Governing Water in India

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CHAPTER 2

The Regulatory Water State in Postliberalization India

India’s governance of water in the postliberalization period has been shaped by two of the central policy tenets that are associated with economic reforms—decentralization and privatization. Both national policy frameworks on water governance that have been emerging since the late 1980s and global projects primarily associated with the World Bank have emphasized these tenets. Local state governments have also begun to promote these norms of decentralization and privatization through the formation of Water Users’ Associations and through the restructuring of water bureaucracies. Indeed, critics of reforms in India often focus on the threat of privatization in the water sector. Despite the rhetorical shift that has emphasized privatization and decentralization, shifting policy and institutional frameworks have produced subtle but significant forms of state centralization that shape the governance of water in India. These processes of centralization, which are distinctive features of the postliberalization period, intersect with and reconstitute the historical legacies of state centralization in contemporary India.

Regulatory reforms have been produced by the interplay between global, national, and local water policies and patterns of investment. In the post-1990s period of reforms, the World Bank, the major global player shaping water policies and reforms, shifted its focus from the direct financial support of large water-related infrastructure projects. While antipoverty projects
remained a part of the World Bank’s work, the Bank shifted to an emphasis on supporting state institutional reforms and private investment for water-related projects often through the structure of public-private projects. The shift to a focus on institutional reforms deepened the interaction between the Bank’s policy prescriptions and the frameworks of governance of the Indian state. For instance, there has been a strong convergence between global norms and India’s national water policy frameworks and approaches to water governance.

The nature of the convergence between global norms and national policies does not reflect a simple linear relationship where global frameworks were unilaterally imposed on India or evidence of a weakening state in the face of global institutions. India’s state has historically had a strong and independent role in its dealings with the World Bank (Prabhu 2017). Rather, state power has been reconstituted and reconsolidated through reforms. Frameworks of institutional reform have consolidated or further expanded the assertion of governmental authority over water resources. In particular, the consolidation of state power is embedded within policy frameworks that are rhetorically associated with decentralization and privatization—processes that are commonly linked with a scaling back of state intervention. In this context, the enduring nature of state centralization cannot be explained solely as a function of the specificities of domestic or political dysfunction in India.

This reworking of state power can be seen in shifts in national patterns of governance and in the specific reconstitution of state power in the case of Tamil Nadu’s water reforms. Tamil Nadu represents a significant case for an analysis of the restructuring of the state. The state represents a crucible of national and global trends that have been unfolding in recent decades. Tamil Nadu, one of the most urbanized states in the country, has actively and successfully drawn in private and global investment and has been one of the major (and earliest) recipients of World Bank funding in the water sector. The state has also developed an organization for drawing in finance capital for infrastructure development that has been held up as a national and global model (the Tamil Nadu Urban Finance and Infrastructure Development Corporation). In line with the global norms associated with such funding, the Tamil Nadu state government has engaged in significant institutional restructuring of the water bureaucracy. Given this confluence of patterns, the case provides an important context for understanding the transformation of state power in the postliberalization period.
The architecture of the governance of water that has been shaped by World Bank funding in Tamil Nadu reveals how state authority has been reconstituted through institutional reforms. Institutional reforms have heightened the power of state governmental control and governance of water resources rather than deepening the decentralization of water management. This intensification of local state governmental authority has unfolded in the context of the particular kind of federal structure that has shaped governance over water in India. The federal framework that gave state governments authority over water meant that there was already a significant institutional space for the World Bank to work directly with state governments when it came to water reforms. However, this federalized framework has in turn provided the space for the concentration of new forms of local state authority over water resources.

The World Bank and Global Water Reforms

By the late twentieth century, the World Bank had emerged as the leading global actor shaping norms and policies regarding governance over water resources and water-related infrastructure development. Investment in India reflected this global pattern. The Bank has long been one of India’s largest lenders and played a central role in the water sector well before India embarked on its reforms in the 1990s. Infrastructural development in India, as is well known, is one of the major areas that has long been in need of financial investment. The need for the development of basic infrastructure, such as transportation, water, housing, roads, and electricity, has only grown in the context of continuous and accelerating pressures sparked by growth and urbanization. In the face of significant financial needs for this array of sectors, water and sanitation services have represented a segment of infrastructural development that has been one of the least attractive sites for private investment. This risk aversion of the private sector toward investment in the water sector has remained a persistent feature of the postliberalization period in India (TNUIFSL, interview with author, January 2017). The World Bank has stepped in to fill this vacuum both as a consequence of its own priorities and in response to requests from the state in India. The Bank has therefore emerged as the biggest external donor in the water sector in India and has been the leading global actor in shaping India’s water reforms (Briscoe and Malik 2006; Prabhu 2017).
In the postliberalization period, the World Bank has shifted from the direct investment in water-related infrastructure (such as its lending for irrigation) in India toward promoting institutional reforms centered on the principles of decentralization and privatization. This shift was part of a general change within the World Bank itself as it moved from an approach that was focused on supporting para-statal institutions from the 1960s to the 1980s to an emphasis on these principles of reform since the 1990s (Bakker 2010, 69). As we will see, these reforms have converged with new policy frameworks of the Indian central government. These policies of decentralization and privatization have been implemented through institutional and financial structures that have reconsolidated the power of the central government. Frameworks of decentralization have paradoxically produced new centralized spaces of state power in the midst of a vast set of smaller and weaker local governmental bodies. Meanwhile, the World Bank has also opted to work directly with local state governments in funding and promoting institutional reforms in the water sector. This work with local state governments has been a natural corollary to its promotion of decentralization. However, as with national policy frameworks, World Bank initiatives have inadvertently intensified new spaces of centralized state authority in a larger decentralized landscape of small and weak local urban and rural governmental bodies. Such reforms, as the chapter will illustrate, provide a vital arena for an understanding of how state power is remade and recentralized at the local and national levels through policies and reforms that are designed to expand decentralization and privatization.

India’s water reforms that have been implemented through such shifting local, national, and global norms and policy frameworks provide a distinct case of analysis that illuminate shifting comparative and global trends. In particular, the focus on the centrality of the state in India provides an important counterpoint to the emphasis on privatization that has often characterized research on water reforms. Research in comparative contexts has focused on the deleterious effects of models of privatization (Bakker 2010; Morgan 2011) that have been associated with dominant transnational models of water governance. Indeed, social movements in a wide range of countries including in India have also been focused on their opposition to existing or prospective forms of privatization (Morgan 2011; Urs and Whittell 2009). However, the dynamics of privatization do not adequately capture the nature and implications of this reform model. The centrality of the World Bank’s role in
shaping water reforms in India itself stems from a deficit of private investment in this sector. As one World Bank report noted, a combination of structural features of the water sector (such as the high capital intensity and a heavily decentralized market) and political risks (such as the political pressures to keep tariffs low) meant that by the end of the first decade of reforms, the water sector accounted for only 5 percent of total private investment in infrastructure (Baietti and Raymond 2005, 1). The Indian context has been a more representative case of the challenges of gaining private investment in the water sector than countries where privatization was rapidly implemented. In India, the complexities of the physical nature of water infrastructure and the institutional landscape have made it a less attractive avenue for private investment in contrast to other sectors of the economy. This has meant that the Indian state has remained a central actor in the management of water resources in ways that are more representative of global trends.

More significantly, the reworking of state authority in India has converged with and is reflective of an underlying shift in the World Bank’s own approach to the role of the state in the water sector. In line with an emerging post–Washington Consensus agenda, the World Bank’s focus on institutional reforms has identified state accountability as a key component of both its policy ideational frameworks and the specific projects it has funded. These frameworks contain within them the nodes of state authority that intersect with and provide the means for new forms of state control of water resources. In this context, historical forms of state centralization have been reworked but not displaced through reforms that seek to promote decentralization and privatization. The World Bank’s shift toward emphasizing state accountability was itself shaped by its experience of the well-known controversies over its funding for the Narmada dam in India. Thus, the Indian case also provided a critical basis for the World Bank’s broader rethinking of its approach to the water sector and holds important insights for comparative and global understandings of regulatory reforms of water governance.

**The World Bank, the State, and Water Reforms in India**

The Bank’s work in the water sector in India has a long history that can be traced back to investments in support of irrigation and agricultural development. The World Bank’s lending to India first expanded in the 1960s with the establishment of the Bank’s International Development Association in
1960. Its investment in water-related infrastructure significantly expanded in the 1970s as the Bank’s funding priorities dovetailed with antipoverty programs (Prabhu 2017, 97). In these early decades of lending, the Bank focused on the direct support of infrastructural projects with an emphasis on the irrigation sector. By the end of 1990, the Bank had supported sixty-five projects in the water sector, of which forty-two were for irrigation (WB 1995b). The Bank’s support of agricultural development also had more indirect effects on water governance. For instance, the involvement of the World Bank in supporting the model of agricultural development that grew the Green Revolution also meant that the Bank was supporting a form of development that was in large part based on the use of water-intensive high-yielding seeds (Prabhu 2017, 145). The significance of the World Bank as a leading global actor in India’s water sector is underlined by the fact that it significantly surpassed funding and investment from other international actors. As journalist Nagesh Prabhu has noted, “Among the foreign borrowings for irrigation for India, the Bank was the major source—71 per cent followed by OECF [Overseas Economic Cooperation Fund]—16 per cent, European Commission (EC)—6 per cent, Germany—3 per cent, Canada—2 per cent, Netherlands and France—1 per cent each in the 1990s” (Prabhu 2017, 153). The importance of the ideational, institutional, and policy frameworks of the World Bank in India are borne out by these patterns of financial investment.

While the World Bank’s role in India has continued, the orientation of water-related Bank lending has undergone important shifts in the postliberalization period. The Bank has shifted from an active role in shaping irrigation development in the late twentieth century to a scaled-back role that sought to work through institutional frameworks of the Indian state. With this shift, the World Bank has sought to ensure the state’s ownership (and accountability) for the development and change spurred on by the projects that it was funding. The significance of state accountability in this global approach has often been hidden by the heavy discursive emphasis on decentralization and privatization. Such changes have enabled a reworking of the Bank-state relationship in the water sector and have provided the foundation for a return of the Bank to a new active role through its collaboration with the state.

The World Bank’s shifts in its approach to investment in India’s water and sanitation sector were in many ways a response to some significant failures in the projects it had supported. Both high-profile political opposition
to the World Bank in India and internal Bank reviews critical of its projects led to a significant shift in the World Bank’s approach to investment in water-related projects. On the political front, the World Bank’s financial support for the Sardar Sarovar Project, designed to build a dam on the Narmada River in Gujarat, provided a central impetus for this review (WB 1995d). As is well known, the now infamous infrastructural project was to provide water for irrigation in drought-prone areas of Gujarat and generate hydro-power. The lack of attention to both the human and the environmental costs of the project generated one of the most high-profile antidam movements, the Narmada Bachao Andolan, at the national and global levels (Baviskar 2004; Khagram 2004). The World Bank approved funding for the project over a ten-year period in 1985. However, in the face of sustained protests, the Bank’s president initiated the first ever cancellation of a project that was already under implementation (WB 1995d). The report, which concluded that the Bank had not addressed either the human effects of the dam (on farmers or tribal groups who would be displaced by the project) or the environmental effects of the projects, led to the Bank’s unprecedented act of withdrawing financial support for the project in 1993 (Morse and Berger 1992). As an independent evaluation group of the World Bank would note, “The Narmada projects have had a far-reaching influence on the Bank’s understanding of the difficulties of achieving lasting development, on its approaches to portfolio management, and on its openness to dialogue on policies and projects” (Morse and Berger 1992). In addition to the Bank’s realization of the need to explicitly address the centrality of the social and environmental dimensions of projects it was funding, the Bank’s Committee on Development Effectiveness concluded that “government ‘ownership’ should be assured, and social and environmental assessments should be completed, before a loan agreement is signed” (Morse and Berger 1992).

This high-profile review and self-assessment of the Bank was also accompanied by less visible reviews of funding for irrigation-based projects in India that concluded that the impact of such projects had been “less than predicted” (WB 1995a, 1). Consider, for example, the Bank’s major “National Water Management Project,” funded from 1987 to 1995 with a $176.1 million loan. The project was aimed at improving agricultural productivity and farm incomes through the enhancement of irrigation systems in eleven states. Internal Bank reviews document a range of problems with delays in infrastructure construction and problems with land acquisition and rehabilitation (WB 1987).
that led to the Bank rating the project outcome as unsatisfactory. Technical problems produced by construction in some instances harmed segments of farmers, leading them to destroy the infrastructure. As one internal Bank report noted,

Scheme preparations are not of a high standard. Design and conceptual weaknesses were evident in some of the schemes visited by the mission. In Tamil Nadu, the designer has taken advantage of existing drainage courses in sub-catchments to convey irrigation flows to tanks but in designing control structures for flow division the natural run-off and floods usually handled by such courses have been ignored. As a result, water has backed up on farmers’ fields (inadequacy of the structures) and the annoyed farmers have destroyed the flow division structures. No attempt has been made to review the situation and rebuild the structures. (WB 1997, 11)

In other cases, farmers resisted the imposition of agricultural change through democratic processes. For example, a Bank-funded irrigation project that sought to attempt to change cultivation from paddy to dry crops in Andhra Pradesh failed as farmers resisted the transition and obtained a court injunction to stop the project (WB 1997, 6). These internal reviews led to a significant shift in the way in which the World Bank approached its support of investment in India’s water sector.

This set of assessments in India contributes to the findings of transnational and comparative research on the World Bank’s water projects in important ways. The urban water supply and sanitation projects funded by the Bank from the 1970s to the 1980s received highly negative internal self-assessments and was one of lowest-rated sectors (Bakker 2010, 68). The internal reports on the Indian context reveal that such negative reports were not limited to urban water supply projects but included a broader category of water-related projects. The Bank moved away from direct support for water-related infrastructure projects and instead focused on policy change and improved water management in India. This was evident, for instance, in the Bank-supported reform project, the Tamil Nadu Water Resources Consolidation Project, launched in 1995 (WB 1995b).

The Bank’s institutional shifts signify the contradictory nature of the relationship between the Bank and the state that has shaped policies in the water sector in India since the mid-1990s. The Bank’s emphasis on policy change
since the mid-1990s was concentrated on three significant dimensions—
institutional reforms, the financial viability of water utilities and govern-
nance structures, and the support for technical improvements that would
aid the management of water (WB 1998b). This set of reforms was centered
on the Bank’s dominant ideational model, which attempted to make space for
private sector actors and promote decentralized governance. For instance, the
Bank’s discursive framework was clearly focused on a model of the regulatory
state in which the government was shifting from “provider to facilitator”
(WB 2001, 3). However, this model was simultaneously intertwined with the
Bank’s desire to ensure the government ownership of infrastructural devel-
opment and reforms based on its own negative experiences in the water
sector. The Bank pointed to favorable evidence of this trend in the Indian
government’s pilot reforms that were designed to change the approach of
“providing water through centralized state water boards by sanctioning
Rs. 2,500 crores (U.S. $550 million) over three years for piloting water and
sanitation reforms in 63 districts in 25 states in India” (1). The World Bank,
in effect, placed itself in a supportive role of a government-owned reform
process. Noting that the Government of India “has welcomed the assistance
of WSP-SA [Water and Sanitation Program–South Asia],” the Bank cast
itself as seeking to “support sector reforms by providing proactive imple-
mentation and capacity support as well as knowledge management” (4).

In the aftermath of the internal self-assessments of unsatisfactory proj-
ec ts, the Bank also shifted to a new generation of irrigation projects, the
Water Resources Consolidation Projects, which would incorporate the prin-
ciples of institutional reform, technical modernization, cost recovery, and
farmer participation (WB 2001, 15). However, once again, underlying these
principles was the key foundation of government ownership of the reforms
being advocated. The Bank carefully selected its project sites for this gene-
ration of reforms in states (such as Tamil Nadu, Haryana, and Orissa) whose
governments were actively embracing and supporting its principles of
reforms and where the Bank had a prior history of working effectively. The
result was a significant decline in World Bank funding in India’s water sec-
tor (Briscoe and Malik 2006, 71). As one Bank report would note, the Bank
avoided projects that would be “reputationally risky”—there was no lending
for hydropower, and there were “sharp reductions in lending for irrigation,
urban water supply and stand-alone water resources projects, with the only
increases being in the uncontentious area of rural water supply. There was
great dissatisfaction among government officials in India who believed, as did developing countries throughout the world, that the Bank was walking away from the area where the needs were great (infrastructure) and where the Bank had a strong comparative advantage, namely in addressing complex, difficult issues such as water resources development and management” (Briscoe and Malik 2006 71).

The new World Bank approach continued to emphasize strategies of privatization either explicitly, through the support of privatized or public-private models, or implicitly, through principles of cost-recovery based on an economistic consumer-based model of water supply. However, the Bank’s shift to a focus on institutional reform also reflected its view that state institutional frameworks had to serve as the central foundation for the implementation of these normative principles and models. Such a shift again was sparked by the Bank’s assessment of failures in the first generation of public-private models in the 1990s. As one World Bank analysis of this early set of partnerships would note, “Most failed because of poor enabling frameworks for private investment, poor project preparation, weak financial strength of project proponents, and opposition to private sector participation” (WB 2014, 1). Such early failures once again consolidated the Bank’s shift toward an approach that centered state institutional accountability and change in its efforts to promote its desired water reforms.

While the Bank’s focus on water reforms has been focused on both the national and the local levels, India’s federal structure has served as the key vehicle for the institutional changes that the Bank supported. This has been in keeping with its overall funding strategies in the postliberalization period as well as in keeping with its policy norms in support of decentralization. As journalist Nagesh Prabhu has noted, “During 1998–2008, out of 107 loans sanctioned by the Bank, 72 loans were granted to [local] states, which constituted 67 percent of the total lending to India” (2017, 345). The World Bank’s Water and Sanitation Program–South Asia noted that one of its key successful initiatives was the Cochin declaration, a statement of support for water reforms outlined in India’s eighth five-year plan (1992–97) from ministers (WB 2001, 7) participating in the first state water ministers’ workshop on rural water supply policy reforms in India, held December 7–8, 1999 (WB 2001). The meeting brought together eleven state ministers, senior central and state government civil servants, NGOs, and representatives of international funding agencies. While the workshop agenda emphasized that the Bank was
concerned with social themes of participatory development and decentralization that addressed rural poverty and women’s participation, it also highlighted the Indian government’s new principle of “water being managed as a commodity and not as a free service” (WB 2000, 2). The framing of the workshop thus rested on a foundation of reforms that were promoted by the central government, with a pledge by local state governmental ministers to implement these reforms. In line with the Bank’s emphasis on government ownership of development and reforms in the water sector, the self-representation of the Bank’s agenda in this context was one of an enabling rather than an interventionist actor providing “capacity building to strengthen rural water supply institutions and knowledge management” (WB 2000, 2).

Building on this transition in the framework of its support, the World Bank’s shift to Water Resources Consolidation Projects, which were designed to work through local state governmental mechanisms, provided a key means to further its reform model in ways that would avoid the reputational risks of large-scale projects such as the Sardar Sarovar Dam project. Such reforms have been evident in a range of Bank-funded state-level water projects. Tamil Nadu’s Water Resources Consolidation Project emerged as one of the earliest examples of institutional restructuring of the state’s water bureaucracy. Meanwhile, the Bank required the Madhya Pradesh state government to draft legislation for a state water regulatory tariff commission as part of its provision of a $394 million loan for the Madhya Pradesh Water Restructuring Project (Cullett 2009, 90).

Or, to take another example, consider the shift in the model of public-private initiatives in the water sector. The failure of the initial phase of public-private initiatives in the 1990s led to a shift toward more limited projects focused primarily on service delivery. However, the deeper transformation that occurred in subsequent decades was the development of more active governmental authority over such projects. This ranged from the development of governmental regulatory structures designed to support the establishment of such initiatives to the expansion of public funding for such projects. Consider the findings of a comprehensive World Bank study of all public-private partnership (PPP) initiatives in urban water supply with a citywide distribution that were established between 2005 and 2011. Private investment in the five major projects (set up in Maharashtra, Karnataka, and Madhya Pradesh) ranged from 0 percent to 50 percent (WB 2014). Two of the projects had no private investment, one had 10 percent,
one 30 percent, and only one had 50 percent private investment. Moreover, as the Bank study noted, private investment shifted from international to domestic capital (WB 2014, 9).

Such trends underline the fact that global dominant norms of privatization and decentralization regarding water sector reforms are being structured by state institutional frameworks and domestic capital and are not simply implemented in a unilateral or straightforward manner either by global financial institutions or by transnational corporations. The underlying objective of the Bank has been to harness state institutional frameworks in ways that will promote its norms of accountability, financial viability, and the growth of the private sector’s role. As one Bank report would note,

One need is to have an institutional apparatus for inter-sectoral water planning, allocation and management. Appropriate institutions for this, comprising a multi-sectoral state Water Resources Board and its State Water Planning Organization, are discussed in the WRM’s Report on Inter-sectoral Water Allocation, Planning and Management. Also often desirable is to create a separate state regulatory apparatus, possibly comprised of two entities. One would handle regulation of resource management, in particular of groundwater and surface water abstractions and possibly pollution control. The other would focus on pricing and safeguarding monopolistic practices by water suppliers and users. An immediate need is to establish a water pricing committee which should be independent of political decisions. Over time, as WUAs (Water User Associations) develop and the private sector increasingly enters into water sector investment and management, this body needs to take on full regulatory powers. (WB 1998b, 29)

The Bank’s emerging model in the late 1990s thus shifted in significant ways from a simple advocacy of privatization to a more complex model in which the planning and regulatory frameworks of the state would ideally provide both the framework and the foundation for the gradual entry of private sector investment in the water sector.

The question at hand then is how state accountability has been framed through such regulatory reforms and the norms of governance that have been associated with them. The implementation of water reforms in India has produced contradictory sets of processes. The global normative model of the World Bank that has emphasized decentralization and privatization has
had a significant impact on water policies and institutions in India (Cullet 2009). This global ideational model has become entrenched within institutions at the national and local levels and has also shaped the ideologies of protest movements and NGOs within civil society (which have focused on the threat of privatization) (Anand 2017).

However, while such changes are important and significant, the underlying emphasis on state accountability has in practice facilitated the creation of new forms of state centralization at both the national and local levels. This veiled centralization is not, as we will see, simply the product of the Indian context corrupting or constraining the ideal-typical global model. Rather, the Bank’s model of reform has itself produced key nodal points that facilitated the state’s centralization of water resources; this incipient centralization was an intrinsic, if unforeseen, part of the Bank’s reform model. Furthermore, such emerging frameworks of reform also took shape within long-standing state institutions and the realities of historically produced political and economic relations and constraints in India. The underlying state-oriented framework therefore provided avenues for the state to rework its centralized control over water resources at both the local and national levels. That is, the newly reformed institutional structures contained within them the spaces for the expansion of state power, even as they were designed to promote decentralization and privatization. The challenge of understanding the implications of global norms of water sector reforms lies in investigating the impact of such reforms on state power at the national and local state governmental levels. Each of these scales of analysis reveals contradictory dynamics, where water governance is liberalized along the ideal-typical model of decentralization and private sector participation while simultaneously centralizing and intensifying state control over water.

Global Norms, National Policies, and the Exercise of State Power through Water Reforms

Institutional reforms in the water sector depart from the conventional narrative of postliberalization economic change, in which the centralized planning of the developmentalist state leads to the increasing devolution of power to the states in the context of India’s federal structure. In the early decades of independence, the developmentalist state was marked by weak regulatory frameworks governing water. State governments preserved their
authority and become central players in the management of water. Paradoxically, the national planning for water emerged alongside and as a product of India’s opening up to global norms of reform. The global model of water reforms would of course remain centered around the dual idealized principles of transforming the role of the state to a facilitator and regulator and increasing the role of both private sector actors and local decentralized organizations. However, the implementation of such ideational and policy frameworks has tended to be implemented through top-down mechanisms. These discursive dimensions of institutionalism foreground the centralized nature of the diffusion of this model of water reforms. In other words, the implementation of these institutional principles as the new normative discursive model rested on a highly centralized process, particularly given the World Bank’s new emphasis on clear governmental ownership of all processes of reform.4

Consider how such processes of reform unfolded at the national level. First, the central government began developing formal national water policies, in contrast to the early decades of developmental practices that rested on a default acceptance of the constitutional framework that gave state governments primary control over water resources. Second, the postliberalization period has been characterized by major central government developmental initiatives that have combined state investment in water infrastructure with processes of reform. Finally, the central government has also established new national regulatory structures that govern the management of water resources. While such processes of reform often reflect the World Bank’s global norms on privatized and decentralized water management, they also paradoxically set into place nodal points for state power that facilitate an expansion of centralized state control over water resources.

Consider first the emerging national water policy frameworks in the post-liberalization period. India’s first national water policy represented a preliminary attempt at presenting a set of national guidelines for the governance over water resources that accompanied early stages of liberalization that were initiated under Rajiv Gandhi’s government (MWR 1987). This early policy framework combined long-standing developmental goals and models of resources management with some of the emerging global norms advocated by institutions such as the World Bank. The policy framework clearly emphasized the need for the provision of drinking water, the need to address the concerns of marginalized groups, and various environmental and public
health issues. Such principles were integrated with long-standing developmental models that have stressed modernization and planning. Along with long-established developmental principles of equity and access, the national policy framework also articulated newer languages that reflected global norms of a model that incorporated a framework of participatory and decentralized management on the one hand with the establishment and collection of water rates on the other. As the policy noted, “Water rates should be such as to convey the scarcity value of the resource to the users and to foster the motivation for economy in water-use. They should be adequate to cover the annual maintenance and operation charges and a part of the fixed costs. Efforts should be made to reach this ideal over a period, while ensuring the assured and timely supplies of irrigation water. . . . Efforts should be made to involve farmers progressively in various aspects of management of irrigation systems, particularly in water distribution and collection of water rates” (MWR 1987).

In later phases of the postliberalization period, this integration of new global norms within the policy-planning framework was significantly expanded in a newly reworked national water policy. In a striking parallel to the World Bank’s shift away from direct infrastructural investment to a focus on institutional norms, the 2002 policy contained new tenets advocating institutional reforms. The policy stated that “the existing institutions at various levels under the water resources sector will have to be appropriately reoriented/reorganised and even created, wherever necessary” (MWR 2002). In addition, the policy presented the first official national statement explicitly encouraging both private sector participation and processes of decentralized participatory management through Water Users’ Associations (in ways that once again converged with the World Bank’s global norms).

It is commonplace to view this pattern of devolution of state power through processes of decentralization as a shift away from centralized state intervention toward more local state autonomy. Indeed, in the postliberalization period, this devolution has been formalized through governmental legislation that has sought to enhance local governance in both rural and urban communities (Panchayati Raj Institutions and urban local bodies) by expanding their governance and financial authority. The implications for the water sector were significant, as they were intended to place the responsibility for service provision on ULBs.
Such shifts in the postliberalization period along with the weight of public and political rhetoric on local governance have often elided an understanding of how decentralization in fact produces an intensification of centralized forms of state power. While there are variations in the models of decentralization in arenas such as governance of rural water supply (S. Singh 2016), there has been a dominant model of reforms that has been promoted through centralized mechanisms. National policy frameworks and decisions have reflected a strong degree of nationalization and centralization in the water sector (Warghade and Wagle 2011, 328).

Consider, for instance, the ways in which water reforms were promoted by the central government. Central government financing of local projects has increasingly been tied to conditionalities that state governments demonstrate that they are meeting central governmental norms of reforms. An early example of this was evident in the formulation of new national guidelines for the provision of rural drinking water in the form of the 2002 Swajaldhara Guidelines, which were formulated at the same time as India’s new 2002 national water policy framework (MRD 2002). The new guidelines specifically sought to shift “the role of Government from direct service delivery to that of planning, policy formulation, monitoring and evaluation, and partial financial support” (MRD 2002). The new model of water provision reflected the new global-national consensus on local governance and cost recovery. However, the implementation of this model rested on the financial control of the central government. In the initial phase, the new model delineated “up to 20 percent of the Budget provision for Rural Water Supply Programme of Government of India” (MRD 2002, 9) from the tenth five-year plan for projects that met the new reform guidelines. This conditional linking of central government financing with state-level reforms has continued to expand. For instance, the main policy change in the Accelerated Irrigation Benefits Programme in the twelfth five-year plan included “Enhancement of Central Assistance up to 50% for ongoing and new projects of General Areas subject to the States carrying out water sector reforms and satisfying the ‘Reform Friendliness’ benchmarks” (MWR 2014, 4).

The financial structure underpinning this process of decentralization shifts the accountability of governance (for the adequate and effective provision of water to communities) to local panchayats and urban local bodies (ULBs). However, panchayats and ULBs are not given the financial autonomy and remain dependent on both state and central governments. For example,
between 2007–8 and 2012–13, “there was an erosion in municipal financial autonomy across the country. The smaller the size of the ULB, the greater its dependence on intergovernmental transfers to finance civic services and facilities” (P. Mohanty 2016, 22). Similar trends are prevalent in the case of panchayats (P. Mohanty 2016, 24). The fourteenth Finance Commission report confirmed that “the representatives of panchayats and municipalities in an overwhelming majority of States mentioned that they faced a paucity of funds for carrying out their own mandated functions” (Reddy 2015, 102). As political scientist S. N. Sangita has further noted, local governments “still depend upon higher level governments for about 70–80 percent of their expenditure” (2014, 91). Decentralization has in effect encoded local governments within a framework of centralized control through such structures of financial dependence.

Meanwhile, the new dominant centralized discursive model of water governance was reinforced in the commission’s recommendation that “states (and urban and rural bodies) should progressively move towards 100 per cent metering of individual drinking water connections to households, commercial establishments as well as institutions” (Reddy 2015, 213). The enactment of reforms produces an increased financial precarity of local rural and urban bodies that enables the enforcement of top-down decisions that are characteristic of a centralized model of water governance. While the delegation of authority to local panchayats and urban local bodies is generally cast as an endeavor designed to enhance local governance and authority, the underlying financial dependence on the central and state governments in fact intensifies the centralization of state authority.

This pattern of the centralization of water governance converges with parallel patterns of centralized control that stem from the developmentalist state. What is distinctive about the postliberalization state then is not a shift from centralized state power to a process of decentralization that enhances local state authority but a shift in the arena of the state’s accountability for the provision of services. The central government has in practice either maintained or expanded its control over water resources in the postliberalization period, while the responsibility for providing adequate water supplies to citizens and other sets of consumers has shifted to local governments. What is decentralized, then, is state accountability to citizens but not the centralized financial control that underpins state authority.

Such dynamics have meant that national regulatory frameworks that are necessary for effective water governance have become enmeshed in these
dynamics of centralization. For example, the central government has been encouraging the establishment of a Water Regulatory Authority at the local state governmental level. This framework, which is in keeping with the World Bank’s long-standing advocacy of this specific form of institutional structure, is designed to provide a vehicle for the enforcement of pricing; water regulation in this context is not geared toward broader questions of access, equity, or environmental issues. As the fourteenth Finance Commission report recommends, “We reiterate the recommendations of the FC-XIII and urge States which have not set up WRAs to consider setting up a statutory WRA so that pricing of water for domestic, irrigation and other uses can be determined independently and in a judicious manner” (Reddy 2015, 214). Similarly, the state has also established a centralized agency to oversee and facilitate public-private partnerships.

This kind of centralization has been interwoven with regulatory efforts that are necessary for effective governance. In recent years, the central government has attempted to revise its approach to water governance and to produce new regulatory mechanisms. The twelfth five-year plan set in place a paradigm shift that sought to encode new principles of reform, decentralization, and sustainability (Shah 2013). Furthermore, the central government has realized the need for the effective management of groundwater. The Central Ground Water Authority (CGWA) has maintained the authority to regulate and control the management and development of groundwater since 1986. The 2002 national water policy signaled the need for the government’s continued public control over groundwater by both the central and local state governments in order to prevent the overexploitation of the resource. More recently, the government developed the Draft National Water Framework Bill, 2016, and the Draft Model Bill for the Conservation, Protection, Regulation and Management of Groundwater, 2016, and recognized the need for the reorganization of the CWC and CGWB (Shah 2016). As with the state-led model of decentralization, the central government has been pressing local state governments to enact groundwater legislation based on its model bills. Such regulatory mechanisms are necessary given the growing stresses on groundwater, but they remain dependent on the role of state governments to both enact and implement the regulations.

However, these new attempts to develop regulatory mechanisms have been accompanied by more conventional forms of state centralized authority that echo the approaches of the developmental state. The command-oriented
approach of the twentieth-century state is evident in the major national river-interlinking project that has been undertaken by the Modi-led government, in response to a Supreme Court directive. The interventionist nature and scope of the project signals the continued salience of large-scale developmental projects that rest on conventional modernist visions of infrastructural endeavors that were central features of the early decades of India’s developmental state.

This long-standing dynamic of centralization through developmental agendas has taken the form of new state-sponsored programs for infrastructural development. The language of infrastructural development has in effect replaced earlier modernist languages on development. If dams and factories were the infrastructural symbols of the Nehruvian vision of development in India, metropolitan city and large urban centers have become the new emblems of postliberalization developmental discourses. In this context, the reinforcement of state power in shaping the trajectory of the water sector has been shaped by the financial underpinnings of major state-led initiatives designed to promote urban infrastructure. The first major state-led initiative, Jawaharlal Nehru National Urban Renewal Mission (JNNURM), implemented in 2005–14, included water and sewerage infrastructure as a central dimension of its focus. As Piyush Tiwari and Ranesh Nair have noted, by the end of 2010, nearly 60 percent of the spending by JNNURM was in the water and sewerage sector (2011, 240). As with the earlier governmental assistance models, funding provision required mandatory reforms at the level of both the ULB and the state government (12). Furthermore, in accordance with the national water policy framework, the JNNURM did attempt to balance both the mandatory reform of achieving full operation and maintenance costs through user charges with the state’s obligation to provide services to the urban poor. The program favored larger and well-off states in India, and the implementation produced subtle forms of centralization by disconnecting ULBs from city development planning; from the preparation, approval, implementation, and supervision of projects; and from the assessment of the public benefits of projects. The program thus expanded the power of local state governments over ULBs (Bhide 2017). Centralization in this process was evident across spatial scales in both the top-down mechanisms of the JNNURM and the concentration of local state governmental authority.

While the BJP-led government discontinued the JNNURM after it came to power in 2014, it replaced the initiative with a new five-year plan, under
the framework of the Smart Cities Mission for the period 2015–20. The Smart Cities Mission also incorporates water and sanitation infrastructure as a primary component for funded projects. Furthermore, the new Mission reflects an extension of the existing framework of reforms by requiring matching funds from state governments and ULBs and the mobilization of private investment to supplement state funding. Given the financial strains on most ULBs for the provision of basic services, such funding conditionalities exacerbate inequalities between metropolitan cities and wealthier towns on the one hand and smaller, poorer urban localities on the other. The competitive framework of the Mission that requires cities and ULBs to compete for the funds further accelerates the race to the top for wealthier localities and allows for potential political considerations that shape center-state relationships to structure access to infrastructural funds. These dynamics are of course familiar ones that are associated with the planned economy of the twentieth-century developmental state.

Such initiatives are significant as they both highlight the continued centralized state governance over water and caution against easy assumptions of a clear transition between the model of a state-managed regime over water resources and new models of decentralization and privatization in the post-liberalization period. As a World Bank report noted,

Since 2005, a growing number of urban water supply PPP projects have been developed on the basis of substantial public funding. At present, 50 percent of projects have been developed with financial support from the central government. The capital injection from schemes such as JNURM and UIDSSMT [Urban Infrastructure Development Scheme for Small and Medium Towns] has been a major driver of this shift. Public funding for PPP projects in progress within the JNURM framework (including the UIDSSMT component) covers approximately 60–70 percent of the escalated project cost. . . . Given the high risk perceptions about water PPPs in India, the share of private investment is likely to remain limited, and reliance on public funding substantial. Moreover, given the weak financial health of ULBs, most public funding would need to come from state and central government sources, rather than ULBs. (Swaroop 2011, 8)

Or consider another example of how centralization is reworked through the case of Water Users’ Associations and models of farmers’ participatory
irrigation management. In accordance with national-global norms regarding decentralization, most states in India have established Water Users’ Associations to deepen processes of decentralization. However, such processes have often inadvertently reproduced older modes of state bureaucratic authority in a range of states’ water-related management activities, such as watershed management and large irrigation system management (Baviskar 2004, 31; Manor 2004, 203). In such cases, centralized forms of authority permeate decentralized projects through the local bureaucracies of the state government. Decentralized models of participatory management that have been developed for rural water management are located within a broader institutional structure that is itself being reworked in ways that are weighted toward the state control over water resources through powerful water bureaucracies that serve larger cities.

The significance of state governmental authority is also underlined by the fact that India’s constitutional framework placed the management of water resources primarily within the purview of state governmental power. The initial phases of reforms in the water sector were largely driven by specific, localized changes in particular states. States such as Andhra Pradesh, Madhya Pradesh, Maharashtra, Uttar Pradesh, and Arunachal Pradesh made early attempts at reforms. The new national reform-oriented Swajadhara guidelines were based on the local model of reforms implemented in Uttar Pradesh. Meanwhile, reforms promoted by the World Bank Water Resources Consolidation Projects were concentrated in Haryana, Orissa, and Tamil Nadu. State-level reforms provide the central arena for the implementation of the global norms and national reforms in India’s water sector, and local processes within states remain the crucial means for understanding the dynamics of institutional reform.

Water and the Centralization of State Governmental Power in Tamil Nadu

Tamil Nadu has had a long history of adopting global developmental models and working with international agencies in developing and managing its resources in the water sector. In more recent years, the state has been at the forefront of implementing reforms in the water sector, and the state has had an extensive working relationship with the World Bank. Given the state’s embrace of the new global model of reforms, including both incorporating
private sector participation and engaging in institutional restructuring, Tamil Nadu represents a strong case for assessing how patterns of state centralization are reproduced within its institutional models of water governance.

In the early decades of independence, UNDP assistance shaped the state’s management of groundwater. Since then, the World Bank has an established history of funding projects in the state. Early projects taken up from the 1980s ranged from the development of drinking water supply infrastructure in both rural areas in the state and in major cities such as Coimbatore and Madras (Chennai) to as a major restructuring project in the state’s irrigation sector, the Water Resources Consolidation Project (WB 1995a, 1995b, 1995c). The Water Resources Consolidation Project in particular represents an exemplary case of the Bank’s shift away from infrastructural funding toward institutional restructuring, and the project represents one of the central examples of the Bank’s new approach to the water sector.

Tamil Nadu’s Water Resources Consolidation Project, for instance, was an early example of the implementation of the principles of institutional reforms, cost recovery, and farmer participation (WB 1995a). As the World Bank memorandum recommending a $282.9 million loan would note, “In preparation for the project, and following on from its 1994 State Water Policy, GoTN has commenced a rigorous program of policy and institutional reforms” (WB 1995b, 3–4). These reforms included a wide range of changes, such as the creation of a specialist Water Resources Organisation (WRO), staff reorganization, programs designed to increase farmer participation, and procedures for the annual review of cost recovery and water charges. As the Government of Tamil Nadu’s letter requesting the loan would note, Tamil Nadu had already made significant advances in raising charges for water usage by farmers (November 1, 1994). The state’s charges have been, as the letter would note, one of the highest in the country, where “rates for bulk water supply for industrial and commercial use were increased by over six-fold in 1991, and agricultural rates have been periodically adjusted through increases in the irrigation cesses. An opportunity is also present, through farmer organizations, to progressively internalise revenues collection and expenditures at the levels of the operating systems and to eventually adjust to volumetric supply and charging arrangements linked to service costs” (4–5).

In keeping with the Bank’s shift to safer investments, Tamil Nadu’s demonstrated commitment to its model of water sector management provided a
reliable foundation for its self-conceived role as a facilitator of government-sponsored reforms. The Bank’s major sectoral review (WB 1998b) of its investment history and practices in India would note that dimensions of such institutional restructuring as well as the reorganization of Chennai’s major water utility were positive signs of change. The state represented one of six states (along with Andhra Pradesh, Maharashtra, Madhya Pradesh, Uttar Pradesh, and Rajasthan) that the Bank would select for Water Restructuring Projects after it had conducted its in-depth sectoral review (Burton and Dhingra 2014, 21).

In addition to its systemic support of institutional restructuring in the state, the World Bank has also funded one of the key mechanisms for private investment targeted primarily at urban local bodies. Given that the nature of the water sector has made it a less attractive arena for private sector investment, the ability of international financial institutions to provide risk mitigation for private investment in infrastructure has been critical (Baietti and Raymond 2005). Tamil Nadu’s Urban Development Fund (TNUDF) has represented a model both in India and at a global level in its endeavor to provide such mechanisms designed to draw in private capital for infrastructure, including within the water sector. The program was the product of sustained financial support from the World Bank in urban municipal development in the state. The investment, which began in 1988, led to the establishment of the TNUDF in 1996 in partnership with both the Tamil Nadu government and support from central governmental institutions.13 The fund was the first such public-private endeavor for municipal funding in India and is often held up as a national model for the mobilization of private capital for infrastructural development in the country. As the World Bank proposal for a third phase of funding of $300 million for the TNUDP noted,

The Second Tamil Nadu Urban Development Project (TNUDP-II) made a very strong impact on urban reform and strengthening of ULB capacity. The Tamil Nadu Urban Development Fund as established under TNUDP-II has been successful in bringing ULBs to the market and exposing them to commercial borrowing practices. Both GoTN [Government of Tamil Nadu] and GOI [Government of India] see the continuation of this collaboration as a way to consolidate urban reforms in Tamil Nadu and to provide sustainability
and continuity to the access to financial markets for urban local bodies. In addition, GOI sees this as a way to bring to fruition a model that could be replicated at the national level and in other states as they reach Tamil Nadu’s level of urbanization and implement reforms similar to those that have been implemented there, while GoTN sees it as a continuation of a long and fruitful relationship with the Bank (WBIEU 2005, 4).

Indeed, the fund manager (TNUIFSL) for the TNUDP has developed a strong record in the loans that it has managed. According to its 2019–20 report, the fund reported a 100 percent debt recovery record over a period of sixteen years (TNUDF 2020). The track record of globally funded reforms has meant that Tamil Nadu represents one of the central cases where reforms and global norms of water sector management have been implemented in the postliberalization period.

In practice, the reforms in the state have exemplified the processes of centralization that I have analyzed. For example, processes of incipient centralization have been particularly significant in the case of one of the models of decentralization—the case of Water Users’ Associations and committees. Consider the implementation of processes of decentralization in Tamil Nadu. The seventy-third and seventy-fourth constitutional amendments were passed in the state without any discussion in the state assembly (Kumar 2011, 27). This kind of top-down approach has been duplicated in the example of Water Users’ Associations that were established by a state governmental order without the preparatory groundwork that could have deepened the effectiveness of this decentralized framework.14 As one report noted, despite problems with the initial phase of Water Users’ Association operations, the government passed a new act, the Tamil Nadu Farmers Management of Irrigations Systems Act, in 2001 “for a new set of bodies linked to WUAs before studying the soundness” of the organizations (CWR 2003, 75). The act reworked the original 1994 three-tier framework into a three-tier Farmers Organisation, consisting of “Water Users’ Association (WUA) at Primary level, Distributory Committee (DC) at Secondary level and Project Committee (PC) at the Project level” (WRD 2018). While the state has gone on to hold formal elections for posts on these committees, the system of participatory management is placed within the state’s centralized water bureaucracy. Thus, the engineers of the public works department were appointed “as the Competent Authorities for the Water Users’ Associations, Distributory Committees and Project
Committees respectively” (WRD 2018). Water Users’ Associations were thus incorporated into the lowest rung of the state’s water bureaucracy.

Meanwhile, the state also captures the dynamic of the divergence between state centralization and effective national regulatory authority. Such processes of centralization have also been met by resistance or apathy that has stalled institutional and policy changes. Such resistance has taken the form of a competition for state control between the central and state governments. The case of Tamil Nadu illustrates both the effects and limits of this interplay between central and local state governmental power. As we have seen, there has been a nationalization of water policy frameworks that the central government has sought to use as a means of producing a more uniform policy across state governments and more effective regulatory mechanisms. The central government has attempted to encourage state governments to adopt state water policies based on the national water policy framework. Tamil Nadu has been one of the more proactive states attempting to develop water policies that are generally in line with national frameworks. However, while such frameworks have been developed, they are often stalled in the context of local governmental and political processes. The Tamil Nadu government, for instance, developed a water policy that was closely modeled on the national framework in 2007 but was never formally approved by the government (PWD, n.d.b., 2).

Consider a second example of how national regulatory frameworks have become ineffective in Tamil Nadu—the case of groundwater legislation. The central government has periodically circulated model groundwater bills that it has encouraged state governments to adopt. While the circulation of such bills did not originate with the reform period (model bills have been circulated in 1970, 1992, 1997, 2005, and 2016), the growing governmental concerns over groundwater as usage and competition over the resources continues to intensify have accentuated the significance of such proposed legislation. Tamil Nadu has made attempts to adopt groundwater legislation. The Chennai Metropolitan Area Ground Water (Regulation) Act, 1987, was an early example of such regulation and remains in force for the metropolitan area. Meanwhile, legislation covering the remainder of the state was developed through the Tamil Nadu Groundwater (Development and Management) Act, 2003, and enacted in 2004. The context of the legislation was a lack of action at the local state level, where, as one Ministry of Water Resources report noted, “Barring a few exceptional cases, political and administrative leaderships
in most states have been reluctant to impose any restrictions for management of ground water. The Model Bill has been in circulation ever since 1970 i.e., for the last 37 years. But there have been very few takers” (Prasad 2008, 74). In the case of Tamil Nadu, the government never notified the bill and then revoked it in 2013.

These new forms of centralization have been interwoven with the renewed interventionalist models associated with the developmentalist state. For instance, the Tamil Nadu government has played an active role in pressing for the nationalization of river waters through the central government’s river-interlinking project. When the Supreme Court asked states to respond to the proposed project, Tamil Nadu was the only state to provide a response.16 When the Congress-led government avoided action on the Supreme Court’s order to establish a Special Committee to implement the project, the Tamil Nadu government proactively “requested that the Special Committee should be activated and all Inter-State rivers should be nationalised so that water resources of the country are optimally utilized” (Palaniswami 2017, 101). Since the constitution of the committee under the Modi-led government, the Tamil Nadu state government has continued to press for the immediate implementation of the national river-linking scheme (103).

Such activity by the Tamil Nadu state government has been shaped by Tamil Nadu’s problems with acute water scarcity. This problem with scarcity is exacerbated by its geophysical conditions and the constraints from its location downstream from rivers in its neighboring states. As we will see in the next chapter, the state government has also sought central government intervention through a separate set of regulatory institutions that have governed interstate water disputes. This has produced protracted claims on the state machinery of interstate river-dispute tribunals and the Supreme Court. Questions of state reform and regulation in Tamil Nadu thus bring to the fore the two faces of the postliberalization state in India. First, the state has embraced an emerging reform-oriented regulatory state that has been shaped by new global-national dominant norms and produced new forms of centralized power. Second, such patterns of centralization have intersected with long-standing state structures and institutions with autonomous histories and practices.

It has become commonplace for scholars of reforms to emphasize the significance of state governments in initiating and implementing such policy
changes. State governments have indeed played an active role in activities including pursuing private investment, obtaining loans from international financial institutions, and restructuring local governments. The significance of local state governmental activity is compounded in the case of water policies, as water has been constitutionally designated as under the primary preserve of state governmental authority. Furthermore, the postliberalization period has been marked by subtle attempts of the central government to increase its control over water resources. Such attempts once again illuminate the underlying processes of centralization that are embedded within new frameworks of decentralization. In contrast to the conventional story of the postliberalization Indian state as an emerging federalized, regulatory state, the case of water reveals a more complex set of centralizing processes at the local and national levels. In the next chapter, I use an examination of interstate water disputes and negotiations to illustrate the complexities of governing water through federalized center-state relations that are structured by the political economy of liberalization.