gap in development (The Times of India, March 23, 2003). However, further implementation of the plans was hampered as there was lack of funds for urban development. In an interview, when Krishna was asked about the failure of the State Government to implement the Nanjundappa committee's recommendations, Mr. Krishna cited the drought and paucity of funds for the delay in implementation (The Hindu, September 1, 2005).

The drought that hit Karnataka during 2001-03, as mentioned in the earlier chapters, was especially severe in northern Karnataka. Hubli-Dharwad lies in a semi-arid region of the north that does not receive consistent rainfall. In the summer of 2001, rainfall for Hubli-Dharwad was far below normal. With failure of rains, the two main water supply sources for the city were badly affected. Neerasagar⁴⁰ dried up. Even the storage level at Malaprabha River was not good enough. As a result, twin cities reeled under shortage, receiving water once in 8-10 days. Things worsened in 2002. Even though there was plenty of rainfall in neighboring district of Uttara Kannada, the district of Dharwad reeled under drought. Drinking water was supplied once in seven days. In 2003, although there was sufficient rainfall in the region, acute drought during the last three years left the Neerasagar reservoir completely dry. The low point of the water service delivery was reached when water delivery fell to two hours of water every 15 days in the summer of 2003.

⁴⁰Prior to the commissioning of the Malaprabha reservoir, the primary source of drinking water for the people of Hubli was Neerasagara. Located at Dummawada, about 20 kms from Hubli, on the fringes of the Western Ghats, the 175 sq km water body was built in 1955 by the erstwhile Bombay Province. When both Malaprabha and Neerasagara reservoirs were full, residents hardly had any problems in getting water

With sources drying up, the service delivery of water was badly affected. The Hubli-Dharwad Municipal Corporation was in charge of the operations and management of the distribution system, management of underground drainage system, as well as billing and collection. However, water supply services were poor and there were heavy losses in the distribution system, which was attributed to mismanagement by Hubli-Dharwad Municipal Corporation (Deccan Herald, January 6, 2004)). During severe crisis, the municipal corporation tried to make provision for supply from groundwater sources. However, Hubli-Dharwad Municipal Corporation was functioning without any financial stability, and it could not cope with rising costs of supplying water. Overburdened with debt, it approached the State government to pay salary to its employees. In April 2003, the State government asked the Karnataka Water Board to take over the functions of supply of drinking water for the twin cities from the Hubli-Dharwad Municipal Corporation.

7.4 Policy Transfer

7.4.1 Transfer Motivation

In March 2003, the World Bank appointed Bristol Water Services, Austria to undertake engineering assessment for inputs to define the demonstration projects. Based on data collected over a period of 3-4 weeks (15 March - 26 April 2003), Bristol Water Services submitted a report in May 2003. Some of the findings of the report were:

“water is supplied on an average of 3 hours per week for each service connection. In addition, consumers faced very low pressure at a level of service connection of just 3 meters. It is a vital precondition, if the system wants to be operated on higher levels of pressure and with more hours of supply, that the necessary investment in the replacement and repair of distribution systems plus service connections are done” (KUWASIP Final Report, 2003).

Based on the findings and the project plans of Karnataka Water and Urban Management Programme (KWUMP), World Bank proposed the Karnataka Urban Water and Sector Improvement Project (KUWASIP). According to a senior bureaucrat in the government,

“The Bank was financing a programme prepared and owned by Government of Karnataka. This was in keeping with the overall shift in World Bank policy to partner recipient government in the policy reform programmes, so that there is ownership by the latter” (Manjunath, interview in Bangalore, 27/7/06).

The project's approach was to avoid huge investments in bulk capacity augmentation and it intended to operate on efficient management of available water by bringing down leaks and losses. As a pilot scheme, its aim was to demonstrate that new technologies, methods, or programs are better than traditional ones because they increase productivity, lower production costs, raise income or deliver social services more efficiently, and thereby is a solution to severe water shortages in the region. The significance of the project was, however, a performance-based contract with a private water company for rehabilitation, operation, and management of water service in selected areas termed 'demonstration zones'. Therefore, the purpose of the project was to demonstrate continuous water supply service in small areas of the city through private sector participation.

In February 2005, a memorandum of understanding for the implementation of the Karnataka Urban Water and Sector Improvement Project (KUWASIP) was signed between Government of India, Government of Karnataka, and World Bank. The project cost was USD 51.10 million and comprised three main components. *First*, it involved technical assistance studies for water and sanitation sector reforms in the State. *Second*, investments to demonstrate the feasibility of continuous and pressurized 24/7 water supply in selected demonstration zones. *Third*, it involved contracting a private party for the operation and management of the demonstration zones for two years following the above improvements. The project was scheduled to be implemented over a period of 4 years commencing 2004, according to Project Appraisal Document of World Bank. According to a report by Asian Development Bank, the aim of implementing the 24/7 model was "to prepare India for private sector participation in urban infrastructure services" (Seetharam and Bridges, 2005: 7).

The State Cabinet approved the project on 21 October 2003, and a Government Order, sanctioning the project, was issued on 7 February 2004. In April, the World Bank Board of Governors approved the project. The agreement with the World Bank as signed in February 2005, and the loan was declared effective by the World Bank from March 18, 2005 (Deccan Herald, March 5, 2005). In June 2005, KUIDFC Managing Director K.P.Krishnan announced that Compagnie Generale Des Eauz-Seureca JV of France

(CGE)⁴¹ had been selected for the executing the project as an ‘operator’, based on an open international competitive bidding process.

Table 7.1
Chronology of Events in 24/7 Water Supply Project

Date	Event
June, 2001	Chief Minister of Karnataka appointed a High Powered Committee on Regional Imbalance to identify problems of regional growth in north Karnataka and prospects for development in Hubli-Dharwad.
Feb.-March, 2002	A World Bank team visited Hubli-Dharwad on a Project Preparation Mission.
March, 2002	Initiatives underway to transform Hubli-Dharwad into a dynamic economic region; two new universities for northern Karnataka announced; plan for a Northern Karnataka Urban Development Project prepared.
2002-03	Drought-like conditions in Hubli-Dharwad for two consecutive years with water availability ranging from once in 10-12 days on an average.
March –April, 2003	Karnataka State Water Board took over water distribution in Hubli-Dharwad, as Municipal Corporation suffered financial crisis; World Bank appointed Bristol Water Services, Austria, as engineering consultants, to identify the demonstration zones and priority investments for a pilot 24/7 water supply project.
June-September, 2003	World Bank appointed Samaj Vikas, an NGO, to carry out a detailed survey of residents of Hubli-Dharwad for an in-depth understanding of the demonstration zones including the capacity to pay, willingness to pay, perceptions on services, choice for 24/7 supply, etc.
13-21 October,2003	Project appraised by World Bank; State Cabinet approved the project.
7 February, 2004	Government of Karnataka issued a Government Order sanctioning the project.
13 July 2004,	Supplementary Government Order was passed, detailing the implementation arrangements.
29 December, 2004	Government Order was issued for constituting Empowered Committee for the project.
3 January, 2005	Rules on private sector participation and deputation of corporation employees to private operator, amended under Karnataka Municipals Act 1996.
18 February, 2005	A memorandum of understanding for the implementation of the Rs 235 crore World Bank-aided Karnataka Urban Water and Sector Improvement Project (KUWASIP) was signed between the World Bank, Government of India, and Government of Karnataka.
April – May, 2005	Private Operator for the project - Compagnie Generale Des Eauz-Seureca JV of France—selected; Project loan declared effective.
November, 2006	Pilot project runs into trouble due to opposition from residents in demonstration zones over tariff.
January, 2007	Project resumes after negotiation between Hubli-Dharwad Commissioner, KUIDFC officials, and residents.
November, 2007	‘24/7 ‘ water supply begins in the demonstration zones.

Source: Compiled from KUIDFC (2006) ‘Chronology of significant Events Leading Upto Loan Effectiveness’ KUWASIP Project <http://www.kuidfc.com/WEBSITE/WebPage.nsf/lookupAllCat/Projects-KUWASIP-Chronology%20of%20events>

⁴¹ CGE is a subsidiary of multinational Veolia Environment, which is a global provider of environment management services, operating water, energy, waste management, and public transport business in 84 countries. For fiscal year 2005, the net income had increased by 334 percent to reach a total of USD 778.9 million.

7.4.2 *Transfer Actors and Influences*

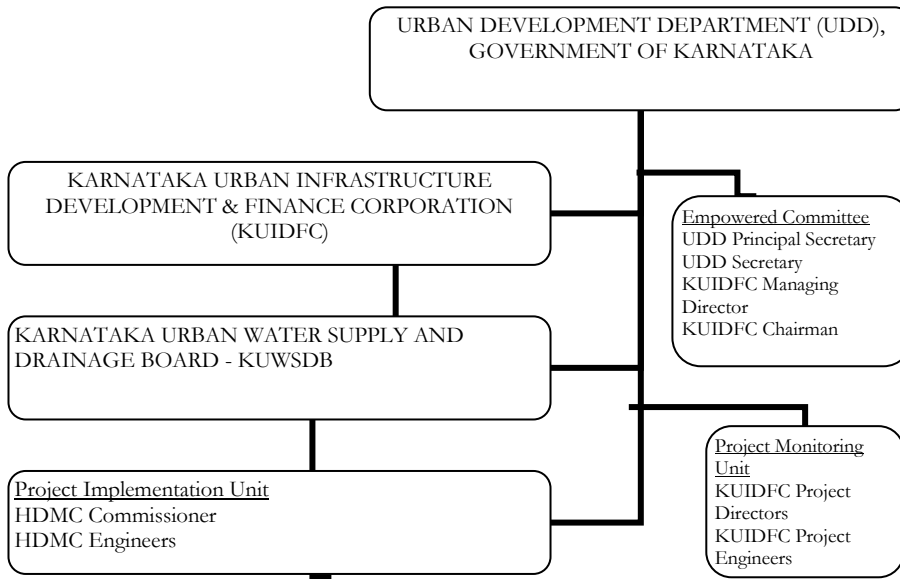
As mentioned earlier, Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC) has been the channeling agency for water supply schemes of multilateral agencies in Karnataka, since 1993. KUIDFC was established with the purpose that eventually it would become a development fund to channel public and donor resources to urban development programs. Being a World Bank programme, the main implementation agency for the 24/7 project, therefore, was KUIDFC. The implementation arrangements, specified under a Government Order, involved setting up a Project Monitoring Unit and Project Implementation Unit (Government of Karnataka, 7 February 2004a; 13 July 2004b). A branch office of KUIDFC, called the project implementation unit (PIU), was set up in Hubli-Dharwad to coordinate between different stakeholders and to do the day-to-day monitoring. The local municipal agency – Hubli-Dharwad Municipal Corporation (HDMC) – was involved as the local implementation agency and its role was to coordinate the stakeholders in implementing the demonstration project.

Compagnie Generale des Eaux, France (CGE), the private sector agency responsible for executing and supervising the demonstration zones, was involved in the operations and maintenance of the distribution system for two years following the commissioning of 24/7. Ownership of all assets continued to remain with the respective municipal agencies and at the end of the project period, the municipal agencies were to take over the distribution system in the demonstration zones, as per the project plans. The process of transferring responsibilities to local authorities was facilitated by allocating several administrative and technical personnel from the local corporation on deputation with the CGE for training. The CGE was also supposed to train management and staff of the corporation during the last six months of the operations and maintenance period (Government of Karnataka 2005: Schedule 16; Times News Network February 5, 2007).

A schematic representation of the institutional set up of urban water supply in Karnataka that highlights project actors is presented in Fig 7.1

Fig 7.1

Schematic Diagram for Organizational Arrangements of 24/7 Project



7.4.3 Transfer Content

7.4.3.1 Water Component

The World Bank’s proposal for solving the drinking water crisis in Hubli-Dharwad lay in the 24/7 model of water supply that was promoted by Water and Sanitation Programme-South Asia and USAID. As discussed earlier, during early 2000, the Water and Sanitation Programme-South Asia was promoting 24/7 water supply model in India. WSP along with USAID focused primarily on ‘Unaccounted for Water (UFW)’ as the main reason for urban India’s water woes. Unaccounted for Water (UFW) is defined as the difference between the water produced and supplied to the distribution system, and the water sold. This difference may be attributable to physical losses due to leakages and to administrative, non-physical losses, due to unrecorded supply. ‘Physical losses’ occur due to leakage or overflow of water in the system. Reasons for leaks include neglect, poor quality of material or workmanship, age and corrosion of the network, leaking joints, lack of suitable appurtenances (pressure vessels, air valves, etc), uneven ground settlement, and vehicular or other pressure on the network. ‘Administrative losses’ result from theft of water or illegal/unregistered connections; faulty meters; unrecorded supply due to poor records, billing errors, public stand posts, and use by the city and charitable and religious

institutions. USAID-prepared note describes the percentage of UFW in Indian cities as very high, in the range of 50percent (USAID FIRE –D Project Note, 2000). UFW may also be explained in terms of real loss and apparent loss of water. Real loss is attributed to the technical problems involving physical escape of water from the distribution system, which includes leakage, theft, and overflow. Apparent loss refers to improper recording of total water consumed by consumers due to meter errors, inaccurate assumption of unmeasured use, and unauthorized consumption, which are attributable to administrative inefficiency of the urban water utility⁴² (Shastry, 2006: 3-4) .

The proposed project was the first structured approach towards introducing private sector participation in India. Through this project, the World Bank aimed to launch the urban water reform process by creating not only a sound institutional and regulatory framework but also an enabling environment for private sector participation. It was supposed to be the first phase of a long-term programme of World Bank funding in the water and sanitation sector in Karnataka. Depending upon the success of this phase, operations would be scaled up in the second and subsequent phases.

The proposed project, with its phased approach must be viewed in an overall programmatic context. The initial/first phase, would launch the Government of Karnataka's sector reform process, bring overall improvements in water supply, and demonstrate better service provision in selected urban areas of three cities. While the first phase set the stage for the reform agenda (including preparation for private sector participation), the subsequent phases focused on deepening and broadening these reforms on a Statewide basis. Hence, the project's aim was described as 'reforms and service improvements through private sector participation in the State urban drinking water and sanitation sector'; 'implement the strategy enunciated in Urban Drinking Water and Sanitation Policy of Government of Karnataka (KUIDFC, 2006a) at State and ULB levels', and, 'to demonstrate the feasibility of 24/7 water supply through a phased approach.

⁴² Interestingly, a higher share of UFW in general, and real loss, in particular, has been interpreted positively, as it would lead to higher groundwater recharge (Shastry, 2006: 3).

For KUWASIP, an emergency water supply scheme was commissioned in August 2004. The capacity of Malaprabha was increased to 73.8 MLD, a water treatment plant was constructed at Amminbhavi, and the Neerasagar Reservoir was desilted. As part of the priority investments, a new pipeline was installed to enable direct pumping from the treatment plant at Amminbhavi to Hubli; this would replace the earlier two-stage process, whereby water was first pumped to Dharwad and then onto Hubli by gravity flow, and hence, save both water and energy. The supplier of bulk water, Karnataka Water Board, continued to be responsible for the quality of bulk water, although within each demonstration zone, the CGE would maintain the quality of water at the same level as that of the bulk water supplied by Karnataka Water Board (Government of Karnataka 2004b: Schedules 8, 10, 12, and 14). As a result, there were apprehensions about who would be held accountable in case of any problems with quality (Clifton et al., 2008).

During the demonstration period, as per the project plan, the CGE (known as the ‘operator’) would undertake rehabilitation capital works (including 100 percent metering of customer connections) in the first year and thereafter manage continuous water supply for two years, meeting stringent performance targets. The operator will receive remuneration, 40 percent of which will be performance linked, and will use and train the municipal corporation employees during the contract period. Depending upon the success of the demonstration phase, scaling up of the same to the remaining areas of the three cities was envisaged in the second phase. As part of loan conditionalities, several Government Orders were passed to assist the project, including Government Order No. UDD-26-PRJ-2003 on February 7, 2004 for project approval; and Government Order No. UDD-90-PRJ-2004 on 13 July 2004 for guidelines on implementation arrangements. Government Orders are ordinances (a law that does not need parliamentary approval). As per the project design, ownership of all assets continued to remain with Hubli-Dharwad Municipal Corporation and at the end of the operations and management period; it would take over the distribution system in the demonstration zones.

7.4.3.2 Finance Component

The cost of the first phase of the 24/7 project was estimated at around USD 51.53 million – the share of World Bank was USD 39.50 and that of Government of Karnataka was

USD 51.53. KUIDFC documents state “all amounts are passed onto the beneficiary towns as grants by Government of Karnataka, due to pilot nature of the project” (KUIDFC, 2006b). However, stories about how the Mayor of Hubli-Dharwad played an important role in overturning a decision of the State government and the World Bank to pass on the cost of the project to the three City Corporations (Gururaj, interview in Bangalore, 13/7/06). Mayor Anil K. Patil put up a strong opposition to the original project plan that involved loan repayment by the corporations. Using political influence at the State level, he turned the ‘loan’ into a ‘grant’. For the latter, the Hubli-Dharwad Municipal Corporation need not pay back the allotted time to the State Government.

Patil’s insistence on converting the World Bank loan into a grant is significant. According to him,

“Expenditure in Hubli-Dharwad on water supply is Rs 200 million per year while recovery has been only Rs 40 million. If water tariffs are hiked, they will go towards loan repayment, and leave no resources for the corporation towards operations and maintenance expenditure” (Patil, interview in Hubli-Dharwad, 16/10/06).

Setting of the appropriate tariff rates remained the responsibility of Hubli-Dharwad Municipal Corporation. As per KUWASIP project proposals, the operations and maintenance expenses were to be met primarily with user charges on water, based on volumetric tariff. The minimum monthly charge (for unmetered water connections as well as water use of less than 10,000 litres) was first increased from Rs 45 to Rs 60 in 2005. In June 2007, tariff was raised from Rs 60 to Rs 90 with retroactive effect from April 2006. Volumetric rates are Rs 5.8 per kilolitre (KL), but most households (at least in the demo zones) seem to be paying the minimum water charge. Apart from the above measures, other general measures undertaken include a move from manual to computerized billing, computerization of the customer database, spot billing, and introduction of the board’s own counters for bill collection (instead of the former practice of banks collecting the bills) which in turn has facilitated payment.

7.4.4 Project Practices to Discourses

In 2003, a survey was undertaken in Hubli-Dharwad, as a pre-appraisal study for the World Bank to get citywide data on water supply requirements. About 30 percent of the households were found to be content with what they were getting and were apparently

satisfied with the water supply. The majority of households did not have high expectations, according to the report; ‘probably at a sub-conscious level they have an understanding of the ground realities’ (Samaj Vikas, 2003: 49). Two-thirds (67 percent) of the households wanted a more reliable supply with specific timings and pressure. The rest wanted water supply daily or at least once in 3 days. Only 7 percent of the households knew about the 24/7 supply - the rest had never heard of it. Almost 14 percent in Dharwad and 12 percent in Hubli wanted the 24/7 supply.

The low response to 24/7 in Hubli-Dharwad could be due to the skepticism and cynicism generated through frequent shifts in frequency of supply as revealed in interview data.

“We have been hearing this (better and more frequent water supply) for a long time. We have even paid more so we get more frequent and better quality of water. However, the situation remains the same. What is the guarantee that if we agree to pay more now the problem will be solved?” (Samaj Vikas, 2003: 42)

Another resident remarked,

“We don’t want water 24 hours a day just give it to us every day for 4 hours and we will be happy”. If metros, like Delhi, Mumbai, Chennai, Bangalore do not have 24/7 supply, is it possible for Hubli-Dharwad?” (Samaj Vikas, 2003: 49)

Some residents opined that

“We are happy about it (24/7 water supply), but will it be possible to supply water in the present available power supply.” (Samaj Vikas, 2003: 65)

The communication strategy for KUWASIP was based on a community-centred communications and participatory social intermediation model. The strategy maintained that,

“For the common person the most visible face of the government is not foreign policy or fiscal reforms, rather it is routine services, like garbage disposal, provision of water, paying electricity bills, etc. Governance is about public services used every day. This image has been tarnished by inefficiency, lack of responsiveness, and corruption. However, more recent experience, such as the BATF, PROOF, Maharashtra community water management programme, have shown that governments perform better and become more accountable when there is an enabling environment where citizens and consumers of these public services play on active role of a watchdog and challenge abuses.” (Samaj Vikas, 2004: 62)

This whole approach was named 'Project Credibility' and was applied to various issues. It was aimed to enable participation by creating knowledge about the new model. The central point in the concept of 24/7 supply was that available water needs to circulate continuously to benefit the residents 24 hours all days of the week. A narrative was built up with factual details that not all the water supplied by water utilities reach the consumers and by adopting 'good engineering and management practices'; 'by keeping distribution network under constant pressure'; and 'by reducing losses', continuous water supply is possible (KUWASIP Project Document 'FAQs'). To interpret it differently, the project approach of 24/7 placed a great deal of emphasis on reducing non-revenue water (NRW).

NRW refers to water that the water utility does not generate revenues for the local government, as it is mostly wasted or siphoned away through illegal means. It includes losses owing to leakages and theft, but more important, includes all water supplies to slums, unregularised colonies, standposts and public taps. Without these provisions, a significant percentage of a city's working class population would go without water. An engineer in the Delhi Jal Board, which was experimenting with a similar project under World Bank funding, commented: most water leakages occurred in 'rising mains' - the massive pipelines that carry water from water treatment plants to reservoirs. Leakages in the distribution sections are significantly lower. Thus, handing over distribution to a private company will not help reduce leakages. It will mean that most of Delhi's population shall live without water (Down To Earth, 2005).

For the city which has suffered from drought like situations, concerns about the source of supply for the 'continuous flow' of water was dealt with arguments using technical language – 'the current 50 percent loss in pipelines can be made up by increasing the efficiency of pipelines by 90 percent through plugging leaks and metering'. The argument put forward was 'consumption will decrease as there won't be storage of excess water than requirement' (KUWASIP Project Document 'FAQs'). In other words, the argument put forward is continuous metered water supply brings in a sense of conservation rather than wastage in users. Therefore, linked to cost of piped supply were arguments favoring metered connection, power saving, and pipe longevity. Further considerations centred on storage and better water flow.

The central point in the concept of 24/7 supply was ‘unaccounted for water’ (UFW). A narrative was built up with factual details that not all the water supplied by water utilities reach the consumers and by adopting ‘good engineering and management practices’, ‘by keeping distribution network under constant pressure’, and ‘by reducing losses’, continuous water supply is possible (KUWASIP Project Document ‘FAQs’). A comparison with 24/7 project in Delhi is important here. According to Delhi Water Board CEO, Rakesh Mohan, “There is no need for additional water. If we rationalize our water supply, Delhi receives about 200 litres of water per person that is more than enough.” He added that leakages will be stopped and this would augment supplies. “We may even have some amount to spare,” he said (Times News Network, July 11, 2005). Commenting on the controversial scheme, however, the Director of the Centre for Science and Environment, New Delhi, Sunita Narain said, “There was absolutely no estimation as to how much additional water would be needed if the scheme does indeed supply it for 24 hours. The work plan was that the private company would reduce the 50 percent distribution losses and this would make good the difference. But there was no understanding of these losses”. “Surely thieves are not siphoning off 50 percent of Delhi's water supply,” she remarked. “From what little is known, it seems water losses are about leakages from underground connections. Which company, however efficient, will be able to retrofit all the underground connections,” she asked (Narain, 2005).

Health is another important and appealing storyline and narratives pursued concerned ‘productive lifestyle’ and ‘modern living’. According to this view, globalization means that more work opportunities are on the way. Uninterrupted water supply would make households ‘stress-free’ in terms of doing away with ‘time-consuming practice of storing water’. Alternately, more importantly ‘save them the trouble of collecting water at odd hours’, if the supply to their area is scheduled at odd hours by the water utility. This would increase the free time for women in households to pursue hobbies or jobs. Healthy lifestyle, hallmark of modern living, also formed part of the storyline.

The water conservation issue was also included when fears were expressed about availability of water at source, especially in a drought situation such as the one in previous years when Neerasagar tank completely dried up. Using technical language, it was argued that : a) the current 50 percent loss in pipelines can be made up by increasing the efficiency

of pipelines by 90 percent through plugging leaks and metering and b) consumption will decrease as there won't be storage of excess water than requirement. In other words, the argument put forward is continuous metered water supply brings in a sense of conservation rather than wastage in users.

Of primary importance to the residents were the costs involved and the discourses outlined the cost-effectiveness of 24/7 supply were: "If the municipal government has to pump, the same quantity of water in four hours rather than 24 it would require larger pipes. It would also require higher pumping and storage capacities, resulting in higher pumping and electricity costs. If water is supplied on and off, the water pipes go through pressure changes and gets damaged easily leading to huge losses" (KUWASIP Project Document 'FAQs'). Some of the measures for the purpose would be obtaining credible data on bulk supply and distribution infrastructure, and accurate customer records; a hydraulic model of the supply system, which would ensure that bulk water fed into the system, can be distributed equitably to all parts of the urban area (Nagari, 2003: 5).

The narrative around reducing 'unaccounted for water' (UFW) is further extended to include operational matters - it was justified to have a 'foreign' operator involved in a performance-based contract with Compagnie Generale Des Eaux (CGE), for 'rehabilitation, operation, and management' of the water services in the 'demonstration zones'. With economic liberalization, 'boundaries of the country are vanishing', so the distinction is not foreign or Indian; rather who provides the benefit and works under State control and regulation. Their sole responsibility would be to 'meet performance targets' and the 'innovation' of this project is that CGE is not only responsible for civil works but also maintains the assets for two years to ensure that there is 'service improvement to the public'. This is better than earlier times 'when large sums were spent to develop the infrastructure but failed to translate into better public service' (KUWASIP Project Document 'FAQs').

With respect to electricity bills, of primary importance to residents, were the costs involved and the discourses explored matters relating to the cost-effectiveness of 24/7 supply. The officials argued that:

“If the municipal government has to pump the same quantity of water in four hours rather than 24 it would require larger pipes. It would also require higher pumping and storage capacities, resulting in higher pumping and electricity costs. If water is supplied on and off, the water pipes go through pressure changes and gets damaged easily leading to huge losses” (Samaj Vikas, 2003:64).

However, what the narratives did not highlight were the frequent power cuts that the city suffered from, so how is a continuous flow to be maintained given the reality of long power cuts?

Hence, it has been argued that argues policy discourses that are playing themselves out in the context of delivery of 24/7 water services revolve around the treatment of water as an economic good benefiting consumers with a better lifestyle and water as an entitlement that public authorities must ensure for a minimum standard of living (Ghosh Mitra, 2008: 101).

7.4.5 Policy Transfer Restraints

However, there were some anomalies in the design, which became evident in the implementation stages. There are doubts about the 24/7 water being supplied with the same volume of water, without creating any additional bulk capacity. As mentioned earlier, water supply to Hubli-Dharwad is supplied from Malaprabaha reservoir and Neerasagar Lake. The total water supplied is 110 MLD of which Malaprabaha provides 75 MLD and 35 MLD by Neerasagar Lake. Given the current demand of 140 MLD, there is already a shortfall of 25-30 MLD, which is compounded by the existence of nearly 30-40 percent of UFW. As per table 6.1, the population of Hubli-Dharwad would be 1.04 million by 2016 and to supply water at the rate of 135 litres per person daily (which 24/7 water supply model aimed for) would raise the demand to 161.15 MLD, thereby creating a shortfall of 47.35 MLD. Even if the 30 percent wastage is plugged through new technology, only 34 MLD of water may be salvaged. In the end, therefore, to sustain 24/7 service for the entire population, bulk capacity augmentation from source would be required.

Water Board engineers also cited ‘politics’ in the way the project was introduced in Hubli-Dharwad. According to a KUIDFC engineer, closely concerned with the negotiations,

“There was a strong pressure from the Board to increase bulk supply so that water distribution to other parts of city improves at the same time. However, Stephen Myers, chief consultant for the World Bank, was not interested in additional bulk supply. He wanted the project to demonstrate 24/7 only with existing supply” (Kulkarni, interview in Hubli-Dharwad 17/07/07).

Table 7.2
Trends in Hubli-Dharwad’s Population, Water Availability, and Shortage

S.No.	Year	Population Lakhs	Total Demand (MLD)	Present Supply Capacity (MLD)	Deficit Supply (MLD)
1	2001	0.78	-	-	-
2	2006	0.90	139.73	113.80	25.93
3	2016	1.04	161.15	113.80	47.35
4	2024	1.25	194.06	113.80	80.26
5	2031	1.35	210.83	113.80	97.03
6	2039	1.70	263.93	113.80	150.13

Source: KUWSDB ‘Executive Summary’ Report on Improvements in Distribution of Water in Hubli-Dharwad under UIDSSMT’.

Mr. Keshav, an engineer with Karnataka Water Board, who represented the State utility during negotiations, commented,

“If overall water supply to the city increased, then demonstrating 24/7 water supply in a few selected areas in the city suffering from water scarcity, would have been less effective” (Keshav, interview in Hubli-Dharwad, 30/07/06).

As Mr. Raju, Karnataka Water Board commented,

“Since the World Bank was not ready to commit a large loan for the project, no additional capital investment could be involved. Our interest to increase bulk supply, so that water distribution to other parts of city improves at the same time, was also not well received. The purpose was to have ‘a demonstration effect of 24/7 in a city that was reeling under water crisis for several years’ (Raju, interview in Hubli-Dharwad, 12/10/06).

As part of the pilot project, only those households with legal connections received 24-hour water supply. Unauthorized connections were disconnected; public stand posts in the demonstration zone were discontinued or closed completely; instead, only individual house

service connections were encouraged. For existing connections or for regularizing and new connections, a connection charge was levied in addition to the monthly bill. It was proposed that for those poor-households who cannot afford individual connections, the alternative of shared connection would be offered – provided a group of households decides to take one and they are able to designate one of them to take all responsibilities for safety of meter, collection from users, and payment to Corporation, etc. According to project documents, operations and maintenance targets were to be gradual – 100 percent of property connections and public standposts were to be metered; losses were to be reduced to 30-20 LPCD. In addition, it would demonstrate working of billing and collection system and continuous pressured water system; emergency stoppages not to exceed twelve hours and no more than an average of four emergency stoppages in any continuous period of twelve months; and repair of surface leaks within 24 hours.

Financial Viability of 24/7

Citing similar experiences, Prof. Narendra Pani comments,

“These infrastructure loans from donors come with strings attached, which require such projects to recover user charges to make them financially viable. Can those affected by such projects really bear the debt burden? Cities like Mysore have paid just 20 percent, so far, of the amount due from an earlier Asian Development Bank loan. Ramanagara and Channapatna have not managed to repay any part of the loan at all” (Pani, interview in Bangalore, 23/9/07).

Explaining the reason, Meera B. of CASSUMM says,

“The projections, about the extent to which the local municipalities could recover costs by hiking water tariffs or property taxes, were completely unrealistic” (Meera, interview in Bangalore, 22/9/07).

Mysore’s case was reported by a leading daily. It stated that water supply in the town had risen by over a third since the project and the water charges on metered connections have risen by 30 percent in the past year. Flat rate charges (on non-metered connections) have risen between 33 percent and 55 percent since the project was completed. As on March 2006, the Mysore City Corporation owed Rs 457.4 million on the project. It had paid up only Rs 92.5 million. The Asian Development Bank loan documents project a 251 percent increase in the monthly water and sewerage bill for each city in real terms between 1996 and 2005. These projections seem wildly optimistic, for according to them, the Mysore City Corporation should have been comfortably able to service its debt at a 12 percent rate of

interest and still have a net positive cash flow in 2004. The Asian Development Bank projected that property tax revenues would rise by 123 percent in four years to Rs 346.6 million in Financial Year 2004. Mysore and city financials show that actual property tax revenue was only Rs 119.5 million in that year. Similarly, water and sewer tariff revenues were supposed to rise by over 200 percent to Rs 585 million by Financial Year 2004 (all in nominal terms). They rose to only Rs 107.2 million. A situation that has been repeated in other parts of the country (Businessworld, June 23, 2007).

In November 2006, the pilot project in Hubli-Dharwad ran into trouble following opposition from a section of residents in Dharwad. They raised objections on why it is being taken up in areas already covered by municipal water supply network, ignoring the uncovered areas; others opposed its implementation by a foreign operator. However, the strongest opposition to the project came from areas of Wards 7, 8, 9, and 10 in Dharwad where residents were apprehensive that their water bill would shoot up manifold once it becomes operational. They raised several issues - lack of proper information, apprehensions about hike in water tariff, non-availability of water to the economically weaker sections of the society under the project, and privatization of water supply.

The residents complained that they were not being properly informed about the project, including the water tariff fixing mechanism. Led by the members of 'Neeru Khasagikarana Virodhi Samiti' (Anti Water Privatization Committee), the protesters claimed that the water supply system was being handed over to a foreign company (The Times of India, November 5, 2007). This would result in people struggling for water everyday, they added. They said that once the water supply system was handed over to the foreign company for maintenance, the HDMC would lose control over fixing the tariff. They urged Mr. Manivannan, the Hubli-Dharwad Municipal Commissioner, to stop the project. At a meeting of representatives of NGOs and resident welfare associations, Hubli Citizens' Forum president D. M. Shanbag wanted to know if India lacked the expertise to implement such a project. Shanbag was critical of the very concept of implementing it in affluent wards of Hubli, which were already getting twice a week water supply even while more than half the city was not covered by the municipal water supply system. He asked:

“What is the fun in duplicating supply in some selected areas without first covering the entire city? The builder-operator has not invested a single penny, so why give it

any commission on water tariff collection? Will it not be an additional burden on consumers?”

According to some experts, the selection of wards, under the project, was not done on a scientific basis taking into account the willingness and paying capacity of the people covered. It was done on political considerations,” they said. They pointed out “when the wards to be covered under the project were being identified, the then mayor favored his ward and adjoining areas in Hubli, while the then leader of opposition in the HDMC council went for her ward and the adjoining areas.”

Another area of concern for consumers is the high cost of getting connection under 24/7 scheme and uncertainty over the water tariff structure. The NGOs, engaged in the project, were expected to convince the target population about its benefits, but they failed on this count (Times News Network, November 27, 2006). Mr. Manivannan informed the residents that there was no move to privatize the water supply system. He said the foreign company *Companie Generale Desaux* would only do the maintenance work and the Corporation would have the final say in fixing the tariff. He said that the company would hand over the maintenance work to the corporation after two years. The State Government had set up a committee for fixing the water tariff, he added.

By January 2007, work on the 24/7 water supply project resumed. The development followed interactions between the Commissioner, P. Manivannan and the residents, where the former cleared the misconceptions of residents. Several residents came forward to be a part of the scheme and submitted a memorandum to the Commissioner to resume work. The Commissioner gave extra time, until January 26 2007, to the residents of demonstration zones to get individual water supply connections. But by February, it was clear that nearly 1,000 illegal water connections in Hubli and Dharwad had become the main stumbling block in the timely commissioning of the 24/7 drinking water supply. Many of them continued with their illegal connections.

At the peak of opposition to the project in Dharwad on grounds that water charges would be hiked steeply, HDMC commissioner P Manivannan had given the residents the option to either retain the Water Board connection or go in for 24/7 supply. He had also

promised to provide public taps in the demonstration wards. However, project officials said that water supplied through the public taps would also be billed. HDMC Commissioner P Manivannan told Deccan Herald that the corporation did not have any role in this scheme except choosing the ward and everything was being managed and monitored by KUIDFC with the financial assistance of the World Bank. However, the corporation was ready to take those who had been opposing the project in the committee and try to convince them by providing all necessary documents. "This project will be implemented in most transparent way and anybody is free to come and see documents pertaining to the scheme. At any cost this scheme could not be scuttled and KUIDFC will go ahead with the scheme purely in the interest of citizens" (Deccan Herald, December 15, 2007).

7.5 Case Analysis and Discussion

This chapter has attempted to provide evidence for four main questions about transfer in the design and implementation phases of a pilot project on 24/7 water in Hubli-Dharwad. Our concern, similar to the earlier case study on Bangalore, is with a) the wider political processes concerning implementation of the pilot project, b) the process of transfer involved in designing and implementing the project, involving transfer actors, content and degree of transfer and project restraints.

Political and Economic interest: Project initiation was linked to the larger state interests of developing Hubli-Dharwad as an IT centre but with the change of State government, there was less emphasis on this.

Who were the Actors? It is clear that the World Bank played a pivotal role in the design of the programme, both directly through appointment of foreign consultants as Bristol Water Services and indirectly through revising plans provided by the state water board, KUWSDB. It worked in close coordination with the bureaucratic elite – both State and local. Civil servants were mainly from the implementing agency KUIDFC and the Commissioner of the local municipal council – HDMC. There was no role of political actors either from state or local level. A notable absence was the role of politicians signifying absence of political considerations such as electoral gains in decisions on water provision. The role of state agency - KUWSDB was indirect, only in providing basic design

and related hydrological data inputs, which was then revised to accommodate and turn the idea of 24/7 into a project plan. I also documented the role of a trans-national actor - the water multinational, CGE- in the case as not an active participant in the design but providing operational support. Hence, role of trans-national corporation in the design of the project was not evident; rather it mainly operationalised the new model of water management and provided capacity building training to local engineers and administrative officials in new techniques such as pressured water system, new accounting systems, new pipelines with valves etc. The case also highlighted the role of the KUIDFC; there was a strong and detailed involvement of the agency in all stages of implementation. Actors in the transfer of knowledge in the design phase were not different from the formulation/agenda-setting phase although they played a more active role. Hence, the composition of elite during the policy transfer was a close group of state civil servants coordinating with a supra-national agency to design and implement global policy ideas in a local context.

What was the transfer content and degree of transfer? Similar to GBWASP, the transfer content was strong on practices. This was due to two reasons. The project aim was to develop new practices in water management and to demonstrate ‘continuous water supply’, more broadly ideas of sustainability of water supply and efficient management of its delivery. Hence, one of the ways was to direct transfer through practices that would foster local attitudes and develop habits of clean water. Since the project was initiated also with a purpose to demonstrate and pilot World Bank’s ideas on decentralised, localised integrated, sustainable, market-based urban water supplies, the transfer content was strong on management ideas and principles to justify the new technology. The project *goal* was to demonstrate the reduction of Unaccounted For Water; it was part of a larger *programme* called KUWASIP aimed at sectoral reform in water in Karnataka; it *institutionalised* pro-poor policy, for the first time in the country and introduced the *instrument* of volumetric pricing and metred supply, again an innovation for urban water systems in India. Sustainability of water systems and providing clean drinking water was the programmatic objective that formed an element of transfer. It piloted a technical innovation of ‘pressured water supply’ and ‘reduction of unaccounted for water’, new ideas of saving water, fostering habits of reducing wasted water and therefore introduced a new paradigm in the thinking on water management in India. The project was strong on establishing practices and developing attitudes towards continuous water supply. This was the single most contribution of the

project that received all round positive response in the local context, used to receiving water sporadically/infrequently. Hence, the project was strong in creating awareness through various forms of knowledge generation and disseminating them through discourses. As part of a broader programme of restructuring the sector, the project aimed at service improvement and therefore was strong on the idea, attitudes and design component. An important part of the project design was to demonstrate financial viability and sustainability of the operations. Hence, brought in policy instruments developed from its experiences world wide on tariffs, volumetric pricing mechanisms and user costs. There was an emphasis on consumer practices of online billing, complaints and a common window for all urban water related matters. Hence, the case provided ample evidence of the various transfer features such as goals, instruments, programmes, institutions, ideas and attitudes.

To conclude, the policy transfer of global water policy in Hubli-Dharwad highlights the dynamics of local context in addition to state and national political and economic processes playing a role in policy learning. The case evidence on political economy of transfer in the case of 24/7 water in India therefore suggests strong domestic considerations play a role in cases where World Bank undertakes a coercive transfer. My next chapter concludes the thesis by summing up the theoretical and empirical discussion undertaken so far and providing critical insights through a comparison of cases.

Chapter Eight

Analysis and Conclusion

8.1 Introduction

This thesis has discussed the development of a global water supply programme in India and analysed the characteristics of its transfer. This thesis has explored the political and economic interests influencing the development of global water policy within a national and sub-national setting in India. The thesis has traced the evolution of water policy in Karnataka State in India leading to the development and implementation of a 24/7 urban water programme. The focus of my analysis has been the transfer, design and implementation of global policy ideas in water to a sub-national state in India.

The analysis of the 24/7 water supply programme, introduced by the World Bank in India, has demonstrated that initiation of new water policies and programmes are due to the political and economic processes that is strongly influencing the agency of sub-national states in India. Hence, in this thesis, I have demonstrated that decisions on water policy change are part of central-state and sub-state relations in India ; and water reforms may be explained in terms of 'politically constrained or facilitated' water strategies and policy ideas in various political jurisdictions in India. Hence, I argue for an understanding of water policy change as a multilayered phenomenon in India linked to political and economic interests of the state, at both central and the provincial levels, and to the relationship between the World Bank and the recipient governments in India at central and state levels. This was demonstrated through an empirical study on policy learning in the context of water within a sub-national state jurisdiction in India.

To assist in theorising and analysing the development and implementation of water policy in India, this thesis utilised and extended the policy transfer approach, which was derived from the work of Dolowitz and Marsh (1996; 2000). The policy transfer approach was used to illustrate specific aspects of the water reforms proposed by global agencies that have cropped up within domestic jurisdictions, depicting that they have been borrowed, as well as to identify the actors who borrowed, their motivations in borrowing from foreign jurisdictions, and the content and form of borrowed ideas. I have, therefore, linked policy

reform or ‘fundamental reorientations in domestic policies’ in India to a purposeful transference of ideas and best practices between international organizations and national reform elite.

The policy transfer approach, however, did not explain the dynamics of policy change. The transfer between international and national levels is a complex process in which rational, linear views fail to represent adequately the multiple channels of learning and communication with their inherent power and interest relationships (Walt et. al., 2004). Each country’s political environment has its own policy trajectory, into which international guidelines must be translated (Walt et. al., 2004). The relevant literature highlights the role of political leadership and the importance of political leadership in contributing political capital to policy reforms, yet often fails to incorporate the role of other more institutionalized elements of the political environment – such as the water financing system and non-state actors. The objective of this research was to analyse the political circumstances, which facilitated or constrained the implementation of particular water supply programmes with the central thesis that different system structures may be particularly conducive to certain types of policy. Specifically, our focus was on how the political-economic, bureaucratic and water systems contexts within various jurisdictions in a country influenced these water initiatives. Therefore, concepts of political economy of policy reform were examined to broaden the conceptual framework used to analyse the water policy. Hence, I set out a ‘political economy of policy transfer framework’ that provided a critical multi-layered framing of water policy in India.

While the framework on ‘political economy of policy transfer’ provided analytical strength, however, it failed to conceptualise the extent of ‘lesson-drawing’ in policy decisions, especially during policy implementation. A new conceptual development was introduced as a ‘design stage’ to overcome the limitations, that involved new set of actors both, domestic and international, who were involved in the transmission of ideas. Their roles were recognised as being the ‘movers’ of international policy trends encouraging the implementation of these trends into domestic policy.

The research has chronologically detailed domestic water policy developments nationally and regionally in Karnataka State, and their implementation locally in peri-urban areas of Bangalore and selected localities of Hubli-Dharwad. I have organized this chapter as follows. In Sections 8.2 to 8.4, I highlight the main findings of the research. In Section 8.5, I discuss the contributions of this research and in the final Section 8.6, I conclude the thesis with a few observations on global water policy developments in India.

8.2 The Origin of Policy

In *Chapter Four*, I demonstrated that World Bank played a large part in the water policy development in India. In the chapter, I noted the shift in its role from a provider of financial aid and a regulatory agent to that of an ideational mediator in the sphere of water policy. Evidence on its activities along with several of its partner agencies as WSP-South Asia, PPIAF and USAID, as well as involvement of a few technocrats in India's national government, revealed the role of a trans-national coalition, who were principal transfer actors of global policy ideas, goals and institutions. The World Bank's influence in strongly advocating private sector participation in water was also evident. The examination of central government's open participation in the water policy transfer process demonstrated that they were responsive towards development and implementation of the Bank's comprehensive approach to water sector management. This illustrated that national response in India to World Bank overtures during early 2000, was radically different from earlier times, when active governmental response to reform proposals were not forthcoming.

My observation in the chapter was that the national response in early 2000 that led to a particular history of formulation and implementation of water supply policies in India was not purely accidental nor based on coercive pressures from global agencies. It was deliberately pursued in response to the changing federal governmental system and evolving central-local relations in India. During this period India's federal government initiated changes towards more decentralised systems in public governance including water systems that enabled the promotion and institutionalisation of global policy ideas at both national-state and sub-state levels. Evidence which reinforced this was that the Indian national government proposed a new water policy for the country in 2002, directed provincial

governments to formulate their own water policies and participate in water development processes, and that several States shortly afterwards instigated the development of their own water policies and strategies.

The chapter also documented the emergence of sub-national state in India, as a significant actor and influence in the transmission of ideas. India's strong orientation to economic growth, its changing federal relations, the development of regional economic interests combined with the constitutionally granted responsibility in public water, has led to sub-national state in India in a relatively strong position to determine and shape water agenda across multilayered institutions of governance. Consequently, in the context of India, there are two importer jurisdictions of ideas, policies and practices from global agencies in water. This is an important finding in this research.

Hence, my argument is that the origin of water policy in India is linked to the political context of centre-state relations and the transformations in federal government's policy structures and interests. *Chapter Four* depicted a new degree of momentum of regional-state autonomy that was generated with liberalization of Indian economy and the distinctive political economy shaped by global capitalist developments. It became part of the State's agenda to adopt growth-oriented strategies for attracting global capital and modernization strategies for urban infrastructure development. In this sense, we established that the origin of the State water policy was rooted in the political and economic forces within the State. This, in turn, has guided the trajectory of multiple channels of learning and communication of international policy guidelines in water.

8.3 Policy learning and Agenda-Setting for Change

The federal market economy that replaced the earlier centrally planned top-down policy process has had implications for policy-making within States in India. In *Chapter Five*, I documented policy-making for the State of Karnataka in the case of urban water supply and with an analytical focus on global policy transfer in water. The chapter shows the powerful driving forces that have influenced Karnataka's water agenda and learning. They include: 'political interests' for

developing State capacity and competence in industrial growth linked to global economy, 'bureaucratic role' in determining State-led reform strategies in urban development, 'commercial and corporate influences' in setting new modes of urban governance and the emergence of an 'environment for new enterprise and learning'. Hence, the strong political will and interests, the larger role of groups in society, the 'bureaucratic-political-corporate complex' that evolved, set the path for a rethinking on the State's role in the water sector and encouraged a neoliberal orientation to its policy. The knowledge transfer process within this context is an interesting finding of the study. The policy transfer analysis in the chapter illuminates the new forms of policy-making that characterizes contemporary policy processes in water within sub-national jurisdictions in India.

Policy actors in sub-national jurisdictions in India are increasingly involved in water reforms and hence comprise a new set of actors participating in globalisation of water. Categorized as 'sub-national actors' in this research, they are part of the global actors involved in developing and implementing global water policies. The empirical case provides details of how their interests instigate processes of change aligned to global governance in water.

The role of sub-national political leaders as Krishna in Karnataka, highlight the role of domestic actors in global policy processes. His open talk on water problems, placing it high on state agenda, and calling for initiatives to address the problem, was linked to maintaining economic lead for the State. State Chief Minister Krishna's discourse over water reforms was part of a larger agenda for authority and control over water resources, to bring in efficiency in urban services and thereby contribute in developmental processes in the State. Most importantly, for the sub-national states, lacking in efficient management of public services, as in Karnataka, local managers were overwhelmed by new responsibilities, administrative restructuring and negotiating new relationships with service providers. Hence, they sought new policy ideas on public services to overcome the situation. Overall, the macro-level context of economic status and domestic political considerations have resulted in sub-national elite as prime movers of ideas of global water in a developing economy and democratic context of India.

The discussion in *Chapter Five* also demonstrated the continuation and sustenance of knowledge transfer in water in Karnataka due to the role of KUIDFC, in its capacity of channelling global funding for water reforms in the State. The role of KUIDFC in Karnataka has developed along three lines – ‘urban infrastructure development agency’, ‘agent of capital’ and ‘change-agent for the water sector’ and is therefore a major decision-maker of urban water financing and delivery in the state. Its creation to channel institutional finance for large infrastructure projects has led to its role as the main channeling agency of domestic and global capital for infrastructure. It may therefore be said that in playing its role as ‘an agent of capital’, it may find it hard to remain autonomous vis-à-vis commercial interests. It is also involved in urban development and is closely associated with what Benjamin (2000: 44-45) terms as the ‘corporate-centred economy’ of Bangalore - described as “enclaved high-income neighbourhoods, exclusive non-resident Indian farmhouses in the periphery, the corporate business centres..., and the exclusive urban design mega-projects such as the information technology parks”. According to the same author, there is an important relationship between the type of economic setting and its institutional support. Almost all settings for corporate economies either are products of, or closely linked to, the master planning process promoted by parastatal institutions such as development authorities. Here, the critical issue is that KUIDFC as a development authority has practically no local level representation. Their governing committee is constituted mostly of administrative officers under the direct control and supervision of the State government (Benjamin, 2000: 45). The significance of the role of KUIDFC in water sector therefore needs to be linked to the more top-down and centralized decision-making systems within corporate economies. What this case study on Karnataka has highlighted is the way bureaucratic interests in Karnataka, especially through KUIDFC, has assumed a powerful role in pushing for water sector reform in line with ushering in corporate economies. The case studies indicate the source of power of KUIDFC and provide glimpses of the way power was exercised. Along with the role as ‘agent of capital’, KUIDFC has played the role of ‘change-agent’ for the sector. All multilateral funds for water reform programmes are being routed through this agency and that has increased its influence and role in state urban water policy implementation. Since 2002-03, it has defined, prioritized and addressed issues of urban water supply in the State. Evidence in the case studies highlight the way it has assumed social power and involved in the powerful assertion of market reforms in water. This has been achieved through specialized knowledge on sectoral reforms in water being disseminated and communicated through various platforms. The institutionalization of KUIDFC in urban development similar to other parastals across the world is considered alarming since it ultimately leads to downsizing government agencies, which are ultimately,

rendered skeletal (Benjamin, 2000). More importantly, this sub-national agency is emerging the principal referent point for real estate business and global water hegemony. The rise of ‘corporate-centred’ economies and the emergence of bureaucratic-corporate complexes have, therefore, created a momentum for neoliberal practices and projects to take root in reforming endeavours of the state in the water sector.

Finally, the chapter illustrated the linkages between knowledge transfer undertaken by trans-national actors and domestic corporate interests in the state by providing details of the transfer content. The chapter highlighted the nature of transfer as a voluntary form of transfer, leading to the formulation of a State Urban Water Policy that provided specific guidelines on commercializing, privatizing and marketisation of urban water supply in the state, as promoted by World Bank in India. This was in addition to a more general State Water Policy 2002 that aimed at broad directions for reforms in the sector. The formulation of the Urban Water Policy, the first of its kind in India, illustrates how ‘knowledge and development’ as signified by policy transfer is strongly induced by domestic political interests.

Hence, my argument in this research has been India’s relation to World Bank is not a uniformly obligated coercive transfer at sub-state levels to persuade provincial actors in the policy community to advocate policy change. In this chapter, I have shown that the more advanced and reform-minded States in India are more inclined to voluntary policy learning from trans-national agents to initiate global agenda in water; in other words, the strong propensity of political globalization in water at sub-national levels in India, is arising out of domestic political and economic interests.

8.4 Policy Learning, Project Design and Implementation

This research provided further empirical evidence around transfer, design and implementation of global water policy in India, around two local settings. In *Chapters Six and Seven*, I provided case studies drawn from empirical research of two urban water supply projects in Karnataka. In these chapters, I engaged with the question of how political-economic interests at the two locales were transposed into knowledge transfer in designing urban water supply strategies and

service delivery. Crucial for the understanding were the processes of political assertion on the part of the provincial government in the sphere of water policy implementation. The findings from the two chapters are presented on a comparative basis in this section that will enable critical insights into water reforms in India and enable a better understanding of the dynamics of the process, that are described as inappropriate transfers. In the following table 8.1, I summarise the major empirical findings on transfer of design and briefly draw out conclusions on implementation.

Table 8.1
Comparison of Projects

Variables of Transfer	Greater Bangalore Project Design and Implementation	24/7 Hubli-Dharwad Pilot Project Design and Implementation
Why do actors engage in policy transfer?	Voluntary transfer in response to provincial needs for urban growth centres	Coercive transfer in response to micro-level dissatisfaction with services and provincial needs for urban growth
Who transfers policy?	Key role for bureaucratic elites in the State, global water agencies and USAID as promoter of financialization of urban infrastructure, initial involvement of World Bank's financial wing IFC	Key role for World Bank as prime agent for transfer; KUIDFC as implementation agency
What are transferred?	Commitment to IWRM principles, strong on private sector component; emphasis on cost recovery, financialization of project infrastructure through financial instruments as water bonds, generation of funds through Urban Water Trust Fund	Commitment to IWRM principles, highlighted economic efficiency, strong on ecological sustainability, emphasis on water saving habits, health and hygiene
Are there different degrees of transfer?	A synthesis of ideas from IWRM principles, World Bank's policy ideas on private sector participation, USAID designs of urban infrastructure bond, combined with local designs of building pipelines from a distant water source as well as prioritizing distribution lines in accordance with real estate development	An emulation of global ideas on water adapted to local needs for continuous water supply. Ideas drawn from World Bank's privatisation agenda and practices promoted by Water and Sanitation Programme- South Asia.
What restricts or facilitates policy transfer?	Institutional innovations such as Beneficiary Capital contribution and PLACE promoted through policy discourses on decentralized management that did not easily fit into socio-economic surroundings and led to negative receptivity	Institutional innovation of pro-poor water policy, practices such as using water devices and techniques such as pressured water supply that matched with local needs and culture and faced positive response
Policy and politico-economic structures and interests 1. Political leadership 2. Bureaucratic system 3. Water infrastructure	India's IT capital, generating volumes of business, economic opportunities and revenues, at par with global corporations, a strong for political and bureaucratic support for generating State economic resources, dismal water infrastructure necessitating immediate improvement as a sustainable system	A second-tier city with growth prospects, political support to develop further business opportunities for the state, pathetic conditions of drinking water supply, drought-prone area when water sources dry-up

A comparison of the elements of policy transfer as highlighted in the case studies on Greater Bangalore project and Hubli-Dharwad pilot project, enables a critical understanding of the processes of political assertion on the part of regional governments in India in the sphere of water policy implementation. The cases highlight how the state political-economic interests were transposed into designs for new urban water systems, based on knowledge transfer by supra-national agents. The description of the projects were threefold: a) the dominant voices that emerged through the particular bureaucratic sphere in Karnataka; b) constructing 'local neoliberalisms' around broader regional-state interests; and, c) their emphasis on how environmental issues are assimilated, given meaning and translated into management practices and urban social forms. These three parameters are useful to understand power and politics in water and their implications for urban water governance.

What the case studies have highlighted, however, is the strong influence of local contexts that influenced degree of transfer and the transfer content. The model of water supply introduced was externally driven rather than emerging from the local context. Both the projects were shaped by global agencies as USAID-World Bank -WSP in India. The main components of the model were a) a technological solution to water scarcity, b) privatization component, and c) transforming citizens as consumers. Yet the dissimilarities were evident. In the case of Bangalore, opportunity structures for political globalization in water were greatly increased with the shaping of local economy focused on global growth orientation. The centralized decision-making in designing the project was extended to the implementation phase. However, the research has also shown the presence of a vibrant civil society that has acted as checks and balances to the transfer process. In contrast, the project in Hubli-Dharwad was more decentralized in its implementation, although the transfer content in the design illustrated strong external involvement, bordering coercion. The two localities where neoliberal projects unfolded have also highlighted that through common set of ideas underpins neoliberal ideology and policy, in practice the way in which they are materialized in specific locations is differentiated. GBWASP made a statement that was to represent Bangalore's identity as a 'global city', while 24/7 project in Hubli-Dharwad endeavoured to develop modern aspirations.

Summing up, in my discussion so far, I have illustrated how sub-national actors, embracing neoliberal agendas, become articulators of water crises and the potential solutions they have been engaged in, transposing the particularistic interests of capitalist expansion into a general interest for the masses. The chapters highlight the embedded market practices: high tariffs, lack of transparency, user charges, and the mechanisms of legitimation - the way international aid is influencing in shaping the institutional forms and practices of national and local non-governmental organizations to the extent that national and region-specific issues were rearticulated in universalist terms, such as 'citizens participation' and '24/7 water'.

8.5 Contributions of the Research

This research has charted a new course for analysing global governance in the context of developing countries. *First*, it has emphasised the role of Southern actors as transfer agents. The research has opened the policy transfer discourse to examine the relevance and role of state actors and their interests in influencing global governance in South and thereby has contributed to a state-centric approach to global governance in water. Although the South is characterized by common socio-economic characteristics and on similar experiences and a great vulnerability to external processes and forces in the current global order, it is no more a homogenous group of countries, occupying a peripheral position in the global economy. In recent years, there has been an increasing differentiation between different socio-economic levels (such as e.g. high income, upper middle-income, lower middle income and low income countries) and between different geographic areas. It is therefore important to distinguish between different types of state interests and actors in the countries of the Global South. It may be argued that economic, political and social processes has led to a rapidly increasing differentiation among and within the developing countries, and the need is to focus more on these so-called new types of actors and organisations and less on questions how Southern actors are affected by and integrated in this new governance architecture. This research, therefore, analyses the role of actors and state interests from developing countries in global processes of policy-making and governance.

Second, the contribution of this research has been towards understanding policy transfer in an emerging economy context - as India transitions from a closed to an open economy. The

liberalization of India's economy is largely motivated by the country's new policy that aims to upgrade technology and infrastructure to enable India's competitiveness in global economic order. Gordon (1997: 75), who examines global and economic reform in India, suggests that globalisation has shaped a new, more pragmatic and expansive Indian foreign policy and highlights a new determination on India's part to successfully "play... in the global game". The structural changes in domestic economies shifted the balance of power between competing interests (both foreign and domestic); this in turn meant that structural contexts often translated into policy change because they strengthened the position of certain groups vis-à-vis other groups. This research indicated how particularistic interests of the dominant political and social coalitions in the country – typically, coalitions consisting of the strata of politico-bureaucrats that occupy the state apparatus and the dominant fractions of capital. The policy learning and transfer experience in water within this context has contributed to our understanding of the strong economic interests and the role of sub-national and economic actors, who facilitate or restrain transmission and promotion of neoliberal ideas from abroad to the fast-growing economies – a factor of prime importance in global governance in water.

Third, the research has made a useful contribution towards developing policy transfer as an analytical model. The phenomenon of globalization and global governance has been analysed in terms of new forms of authority that are emerging through global and regional policy processes, that coexist. My main arguments in *Chapter Two* were: a) in order to truly develop the capacity of global water policy transfer to the South and to deepen our understanding of global policy making, there is a need for more work on transfer at the institutional level; b) to develop a political-economic understanding of the transfer processes to reveal the interests that guide the transfer; and, c) bring in implementation perspectives to the transfer. I have attempted to address these gaps through the theoretical framework on 'political economy of policy transfer', which combines elements of Grindle's interactive model of policy reform and Dolowitz and Marsh's framework on policy transfer. This has considerably illuminated processes of policy change in water in India. Policy transfer analysts have acknowledged the significance of the theoretical and methodological development of implementing policy-oriented learning. Yet there is a dearth of literature on the subject. In this research, I have combined theoretical issues of political economy of policy reform with the policy transfer approach to bring in political and economic determinants of the lesson-drawing in designing the reforms for implementation. Therefore, it has provided an implementation perspective for studying the processes of policy

transfer. I have attempted to provide an institutional perspective to transmission of global policy ideas as well as larger frame of reference for a more systematic enquiry on the subject. Overall, this research on water policy transfer in India has bridged three significant gaps in the existing literature on policy transfer, related to policy-oriented learning in the Global South.

8.6 Conclusion

Water reforms continue to spread across many countries of the world. While international recommendations can provide some guidance on the various means to improve the sector, countries must implement these recommendations within specific political and water system contexts. In examining political contexts, I focused on four elements of the policy environment—political leadership, bureaucratic system, the water infrastructure and relations with external actors, including corporate influences. Each of these elements influenced the implementation of these policies uniquely, and furthermore, interacted in complex ways. Interactions between the four elements will continue to influence water policy development. The transfer of internationally recommended policies for water control must, therefore, be undertaken with care; blue prints are unlikely to be universally appropriate. In particular, while political leadership supporting reform programmes is important, equally critical are existing bureaucratic systems, the national water infrastructure and state relations to NGOs and donors. Other nations now facing current or potential water sector crises may look outside for lessons to learn, but to apply them they must equally look within. Greater accountability of state actors is called for in taking pro-poor measures.

This study may be replicated in other States in India. The making of urban water policy in Karnataka was a product of several inter-related factors, which may not come together in a different context. Yet, there are parts of the experience that is replicated in other States, namely, the incentives perceived by State leaders to opt for state retreat from the water sector in view of fiscal crisis and the rise of the new policy elite who are embracing neoliberal ideas. However, the regionalization process has not been a uniform process. With disparities in growth statistics among states, some states are more active in mobilizing resources, incorporating new policy ideas in reform agendas, negotiating with international

developmental agencies and implementing policy reforms. This discussion on the uneven nature of sub-national policy-making process, therefore, lays the groundwork for adopting a political-economy explanation to knowledge transfers in water in India. Although each state provides a unique setting, the common variable may provide a comparative basis to gain more insights for theory building in future. This theoretical framework in Karnataka when replicated will provide rich data to analyze water policy reform in India – the central influences and the driving forces behind the reforms.

Finally, the research has shown likely dominance of state bureaucracy in the increasing incidences of knowledge transfer in the context of state-capacity building for regulating water. This situation has to be addressed by Southern administrations and governments in the sense that tendencies to policy convergence in the context of globalisation are not necessarily conducted to policy success as we have shown in this research. For efficient adaptation and thereby successful transfer, capacities for understanding, influencing, anticipating, lobbying and getting information on the reforms in water is crucial for addressing concerns on equity and social justice in the allocation of water. These reforms are complex public policies; real policy starts after the approval of a law or the signature of an agreement in the planning and design stages. For appropriate development of global processes in water, requires specific capacities for negotiating these processes in the implementation stages. Critical insights gained into the transfers in design and implementation of policies enables build effective means to negotiate for appropriate transfers.

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Appendix I
World Bank's Letter of Permission

The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

New Delhi Office
70 Lodi Estate
New Delhi - 110 003
India

Telephone : 24617241/24619491
Cable Address: INTBAFRAD
Mailing Address : P.O Box 416
Facsimile 24619393

July 13, 2005

Dr. Mark Brown
Director of Graduate Studies
School of Social Sciences
University of Manchester

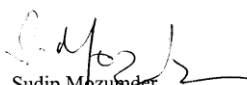
Dear Dr. Brown:

We are happy to provide all possible support to Mrs. Susanna G. Mitra, PhD candidate at Government and International Politics, School of Social Sciences, University of Manchester, for her research titled "Role of Donor Agencies In Public Sector Reform In Developing Countries: Case of World Bank in India".

We will also arrange for her to meet relevant Bank officials and also access information from our Public Information Centre (Mrs. Hema Balasubramaniam) in Delhi.

With best wishes,

Yours sincerely,


Sudip Mozumder
Advisor, Communications

cc : Prof. Martin Buch

Headquarter ☐ Washington DC ☐ USA

Appendix II
World Bank Sponsored Water Projects in India (1991-2007)

Name of Scheme	Name of State	Project Cost (USD Million)	External Assistance (USD Million)	Start Year	Completion Year
Tamil Nadu Water Supply and Sanitation Project	Tamilnadu	73.00	73.00	1984	1994
Kerala Water Supply and Sanitation Project	Kerala	41.00	41.00	1985	1994
Madras Water Supply and Sanitation Project	Tamilnadu	69.0	69.00	1987	1996
III Bombay Water Supply and Sanitation Project	Maharashtra	185.00	145.00	1986	1996
Hyderabad Water Supply & Sanitation Project	Andhra Pradesh	140.60	89.9	1990	1998
Maharashtra Rural WSS Project	Maharashtra	151.00	109	1991	1998
Karnataka Rural WSS Project	Karnataka	117.80	92	1993	2000
Mumbai Sewage Disposal Project	Maharashtra	295.60	192	1995	2003
II Chennai Water Supply Project	Tamilnadu	421.0	275.8	1995	2004
Karnataka Watershed Development Project	Karnataka	127.60	100.4	2001	2009
II Karnataka Rural WSS Project	Karnataka	193.44	151.6	2001	2008
Rajasthan Water Sector Restructuring Project	Rajasthan	180.20	140	2002	2009
Karnataka Community Tank Management Project	Karnataka	124.97	98.9	2002	2012
UP Water Sector Restructuring Project	Uttar Pradesh	173.70	149.2	2002	2008
Karnataka Urban Water Sector Improvement Project	Karnataka	51.53	39.5	2004	2008
Uttaranchal Decentralized Watershed Dev Project	Uttaranchal	89.35	69.62	2004	2012
Madhya Pradesh Water Sector Restructuring Project	Madhya Pradesh	443.19	394.02	2004	2011
Himachal Pradesh mid-Himalayan Watershed Project	Himachal Pradesh	75.00	60	2005	2013
III Tamilnadu Urban Development Project	Tamilnadu	435.00	300	2005	2011
Maharashtra Water Sector Improvement Project	Maharashtra	393.77	325	2005	2012
Uttaranchal Rural WSS Project	Uttaranchal	224.00	120	2006	2012
Punjab Rural WSS Project	Punjab	261.40	154	2006	2012
Rampur Hydropower Project	Uttar Pradesh	670.00	400	2007	2013

Source: Compiled from World Bank, India: Projects and Programs, <http://www.worldbank.org.in/external/default/main?menuPK=295618&pagePK=141143&piPK=399272&theSitePK=295584>

Appendix III
List of People Interviewed

1.	Deputy Controller, Project Monitoring Unit, Government of Karnataka (GoK)	Elite Interview	27.07.06
2.	Joint Director, Directorate of Municipal Administration (GoK)	Elite Interview	13.08.06
3.	Managing Director, KUIDFC	Elite Interview	17.08.07
4.	General Manager, Urban Affairs, KUIDFC, Mr. Ashok Jain	Elite Interview	12.08.06, 16.09.07
5.	Project Director, GBWASP, Mr. Chandramohan	Semi-structured Interview	13.08.07
6.	Project Manager, KUWASIP, Mr. Purohit	Semi-structured Interview	15.09.06
7.	Project Manager, KUWASIP, Mr. Pratinidhi	Semi-structured Interview	26.07.07. 13.09.07
8.	Manager Technical, Urban Water Supply, KUIDFC, Mr. Kulkarni	Semi-structured Interview	09.09.06, 17.07.07
9.	Task Manager for KUWASIP, World Bank, Oscar E. Alvarado	Semi-structured Interview	15.07.06
10.	Karnataka State Coordinator, Economist with World Bank, Ms. Paramita Dasgupta	Semi-structured Interview	20.05.06, 27.05.06
11.	Advisor, External Affairs, World Bank, Mr. Sumir Lal	Semi-structured Interview	11.05.06
12.	Infrastructure Finance specialist, World Bank, R.Kesavan	Semi-structured Interview	22.07.06
13.	Engineer with South Asia Energy and Infrastructure Unit, World Bank, N.V. Raghava	Semi-structured Interview	13.07.06
14.	Mandakini Kaul, Operations Officer and Partnerships Coordinator, World Bank	Open-ended Interview	10.05.06
15.	Mohan Nagarajan, Senior Economist, Poverty Reduction and Economic Management, World Bank	Open-ended Interview	27.07.06
16.	Anup Wadhawan, Senior Utility Specialist, Water and Sanitation Programme, South Asia	Semi-structured Interview	18.06.06
17.	Technical Director, Veolia (India)- Didier Renard	Semi-structured interview	15.09.06
18.	Ex-Chief Engineer, BWSSDB – M.N.Thippeswamy	Semi-structured interview	02.08.07
19.	Commissioner, Hubli-Dharwad – Manivannan	Elite interview	16.10.06, 15.09.07

20.	Executive Engineer, KUIDFC – D.L. Raju	Open-ended interview	12.10.06
21.	Chief Engineer, North, KWSSDB – R.Bhatt	Open-ended interview	07.08.07
22.	Chief Engineer, KWSSDB – B.M.Nagesh	Semi-structured interview	22.09.06, 30.08.07
23.	S.D. Gudduneva, Technical Auditor, Fichtner (I) Ltd, Hubli	Semi-structured interview	06.08.07
24.	Mahapurush, Technical Auditor, Fichtner (I) Ltd, Dharwad	Semi-structured interview	11.11.06, 17.09.07
25.	Anil Kumar Patil, ex-Mayor, Hubli-Dharwad	Semi-structured interview	16.10.06
26.	Councillors (Hubli-Dharwad)	Open-ended interviews	November 2006, August 2007
27.	Residents (Bangalore, Hubli-Dharwad)	Conversations	November 2006, August 2007
28.	Clifton Rozario (Alternate Law Forum)	Semi-structured interview	26.07.07
29.	Gururaj Budhya	Semi-structured interview	13.07.06, 25.07.07
30.	Meera Baidur, (CASUMM)	Semi-structured interview	22.09.07
31.	Pramod, (Jaanagraha)	Open-ended interview	11.08.06
32.	Project Development Specialist, USAID, A. Jalakam	Semi-structured interview	04.08.06
33.	Narendra Pani (National Institute of Advanced Studies, Bangalore)	Open-ended interview	23.09.07
34.	G.V. Shastri (Institute For Socio-Economic Change, Bangalore)	Semi-structured interview	25.10.07