THE PRIVATISATION PROCESS OF WATER AND SEWERAGE SERVICES IN AN ASIAN METROPOLIS: GLOBAL POLITICS, CITIZENS’ ORGANISATIONS AND LOCAL POOR; A CASE STUDY OF KARACHI

by

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To the people of Afghanistan and of Pakistan…
Table of Contents

Abstract 4

1 Introduction 5

2 The Setting Up of A ‘Global High Command For Water’ 10
   Neo Liberalism Vs Keynesianism 11
   The Dublin Conference, The World Water Council 12
   and the ‘Petrolisation’ of Water 12
   Private Sector Participation in World Water Institutions 16

3 The 1990’s and the Intensifying Denationalisation of Water Services 20
   The Privatisation of Water Services in the Global South 20
   Privatisation in the Industrial World 22

4 The City of Karachi 25
   Presentation 25
   Katchi Abadis and Water Distribution 25
   The Karachi Water and Sewerage Board 28

5 The Informal and Public Service Sectors in Karachi 30
   Karachi’s Informal Sector 30
   Community Development and Citizen Awareness:
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Example of the Orangi Pilot Project</td>
<td>31</td>
</tr>
<tr>
<td>The Korangi Waste Management Project and the $100 Million ADB Loan</td>
<td>33</td>
</tr>
<tr>
<td>The Project of Denationalisation of the KWSB</td>
<td>36</td>
</tr>
<tr>
<td>The World Bank and the Paribas Consultancy Report</td>
<td>36</td>
</tr>
<tr>
<td>Opposition to KWSB’s Denationalisation</td>
<td>38</td>
</tr>
<tr>
<td>Not Taking Account of the City’s Realities</td>
<td>42</td>
</tr>
<tr>
<td>Not Taking Account of the Poor</td>
<td>44</td>
</tr>
<tr>
<td>Conclusion</td>
<td>47</td>
</tr>
<tr>
<td>Bibliography</td>
<td>52</td>
</tr>
</tbody>
</table>
Abstract

This paper consists of a case study on the privatisation attempt of the Karachi Water and Sewerage Board. Its aim is to contrast the complex local socio-economic and political specificity of the city against the international economic and political context that calls for the denationalisation of its water services.

Critics of neo liberal economic policies have often focused their attention towards the global level, and to a lesser extent to specific local experiences. However there is a need to illustrate the links and the dynamic that is taking place between these two planes. This can help to better understand the repercussions that such general policies may have locally, and specifically for the poor.

This dissertation highlights the opaque and undemocratic processes of decision-making by the international financial institutions and the water industry. It underlines the lack of concern of these key players for the poor, and their lack of consideration for local complex socio-economic and political realities in the drafting of their policies. As a result the effects of those policies are often found to be counter-productive for local populations.

The aim of this paper is to illustrate how citizens can organise themselves to oppose policies forced upon them. It also concludes that it is only by incorporating the informal sector and the people at large in the process of decision making that sustainable urban development is possible.
1. Introduction

The idea of this research came to me while listening to the radio: The program was about the privatisation of water services worldwide and the increasing concentration taking place in the water industry. When the moment came to choose a topic for this dissertation, I remembered this radio programme as well as what I had heard from people in Karachi regarding the obstructive resistance they had shown against the privatisation of their water and sanitation services, and which had resulted in the cancellation of the plan.

I visited Karachi again in winter 2000 for 6 weeks during which I looked more closely at the processes that had taken place between the pro and anti privatisation lobbies during the 1990’s. Yet it soon appeared to me that the issue extended well beyond Pakistan. As a result I have given more intention than I had initially planned to the international context within which the privatisation project of the Karachi Water Board took place.

My ambition was to link the global political and ideological framework that creates the incentive and the political environment necessary for privatisations to take place with the reality of its implementation on the ground. Going through pro and anti privatisation literature, I have often felt that the two ends of this dynamic are seldom linked together, but are instead taken as static self sufficient entities, so that there is a gap between the large official doctrines and the local realities that emanate from them. This dichotomy makes it harder to critically analyse and eventually resist privatisation in particular and
neo liberal policies in general. It is therefore difficult to look critically and adequately at the World Bank’s policy coming out from Washington without weighing it against what it actually means in the world. The political power relations at play in the privatisation of public services cannot be understood locally without taking account of the wider context and external influence within which they take shape.

The first chapter is therefore an introduction to the global state of play as regards water politics, while the second chapter is an overview of past and present examples of denationalisation of public services worldwide. Chapter three brings us to Karachi and its specificity, which needs to be kept in mind if one wishes to understand fully what happened there.

The fourth chapter focuses on Karachi’s civil society, its origins and its accomplishments, and the informal sector. If I have looked at civil society and the informal sector in the same chapter, it is not that they are in any way similar, but they have at long last managed to forge some kind of dialogue with each other. The NGOs of Karachi have been documenting the informal sector for many years, and they certainly represent the most knowledgeable authority on the subject.

I also have reviewed the struggle that took place against an Asian Development Bank (ADB) water and sanitation related $100 million loan, in which the Orangi Pilot Project (OPP) has played a leading role. I have chosen to give much space to the ADB loan issue as it illustrates how international financial institutions push loans to poor countries, even when it is demonstrated that they are not only inappropriate but counter productive for development. The ADB loan also touched on sanitation at a time when
the privatisation of the sector was already under way, and represented “the biggest advocacy challenge to OPP to date.” (Zaidi, 2001, p.18)

The last chapter reviews the privatisation project itself, its history and its processes. It highlights the complete lack of social consideration that in the whole endeavour, thus putting at risk not only the people of Karachi, but also the feasibility of the project for the operator. It also reveals how the fate of the poorer fringe of the city was not an issue at any stage whatsoever for the policy implementers, most notably the World Bank.

Struggling against the privatisation of its water and sanitation utilities, Karachi’s civil opposition understood that its fight could not be restricted to the level of local state institutions, but that it also had to be directed against the international bodies and transnational corporations that are instrumental in the formulation of policies regarding the denationalisation of public services. Since they are not accountable to the people of Karachi, the legitimacy of these international institutions and private corporations to make decision affecting the every day lives of citizens is increasingly put into question, both in the poor and in the affluent parts of the world. This issue is fuelling fierce debates on the prospect and the meaning of democracy in a market driven environment.

Although many Pakistani journalists have written specifically on the privatisation of their public services, and that much literature on the political and social implications of global new economics has been produced elsewhere, I felt that there was a necessity for a case study to illustrate graphically the dynamic relationship that exists between the global political economic environment and the local economic and socio-political one.
The denationalisation of water services represents a perfect background for such a research. On the global level, the capitalisation of water is a relatively new phenomenon and the industry is particularly concentrated, thus making it easier to apprehend. At the local level, water is a not a product like any other: it is a life necessity as air is, it is a natural product, and until now it belonged to everyone. Therefore it represents a highly sensitive topic that a large proportion of the population easily feels concerned with, in Karachi and elsewhere.

This paper is based primarily on sources originating from the OPP, the Urban Resource Centre (URC) and the Citizens Alliance in Reforms for Efficient and Equitable Development (CREED). Some of this material is from their original work; others are facsimiles of their correspondence with the International Financial Institutions or consultancy reports from those institutions or from international NGOs such as WaterAid.

I also gathered newspaper clippings from the Pakistani press commenting on the privatisation project of KWSB and held informal discussions with representatives of these NGOs and journalists in Karachi. Finally, I also documented my work through some of the official web sites of the main international agencies.

One last point regarding terminology. I felt uneasy about using the term ‘Civil Society’, which has become so institutionalised, to refer to what is in the Karachi context a movement of citizens. The French concept of ‘citoyenneté’ is less restrained and encompasses a wide range of people who, as citizens, are conscious of their duty and
their rights as citizens to engage in the politics of the ‘cité’ of which they are part. I have translated it in English with ‘active citizenry’.
2. **The Setting Up of a ‘Global High Command for Water’**

The current approach on water management as promoted by the international financial institutions has its origin in the Mar del Plata UN Conference on Water of 1977. This event represented the first and only intergovernmental conference devoted exclusively to water issues. From then on, decisions regarding water policies have increasingly been taken away from governments to become the privilege of non-governmental international forums. As a result of Mar del Plata, the General Assembly of the United Nations proclaimed the 1980’s as the International Drinking Water Supply and Sanitation Decade. Although none of the unrealistic goals of the Water Decade could be met, water was firmly anchored into the global economic and political agenda of the 1980’s. As a result decisions to set up a World Water Council was drawn up at the Dublin International Conference on Environment and Development and at the Rio Earth Summit, both organised by the UN in 1992.

The Dublin Conference marked a turning point in the direction global water policies were to take. It highlighted the fundamental issues at stake surrounding scarcity and misuse of fresh water and the serious threat the water situation posed to sustainable development, in environmental as well as in geopolitical terms. A particular focus was on the possible tensions that could arise over water scarcity, for example in the Middle East. It acknowledged the need for a global outlook on water and land resources to confront the situation.

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1 See John Anthony Allan, 2001.
Neo Liberalism Vs Keynesianism

While water was slowly reaching the international agenda, changes were also taking place in the sphere of global political economic. After more than three decades of Keynesianism, a shift in economic theory was taking place. Under the influence of institutions such as the London School of Economics and the Chicago School, pre World War II liberal economic doctrines were coming back into fashion, under the banner of “Neo-Liberalism”. The coming to office of Ronald Reagan in the United States of America and of Margaret Thatcher in the United Kingdom by the early 1980’s, gave neo-liberals the political impetus they needed to assert their views on the world political stage. This market-orientated outlook was to reach a new climax following the fall of the Union of Soviet Socialist Republics in 1991, the demise of the Eastern European block and of the Communist doctrine.

As a result of these ideological changes, the days when states were the foremost agent of economic development, and state intervention the preferred tool for policy implementation, were soon gone. During the 1980’s the private sector rapidly took over the state in mainstream economic doctrine as the ‘correct’ motor for development, while state intervention was increasingly perceived as a factor upsetting the perfect and optimum equilibrium of the market’s ‘invisible hand’. Since that time, market liberalisation, deregulation, and privatisation have consistently remained the unquestioned axioms on which economic policies emanating from the international financial institutions (such as the International Bank for Reconstruction and

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Development or IBRD (usually known as the World Bank, and the International Monetary Fund) are based. This ideological outlook has had much influence on national policies throughout the world, both in rich and poor nations. The extent of its overall impact on economic development, social cohesion, political stability, environmental sustainability and poverty alleviation still need to be clearly identified and researched in a non-partisan way.

**The Dublin Conference, the World Water Council and the ‘Petrolisation’ of Water**

These changes in the world political economy greatly influenced the drafting of the World Water Council, the role it was to have, and the form it was to take. The “Dublin Statement on Water and Sustainable Development” adopted at the Dublin Conference forms the guidelines on water related issues for the World Bank, the World Water Council and other key agencies. This statement greatly reflects the changing ideological environment. It sees the commodification of water as the only way towards maximising water usage on a worldwide scale and in a sustainable way. The Dublin statement encompasses the following four principles of sustainable water use:

*Principle №1:*

*Effective water management demands a holistic approach, linking social and economic development with protection of natural ecosystems. Effective management links land and water uses across the whole of a catchment area or groundwater aquifer.*

*Principle №2:*

*Water development and management should be based on a participatory approach, involving users, planners and policy makers at all levels. It means that decisions are taken at the lowest*

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2 ‘World Bank’ seems to be used for communication purposes, but officially the lending activity of the Bank still refers to ‘IBRD’ as do legal UN and governmental documents. On its website it presents itself in the following terms: “The IBRD provides loans and development assistance to middle-income countries and creditworthy poorer countries. Voting power is linked to members’ capital subscriptions,
appropriate level, with full public consultation and involvement of users in the planning and implementation of water projects.

Principle N°3:

Women play a central part in the provision, management and safeguarding of water… Acceptance and implementation of this principle requires positive policies to address women’s specific needs and to equip and empower women to participate at all levels in water resources programmes, including decision making and implementation in ways defined by them.

Principle N°4:

Water has an economic value in all its competing uses and should be recognised as an economic good. Past failure to recognise the economic value of water has led to wasteful and environmentally damaging uses of resources. Managing water as an economic good is an important way of achieving efficient and equitable use, and of encouraging conservation and protection of water resources.”

(N. Shah, 1999, p.5-6)

The fourth principle according to which water ought to be recognised as an economic good has since constituted the cornerstone of global water policies. In practice it translates into a systematic wave of denationalisation of water utilities throughout the world from Bolivia to London, California to Manila and wherever else private companies feel there is a profit to be made. Rural water supplies have not yet attracted much private capital, although processes towards increasing private participation in the provision of water in rural areas are already under way. (Calaguas & Roaf, 2001, p.1)

As for the three preceding principles, the impact they may have had on policy formulation and implementation is unclear. However, extrapolating from case studies which in turn are based on each country's relative economic strength. The IBRD is not a profit-maximizing organization but has earned a net income every year since 1948. “
on privatisation schemes, and in view of the unpopularity and virulent opposition emanating from citizen groups triggered throughout the world by privatisation projects, it seems that the need for a “holistic approach” “community participation“ and special attention to gender issues seems to have often been overlooked, at least in urban settings.

It is in this context that the World Water Council was set up in 1996 on a “consensus established around the need for the creation of a common umbrella to unite the disparate, fragmented, and ineffectual efforts on global water management.” (http://www.worldwatervision.org). It incorporated the Dublin statement and its emphasis on the commodification of water, or “petrolisation” of water, as Riccardo Petrella put it (RFI, 08/2001). The Council was established on the recommendation of the World Bank, the governments of a number of European countries (such as the government of France, which entertains close links with its major private water companies, which are the world leaders in their field) and the private sector, including the Suez-Lyonnaise des Eaux group the world’s leading water utility company (Petrella, 2000, p1). The WWC proclaims itself to be “the International Water Policy Think Tank” with the mission to “promote awareness of critical water issues at all levels, including the highest decision-making level, to facilitate efficient conservation, protection, development, planning, management and use of water in all its dimensions on an environmentally sustainable basis for the benefit of all life on the earth.“ (http://www.worldwatervision.org)

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3 It now calls itself ‘Ondeo’.
Following the World Bank’s determination at drawing a ‘global water policy’, as articulated in its “Integrated Water Resources Management”, the global water policy handbook, the World Water Council also oversaw the creation of a “Global Water Partnership”. This partnership aims is to encourage closer relations between public authorities and private investors and to "support countries in the sustainable management of their water resources” (http://www.gwpforum.org/)

In 1998 the “World Commission on Water for the 21st Century” was also set up to boost the work of the Global Water Partnership and the World Water Council, while yet another world water body was organised within the World Bank. This was the “Business Partners for Development”: “a 3-year initiative launched by leading private sector water companies, NGOs, bilateral donors and the World Bank to test innovative methods for providing water supply and sanitation services to the urban poor and to disseminate lessons learned.”
(http://www.bpd-waterandsanitation.org/water/partners.htm)

The 1990s therefore saw the drawing up of a “global high command for water” (Petrella, 2000, p2) whose primary objective is the integration of water in all of its forms into the ‘new world economy’. However, issues concerning the lack of accountability and transparency of some of these organisations cannot be eluded as their status remains unclear: the World Water Council is not part of the UN system, and therefore is not accountable to the General Assembly in any way. It is also not accountable to national elected governments or parliaments. It behaves as a non-governmental consultancy organisation, although it has rated itself in practice as an
intergovernmental organisation, which it is not. As citizens we do not have any representational power whatsoever over it, not even in theory, although the decisions it takes directly affects our access to water, a necessity for life. As The Water Policy Think Tank, the World Water Council has the power as well as the “official” mission to lobby governments at the highest decision-making level to make sure the policies it promotes are adopted. The problem is that its neutrality is open to question in view of the great influence the private sector has within its structures and in policy-formulation.

**Private Sector Participation in World Water Institutions**

The phenomenal degree of private sector participation in the creation, financing and management of these numerous “water think tanks” is staggering. The multiplicity of these institutions mask the reality of a few influential corporations and personalities, essentially from the World Bank and the private sector, effectively controlling global water politics with a questionable democratic legitimacy to do so. The issue is most important as the policies emanating from them are being implemented all over the world through the arm twisting power of the World Bank which it acquires over the poorer nations’ vulnerability which in turn derives from the vicious circle made up of structural adjustment programmes and indebtedness. Citizens throughout the world are therefore deprived of a transparent debate about the future of their water resources and are left without a voice.

Some simple facts cast a light on the issue: within the Board of Governors of the World Water Council we find as ‘Vice-president’ René Coulomb, who is also vice president of Suez-Lyonnaise des Eaux; as ‘Adviser to the President’ we have Loïc Fauchon who is
director of Eaux de Marseille, of which Suez-Lyonnaise des Eaux and Vivendi-Générale des Eaux each control 49%.

(http://www.worldwatervision.org/board_governors.htm) In the World Water Vision Commission, we find Ismail Serageldin as Chairman, Sarageldin who is also the Vice President of the World Bank, as well as Chairman of both the Global Water Partnership and the World Commission on water for the 21st century. As governor, we again find Mr Fauchon from Eaux de Marseille, which is controlled as we saw by the two world leading water companies. Other members include Robert McNamara as co-chairman, he is also a former President of the World Bank under whose presidency the privatisation of water utilities began in Latin America, and Jérôme Monod who is no less than the Chairman of the Suez-Lyonnaise des Eaux group himself…

(http://www.worldwatervision.org)

A similar trend is to be found in each of these global water institutions, so that in the Global Water Partnership we find: Ivan Chéret, Lyonnaise des Eaux; Mai Flor, Lyonnaise des Eaux; John Briscoe from the World Bank (he is the World Bank’s senior adviser on water); Jamil Al-Alawi, World Water Council; Wilfried Thalwitz, Former Sr. Vice-President of the World Bank etc…(http://www.gwpforum.org/)

Within the World Bank, the “Think Tank” of those “Think Tanks” is the Secretariat for the Water and Sanitation Cluster. It is co-convened by Vivendi-Générale des Eaux, WaterAid and The World Bank within its ‘Business Partners for Development’ programme. It is governed by an international Steering Group, which includes commercial sector project sponsors such as Aguas de Barcelona (affiliated to Suez-

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4 Marseilles is the city which happens to be hosting the WWC headquarter
5 Now called Vivendi Water for its international branch.

As we can see all those World Water Institutions can easily be seen as one large interest group. The goal of these institutions is to install a global control over the planning, management and use of water in all its dimensions, including bottled water and soft drinks. (Petrella, 2000)

The disturbing factor that emerges while researching on these institutions is the way in which they refuse to even consider any other approach than market control in the drafting of their policies. This water lobby maintains that it is only by treating it as an economic commodity that it will be possible to guarantee a balance between supply and demand of water, which is becoming increasingly scarce in many parts of the world. But their statements stop short of demonstrating how these goals might be achieved with what amounts in most cases to deregulation, higher rates, foreign ownership and higher profit for Western shareholders. For a more specific critical appraisal of the World Bank’s development approach and of its neo liberal economic ideology, with their theoretical flaws, I would refer the reader to Cheryl Payer’s “Researching the World Bank” (1983) and John Weeks’ “Fallacies of Competition”(1993).

Trained in an economic or technological framework, these policy makers find it difficult, or are just not willing, to incorporate the social and cultural articulations that
specifies one’s relationship with water, still mostly perceived as a public owned natural resource. The extent to which this approach is driven by pragmatic economics or by political and ideological motivation is difficult to assess. Nevertheless, at the Second World Water Forum in the Hague (in March 2000), although under pressure to do so by some NGOs, the commission refused to define access to water as a basic human right, going only as far as to refer to it as a “basic human need”: “They obviously thought that to speak of water access as a right would impose obligations and restrictions of a kind liable to curb the freedom of movement of the key players, and most particularly of the private sector.” (Petrella, 2000).
3. **The 1990’s And the Intensifying Denationalisation of Water Services**

**The Privatisation of Water Services in the Global South**

As a result of these concerted World Bank / private sector efforts, the last decade witnessed a sharp increase in the rate of denationalisation of water utilities throughout the world, often euphemised as ‘Private Public Partnership’ (see fig 1 & 2), that systematically resulted in higher water rates for consumers. As I have previously mentioned, privatisation is forced upon the governments of the South through the arm-twisting power derived from Structural Adjustment Programmes (SAP). Often a consequence of previous SAP which resulted in the under-funding of public services and the weakening of the role of national state institutions, the level of decay of public water utilities is persistently used as a self explanatory demonstration for the need to privatise. The less than satisfactory past record of the Karachi Water and Sewerage Board (KWSB) was the main factor used by proponents of its privatisation to convince the public of the need and the merit of privatisation. A similar rhetoric had been used in the United Kingdom to prepare the people for the privatisation of water services and of British Rail, even though post-privatisation improvements in the level and quality of service have been extremely slow to come, while costs for users and taxpayers rose sharply.
Figure 1 illustrates the rate of growth of major PPPs

Figure 2 shows the increase in population coverage by private operators in middle and low income countries (MLIC) (http://www.id21.org/insights/insights37/insights-iss37-editorial.html)

From an economic perspective, the privatisation of water utilities represents a new gigantic market opening up for a handful of Western water utilities. In the global south
where they have become very well implanted, the two French giant water companies, Vivendi-Générale des Eaux and Suez-Lyonnaise des Eaux, enjoyed in 1997 a return on investment of 15% to 25% while, in comparison, the rate in Europe was around 3.2%. (Baudru & Maris, 1997, p.24) But things do not always turn out as planned for those large transnational water utilities: in Cochabamba (Bolivia) a 200% increase in water rates following privatisation caused mass riots, the death and injury of hundreds, the imposition of martial law, and the re-nationalisation of water services by government (Calaguas & Roaf, 2001, p.2). The ousted company, Bechtel, is now pushing for the privatisation of water utilities in California. In Brazil, the federal government’s plan to open up the water distribution sector has led to bring instantly many different citizen’s organisations together to oppose the move: Left wing elected representatives and their political parties, religious organisations, Lawyers’ associations, scholars and intellectuals, trade unions, NGOs and community water management committees. The first step they took was to push for local legislation at the municipal level prohibiting the privatisation of water and sanitation services thus making the central government decision to privatisate more difficult to implement (www.attac.fr).

Privatisations in the Industrial World

The privatisation of water is a sensitive subject everywhere in the world: recent debates have taken place in the United States of America and the Netherlands. In Canada the government of Quebec was initially pro privatisation, but has had to change its perspective in view of the public’s negative response and reinstate publicly that “water

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6 Respectively $ 32 billion and $ 22 billion turnover in 1999.
7 Except in the UK where they achieved 36.9% in a very lightly regulated market. (D. Baudru; B.Maris, 1997) Rates have gone up by 55% between 1990-94, while the network still suffers from under investment and a rising rate of breakdown (Petrella, 1997, p.25).
is a public good that ought to remain under public control”. In Berlin, Vivendi won in 1999 the largest water privatisation contract so far in Europe, but rapidly ran into trouble when the Berlin regional constitutional court judged that the contract was unconstitutional.

(http://www.transnationale.org/dossiers/environnement/eau_1.htm)

Failed denationalisation of public services is not the privilege of poorer countries. The deregulation and privatisation of the electricity sector in California has led in just over three years to the world’s first economy experiencing power cuts characteristic of Third World cities while consumers saw their bills multiplied by three. (Associated Press, Jan 2001) Shortages came about because private utilities had no incentive to make the massive investments in power stations needed to meet the increasing demand in electricity. Meanwhile the scarcity of supply enabled utilities from neighbouring states to raise prices at which they were providing Californian utilities with electricity and so to sharply increase their profits. (Vogel, 2001)

Currently privatisation of electricity production and distribution is taking place in the Third World explicitly on the grounds that the inefficiency of the public sector is leading to an unreliable supply of electricity that is damaging to the different industries and curtailing economic development. Yet this is precisely what is happening now in California where the world’s leading high tech corporations are losing money and laying off workers as a result of the failed privatisation of electricity utilities.

The Californian crisis is a worrying example for the water sector. Water, a natural resource necessary for life and supplied through rain and snowfall, is by its very nature more difficult to tame and to manage than electricity that is artificially generated by power stations. There is no scientific guarantee that managing water as a commodity may lead to a more efficient administration of its resources, and even less that it may lead to a wider distribution of water, both geographically and socially. California with its developed universities and its sophisticated civil service has failed to implement an adequate and efficient role for itself as a regulator to the electricity industry. How can we be sure then that civil servants in poorer countries will be in a position to act more efficiently as regulators when the degree of disorganisation and impoverishment of the state and of its institutions are put forward for the need to privatise in the first place? There is also a risk that this may lead to an unequal balance of power between hypothetical state regulators and transnational corporations, which often financially outweigh the state within which they operate. Many poor administrations do not have the same level of access to consultants and lawyers that corporations have with their armies of legal advisers who are well acquainted with the complexity of international business and corporate law.
4. **The City of Karachi**

**Presentation**

Karachi is Pakistan’s only port and its main financial, commercial and industrial city and it was the country’s first capital. Karachi’s population jumped from 450,000 on the eve of partition in 1947 to more than 10 million today. This huge population increase was fuelled by migration that changed the socio-cultural make-up of the city and of its surrounding province, Sindh. It created may new social, economic and political stresses within its society. Over the years, many ambitious plans were prepared to improve the city’s infrastructure, but were not fully implemented for a variety of political, technical and institutional reasons: “As a result, much of Karachi’s employment, housing and physical and social infrastructure needs could not be met.” (Hasan, 1999, p1)

These unmet needs have increasingly been provided by informal service providers that operate through “a powerful nexus with bureaucrats and politicians, which further weakens the state institutions or, indeed, makes them redundant.” (ibid.) It is because of these factors that powerful lobbies of local and foreign contractors and consultants are able to promote inappropriate but profit making plans for the city and use foreign loans for them, while ignoring existing infrastructure which can be improved, and by-passing existing know-how developed locally to meet the needs of the city and of its residents.

**Katchi Abadis and Water Distribution**

Over 60 per cent of Karachi’s population, lives in *katchi abadis* or squatter settlements. (Hasan, 1999, p.98) These *katchi Abadis* have often been organised, ‘planned’ and sold
by the informal sector, or the so-called Land *Mafia*. Municipal services, such as water and sanitation but also solid waste removal and transportation, are inadequately met by formal public services. This has led to the informal sector taking over the delivery of such services and to communities often funding and building their own sewerage system, health centres, and schools to cater for their needs.

As regard to water distribution, the informal sector is also filing the gap. Myriads of privately operated water tankers service those parts of Karachi where an adequate water supply system does not exist or does not function. The water tankers get their water from different sources: a) from unofficial water hydrants, frequently originating from contaminated aquifer incidentally replenished by KWSB’s leaking water or sewerage lines; b) directly from official KWSB hydrants either illegally or through informal arrangements with KWSB’s staff.

According to the Water Tanker Association, more than 5,000 tankers operate in the city and provide around 50,000 trips everyday (Hasan, 1999, p.96). Many small entrepreneurs have built large underground water tanks in their homes so that they are able to stock important amounts of water delivered to them in bulk by water tanker, that they can sell to their neighbourhood residents with a substantive profit. This water is delivered either by water pump and hosepipe and/or through donkey carts or pushcarts. Small-scale water vendors also provide water that they may have obtained from public sources, such as mosques.

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9 Many areas of the city have piped infrastructure that have not been connected to the main delivery hub so that no water has ever flow within them.

10 The informal sector in Karachi has long been organised in trade associations to lobby the authorities and organise their activities. The Water Tankers Association is obviously representing the water tanker operators.
Depending on the quantity the quality and the means of delivery, the cumulative price paid for 500 litres of water may vary from 7 rupees to 275 rupees (~7p to £2.75). The poorer people usually pay the highest rates as they can only buy in small quantities (UNDP, 1999, p.2). While most of the water tankers originate from the informal private sector, KWSB does have 28 official tankers of its own to supply water at a fixed price and clocking more than 2000 trips per day, although it is said that only half of them eventually reach their planned destination while the other half are diverted by the drivers towards influential people or for the benefit of the informal sector. Here is a short overview of the different means of water vending practices in Karachi in ascending price order (UNDP, 1999, p.2):

<table>
<thead>
<tr>
<th>TRANSPORT FILLING SOURCES</th>
<th>CUSTOMERS</th>
<th>PRICE FOR 500L</th>
<th>REMARKS</th>
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</thead>
<tbody>
<tr>
<td>KWSB Water tanker</td>
<td>KWSB hydrants</td>
<td>Areas where water is deficient and community tanks available</td>
<td>~Rs 7</td>
</tr>
<tr>
<td>Commercial Water Tanker</td>
<td>KWSB hydrants, Informal hydrants, Wells</td>
<td>Vendors, Residents, Squatter areas storage tanks, Private storage tanks, Hotel Restaurant</td>
<td>~Rs 20</td>
</tr>
<tr>
<td>Push Cart</td>
<td>Spill/leakage points, Community stands post, Nearby planned areas, Informal hydrants</td>
<td>Water shops, Residents, Hotels/restaurants</td>
<td>~Rs 30</td>
</tr>
<tr>
<td>Bhishtee (manual water carrier)</td>
<td>Leakage points, Community stand posts, Mosques</td>
<td>Residents, Hotels/restaurants</td>
<td>~Rs 50</td>
</tr>
<tr>
<td>Donkey Cart</td>
<td>Spill/leakage points, River beds, Informal hydrants</td>
<td>Vendors, Residents, Hotels/restaurants</td>
<td>~Rs 80</td>
</tr>
<tr>
<td>Underground Tank Owners in Locality</td>
<td>Commercial water tankers</td>
<td>Residents, Hotels/restaurants</td>
<td>~Rs 275</td>
</tr>
</tbody>
</table>
**The Karachi Water and Sewerage Board**

Karachi city can be divided between the planned areas and the squatted and/or unplanned areas, mostly *Katchi abadis*. The percentage of the population served by KWSB’s piped water system in planned areas is around 84%, while it is less than 50% in *Katchi abadis*\(^1\). There is also a macro level shortage of water to the city: the overall demand of water is estimated by KWSB at 500 MGD (Million Gallons per Day), while the supply from all sources is of 363 MGD. To add to this deficit it is estimated that 40% of this water is lost on its way through leakage and theft, so that in fact less than 250 MGD actually reaches its destination, or less than half the overall demand for water in Karachi. (Hasan, 1999, p.96)

The crisis facing KWSB is not solely one of water shortage but also of a financial nature. The first culprit is its extremely low collection rates: less than 5% of unconnected retail customers and 35% of connected customers pay their bills. Previous raise in tariffs only lowered those already low figures as many unconnected people could not afford these higher rates while across the city many were not prepared to pay for a service they perceived as increasingly unreliable. In contrast bulk customers, principally industries, pay more than 80% of their bills and represent KWSB’s major source of income. (Banque Paribas, 1997, p.17)

KWSB is also weighed down by debts of some $280 million. Much of this debt is constituted of international loans contracted for engineering projects whose relevance to
the city’s welfare is seriously questioned by Karachi’s citizen’s organisations, as we shall see later. In any case, in view of its current financial situation, KWSB is not in a position to meet the demand of the city in water and sanitation services, and does not have the capital available to drastically alter this state of affairs. However the extent to which the proposed privatisation of KWSB represents an adequate answer has been challenged by local organisations which have energetically mobilised against the planned denationalisation of their water services.

11 Those with access are those who are either connected and benefiting from a piped supply at home or unconnected but having access to a shared piped supply nearby their home. Those without access have neither.
5. The Informal and Public Service Sectors in Karachi

Karachi’s Informal sector

It is important to realise the extent of the role of the informal sector in providing services to the city in order to comprehend Karachiites’ strong involvement in local level politics. As I have briefly mentioned earlier, the informal sector has had a long experience of providing basic services to the city’s inhabitants. In the housing sector the overall demand in Karachi calls for the construction of 80,000 dwelling units per year while only 26,000 are offered by the formal sector and at prices which the majority of Karachiites cannot afford. Informal developers on illegally occupied land meet the rest of the demand with unofficial support from government officials and the police.

The infrastructures needed to service these areas are developed by the residents themselves to eventually form a part of a wider informal network of public service providers. We saw how the “Tanker Mafia” took care of the shortfall in municipal water supply. Similarly private entrepreneurs operate generators to provide electricity to the communities deprived of direct electric connection. As regard public transport, over 80% of Karachi’s needs are met by more than 15,000 individually owned buses while 2,100 tons of solid waste is recycled daily by the informal sector out of the city’s total of 6,500 tons, providing work to over 40,000 people in the process. An identical trend is to be found in the health and education sectors so that in Orangi, a one million people low income settlement, there are 509 schools set up by people’s organisations and private individuals against 76 state schools, and 623 community health clinics and dispensary against 17 government ones. (Hasan, 1997)
The informal sector has by now outgrown the formal sector in the delivery of public services so that “The city cannot function without them and the city is in no position to replace them” (Hasan, 1999bis). To protect its vested interests, the informal sector has long organised itself into organisations able to effectively lobby the municipal and governmental institutions as well as the police. As a consequence no urban project has a chance of success in Karachi if it ignores this reality. The informal and municipal public service sectors nevertheless remain complementary and need each other’s different levels of experience, scale, means of action and legitimacy. There is therefore an absolute need to understand the way the informal sector operates and to incorporate its existence in any planning for the city. In the past not doing so has invariably led to the conception and implementation of expensive and unsuitable projects that do not fulfil their goals and that often hinder grass root efforts to make things better. These projects also contribute further to the catastrophic foreign debt crisis of Pakistan, which constitutes the major factor in its economic stagnation.

Community Development and Citizen Awareness: The Example of the Orangi Pilot Project

This de facto self-help and self-financed internal development has contributed to the growth of an extraordinary awareness by people on the numerous issues that concern their urban lives. Communities have formed organisations of their own, often at the neighbourhood level, to put up claims and safeguard their gains, so that Karachi now has more than 3,500 registered community based organisation or CBOs. Karachi’s active citizenry therefore has experience in engaging on urban issues such as the
provision of public services and it has acquired a first hand knowledge in liaising with the informal sector and lobbying governmental and international bodies.

The OPP, “one of Pakistan’s most influential NGO and perhaps the world’s best known non-governmental project in the large scale provision of sanitation for the urban poor”(Zaidi, 2001, p 1), has been central to this development. From its beginning in the early 1980’s, the OPP evolved over just a few years to become “a remarkable self funded, self administered and self maintained grassroots movement relying on nothing more than the resources and skills of its urban poor constituents using local materials and labour in building hundred of kilometres of extremely low cost underground sewers. (ibid.)^12 The cost of these sewers is one seventh of those laid by the Karachi Municipal Corporation: 92,000 families are now connected to this self-financed sanitation grid, while the community of Orangi collectively invested more than $900,000 in its making. (ibid.)

The human capital gathered for a development project on such a scale had to have repercussions on other social and political aspects relating to people’s well being. This has lead to an increased political awareness on the part of Orangi’s population and of OPP, which took on many other development programmes concerning different urban related issues affecting the welfare of the people. As a result I found that the people of Karachi as a whole have a specific sensitivity to the affairs of their city, making it easier for a campaign such as the anti KWSB privatisation one to gain momentum, weight and influence.

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^12 For an insight into OPP’s ethos see Akhtar H. Khan (its founder) 1996 and Arif Hasan (its principal consultant) 1999ter
The Korangi Waste Management Project and the $100 Million ADB Loan.

Through its acquired experience on urban management, the OPP expanded its focus into advocacy and lobbying on Karachi-wide sanitation plans and policy. As such it launched a campaign in 1997 against a major $100 million sanitation project financed by a $70 million loan from the Asian Development Bank\[^{13}\] (part of the World Bank Group). Opposed to the project for its pharaonic cost and its lack of consideration for the existing sewerage network, the OPP detailed an alternative project that took account of the infrastructures already built by local residents that had been overlooked in the drafting of the ADB financed project. The OPP proposal was based on ad hoc locally designed low cost engineering techniques that it had developed through its experience of working in Orangi. The cost of the overall project was brought down to $20 million, doing away with the need for a foreign loan. As a result of OPP’s work with other NGOs and CBOs in coalition within the ‘CREED alliance\[^{14}\] and backed up by a strong awareness campaign in the media, the governor of Sindh took the decision to cancel the $70 million loan in 1999.

It is interesting to note that the ADB opposes OPP’s engineering practices on the ground that they do not comply with ISO 14000 standards. The WTO restricts exports from industries that are not ISO certified so that foreign and expensive techniques have to be used, accentuating reliance on foreign loans. These ‘international’ standards are often not suited for local conditions as they originate from the cold climate of the

\[^{13}\] The project is known as the Landhi Korangi Sewerage Project.
\[^{14}\] The CREED (Citizens Alliance in Reforms for Efficient and Equitable Development) represented this coalition in its struggle against the ADB. It also was central in the opposition to KWSB’s privatisation. It militates for more transparency in projects involving international loans. See annexe
industrialised North. They also curtail the development of new local technologies and contribute to the loss of former ones.

The CREED alliance believes that ADB has breached its own operational and procedural guidelines in the preparational phase of the loan, and so requested an independent review to be carried out within the ADB. However the Board Inspection Committee of the ADB consistently refused CREED’s demand on the grounds that ‘there have not been and will not be any adverse impacts of the project on the people in the area’ now that the loan had been cancelled. (ADB, Correspondence with Urban Resource Centre 17/2/2000).

The persistence with which the Bank pushed for the loan to be accepted despite the evidence mounted against it by Karachi’s active citizenry and that demonstrated its inappropriateness is troubling. KWSB was under pressure to accept the $70 million loan by ADB although the World Bank and Pakistan already planned its privatisation. This meant that KWSB, unable to service its debt as it is would have had to support the loan repayment while the private operator would have benefited from the infrastructure without spending a penny for it.

The ambiguous attitude of the ADB revealed itself when, following the cancellation of the loan, the press reported that “ADB officials were surprised at how ‘a country rejected a loan by a lending agency’” (Zaidi, 2001, p.18). The daily ‘Umat Karachi’, of 29th July 1999, commented:

“We are hereby notified that in the condition of refusing loans, the ADB has threatened to terminate loans as regards other projects concerning the province of Sindh... In April 1999, the Federal Economic
Division wrote a letter to the Governor of Sindh and pressurised him that the Sindh Government should accept the $70 million loan of ADB, otherwise the relationship between the government and the Bank would be at stake. Simultaneously, ADB’s officials clearly threatened the Sindh Government.

The tensions that have appeared during the struggle against the loan highlighted the complex dynamics at play and the vested interests at stake for the different key players and beneficiaries of the project: international and local consultants and contractors, KWSB officials teaming up with top managers of the government and international agencies to have the loan accepted etc...After his decision to cancel the loan, the Governor of Sindh realised at his own expense how far the parties in favour of the loan were determined to ensure that it was accepted. (Abbas, 1999, p.63) Researching further on the Landhi-Korangi Sewerage Project, in view of the amount of documentation collected by Karachi’s NGOs, could provide an illustrated insight on the hidden processes involved in the attribution of development project loans by the World Bank and its subsidiaries. The ‘real politick’ at work may be found to be far remote from the World Bank pledges to ‘pro poor development’, ‘good governance’ and ‘community focused' policies. As such it would help to uncover the hypocrisy of its rhetoric. It would also highlight the complex nexus of corruption and vested interests characterising the process of attribution of developmental loans. This involves the Bank itself, associated financial institutions, local and international consultants and contractors as well as national politicians, civil servants and businessmen.

15 The Government of Sindh, and at last resort of Pakistan, is servicing KWSB’s debt.
6. **The Project of Denationalisation of the Karachi Water and Sewerage Board**

**The World Bank and the Paribas Consultancy Report**

The wave of privatisation intensified in Pakistan from 1990 onwards. In 1991 a Privatisation Commission was set up, on the advice of the World Bank, to oversee the denationalisation of the state sector that consisted of heavy industries, banks and public services. Most of this denationalisation is in process or has now been achieved. The extent of external debt and the need to generate capital were put forward to justify the need for this large-scale privatisation programme. Concerning KWSB specifically, two World Bank missions, in 1994 and 1995, presented a blueprint for its privatisation to the Government of Sindh. The Chief Minister of Sindh, senior government officials and KWSB’s representative attended a seminar in Paris in June 1995 on privatisation, on the initiative of the World Bank. The World Bank also arbitrarily shortlist international leading water utility companies as possible private operators and designated Banque Paribas as the chief consultant. The World Bank likewise submitted the report on the privatisation of KWSB presented by the consultant to the Government of Sindh. (DCET, 1999)

All the suggestions made by the World Bank were based on the conclusions from the Paribas consultancy report (Paribas, 1997). These were approved by the Government of Sindh with only minor modifications, despite the fact that the terms of privatisation, as stated by the consultants and accepted as the basis on which privatisation was to take
place, were blatantly to the benefit of the private operator. Moreover, they provided no
guarantee or targets for the provision of water and sanitation services to the Government
of Sindh or to the people of Karachi. The Paribas consultancy report nevertheless
became the handbook for the privatisation of KWSB and it is in line with its
conclusions that the conditions for the denationalisation of Karachi water and sewerage
services were submitted to the Government of Sindh. The main extracts from its
“Requirements for Implementation” are given below:

1- The Government of Sindh must agree to fully transfer management responsibilities to the private
operator and to set up an independent regulatory system. Based on such an agreement, the
Consultants will assist on drafting the appropriate legislative changes.

2- The Government of Sindh must make a decision...on the tariff increase to be implemented mid
1997. The 1997 increase should not be less than 30% in real terms and a 20% annual increase
in real terms are required in the first five years of PSP.

3- The concept of making available to the operator a revenue subsidy, aimed at providing him with
a minimum return on investment in the short term must be agreed.

4- The Government of Sindh must agree not to transfer the outstanding liabilities of KWSB to the
private operator.

5- The Government of Sindh must agree to grant a corporate tax exemption to the concession
company.

(Paribas, 1997, p. 64)

Commenting on the price increase, the report adds elsewhere: “This means that the
price of water is multiplied by 3 in 6 years. Given the very low level of current tariffs

They were International Water, Thames water, Severn Trent, Générale des Eaux, Lyonnaise des Eaux
and Enron.
and the scope for early improvements in service levels, such an increase, although apparently high, is considered sustainable" (ibid. p.43)

Although the consultants were strictly speaking consulting for the Government of Sindh, the remarkable fact of this report lies in its unashamed bias towards the potential operator. The Government of Sindh was to commit itself to potentially law and order sensitive pledges on rate increases, to provide subsidies in the form of a guaranteed profit revenue and to grant a tax free status and a five year concession free period to the foreign operator while still bearing KWSB outstanding debts on its shoulders. On the other hand, no condition of success or targets of service were required of the private water operator.

From the outset governments at federal and provincial level and KWSB’s management carried out intensive media campaign in the form of press notes, journalist briefings, television debates, printing of brochures and so on to promote the idea of privatisation. For government agencies and other advocacy groups, privatisation was presented as having the capacity to generate an efficient and equitable water supply available to all cross sections of society and to remedy to KWSB shortfalls.

**Opposition to KWSB’s Denationalisation**

Despite the government’s efforts at promoting privatisation, the response was largely against the move. “Sections of the press, NGOs, CBO’s, various professionals groups and concerned citizen associations levelled sharp criticism on the decision to privatise KWSB.” (DCET, 1999, p.11) Opposition and awareness groups had to sensitise the
press to the real repercussions of the privatisation of KWSB, and to the complete lack of accountability and transparency of the operator in the planned programme. Therefore a tedious deconstruction of the project had to be carried out, on political, economic and social grounds, by opponents to the project. The dynamic and experience of Karachi’s “active citizenry” meant that opposition to the privatisation of KWSB was rapidly organised and backed up by documented research. An independent “Study Into the Dynamics, Social and Economic Impacts of Private Sector Participation in the Water and Sanitation Sector in Karachi” was carried out by the DCET\textsuperscript{17} in 1999 which concluded that “…the apparent beneficiaries will be all but the urban poor who reside in unplanned areas without any legal title or regularised status.” (DCET, 1999, p.9) The opponents to the project organised their criticisms at different levels: social; economic; conceptual and procedural.

The first direct outcome of the process would have been the unemployment resulting in the planned massive downsizing of KWSB’s 11,000 employees. The financial benefits of this downsizing might have been cancelled outright by the nomination of foreign managers receiving important ‘international’ salaries, in contrast with the current low wages. The one thing for sure is that rates would go up for, at best, the same system of water supply and sewerage system. There was no plan to invest into new sources of water so that the issue of macro water shortage would not be tackled. Stake holders from the ‘tanker mafia’ and the rest of the informal sector would have resisted any attempt by the operator to raise tariffs or to control their access to water, especially as they had not been made aware of the plans for privatisation and at fortiori had been excluded from the process. Similarly how the private operator would have been able to

\textsuperscript{17} Dawood College of Engineering Technology, Karachi.
tackle the issue of water leakage and thefts is not clear. In the projected scenario in which people would have had their connections cut out for non-payments, water thefts would inexorably have risen sharply. These shortfalls in the preparational stage of the privatisation only help to underline the lack of understanding of the Karachi context on the part of the professionals responsible for its possible implementation.

Despite the irresponsible statement of the consultants that the projected rise in water rates would be “sustainable” (see above), the planned 300% increase (in real terms!) over a span of five years would have had a knock-on effect on all other commodities thus accentuating the high inflation rate experienced since the implementation of Structural Adjustment Programmes: “from agricultural products to groceries, to value-added bakery goods to the cost of bread, every unit entity will experience a price hike. Thus the citizens (especially the poorest) will be burdened by this high-grade multiplier effect. (DCET, 1999, p.32) The political and social repercussions of an increased inflation, in view of the current very high unemployment rate could have been far reaching. The surge in the number of unemployed over the past few years is partly due to the recent privatisation of large industries, which were systematically followed by major downsizing of their workforce.

Trade Unions from KWSB and citizen groups challenged the privatisation in court so that in 1999 the Sindh High Court issued orders to temporarily freeze the whole process (DCET, 1999, p.11) In view of the mounting opposition supported by an increasingly coherent argumentation against privatisation, the Government of Sindh decided to form an independent committee to look into the social, financial, and administrative aspects
of the project. Its findings underlined the known shortcomings of the project of which these extracts form the spinal cord: “No firm guarantees for identified improved services...no clear legal guarantee of minimum quality standards” on the part of the operator, despite the Government of Sindh’s financial guarantees; “very little of emphasis on improvement of the sewerage system, perhaps because it does not yell substantial profits.” The lack of attention towards the fate of the Katchi Abadis and the unrealistic price hike. It also underlined the problem of KWSB debt servicing, in view of the proposed five years no concession fee status granted to the operator. The commission also reported that, owing to the change of mood in Karachi, i.e: the rising opposition against the projected denationalisation of KWSB, the World Bank itself did not any longer consider private sector participation as a viable option (DCET, 1999, p.11).

The DCET report also provides transcripts of interviews the authors held with different would be affected stakeholders in the privatisation of KWSB. From these it emerges that KWSB staff were unsurprisingly the most vehement against the project. They were of the view that tackling water leakage and improving revenue collection of KWSB would already go a long way into improving the service as well as the financial situation of the company. Water traders pointed out that poor people were already paying “colossal amount of money for very poor service” (ibid, p.vii). Builders and developers were in favour of privatisation if it improved the quality of service while local politicians were “aversive to the idea of privatisation”(ibid, p.viii) arguing that unemployment would rise while issues of corruption, improper town planning applications and other malpractice would still not be addressed. As for local consultants,
they saw privatisation has nothing less than the setting up of private monopolies and residents of both planned and unplanned areas were against privatisation. (ibid) As a result of the committee report, the privatisation process of KWSB was halted by the Government of Sindh and the World Bank realised that the time and the political situation was not yet ripe for it. But they still have hopes and wait.

**Not Taking Account of the City’s Realities**

The consultants chartered by the World Bank and Paribas did not trouble themselves to look into the specificity of Karachi’s socio-economic characteristics as a growing Asian metropolis consisting of an important proportion of poor people and of a large informal sector that caters for the city’s public services. They omitted to consider the situation of millions of individuals living in *Katchi Abadis* who do need access to water and who in many instances have built and manage sewerage and water systems of their own. There was no space in the Paribas report for existing water and sanitation solutions, which service millions of individuals. They therefore could not look into the effect privatisation may have had on small-scale providers or on the nature of the relationship the private operator would have had to re-develop in its dealing with them. Nowhere were the millions of poor and under served of Karachi mentioned in their report.

The consultants’ approach in planing the privatisation of KWSB was strictly one of economic feasibility. The findings and recommendations of the consultants were based on KWSB’s official accounts and audits, consultations with consulting engineers and financial organisations in Karachi and “*various international water operators in Europe*” (Paribas, 1999, p.13). Therefore they focused their report on the bulk
customers and the officially planned and wealthy part of the city, omitting the rest. They saw Karachi in its global setting, as one relatively prosperous and fast growing city with a potential source for profit: “The size, relative wealth and growth potential of the city (one of the few cities in the world with already more than 10 million inhabitants, and a potential of more than 20 million in two decades) makes PSP in KWSB one of the major opportunities in the water sector in the world” while recognising that “only a small initial capital expenditure is required to improve service significantly” (Paribas, 1999, p.4&16). This, by the way, bluntly contradicts the main argument for privatisation consisting of the need for a massive capital influx out of the reach of KWSB to upgrade the system. The 40% of the city’s population living in planned areas already constitute more than 5 million people, while the tax exemption, 300% price rise, guaranteed profit through subsidies by the State of Pakistan and the lack of formal commitment in terms of investment or level of service to be reached made Karachi a potentially attractive market for transnational utilities. If we bring the poor into the equation, the volatile security situation of the city, and a more ethical approach to do business, Karachi soon ceases to be that attractive for them. It is difficult to see how privatisation could have been successful, if only from the private company’s own perspective, without taking into consideration the informal sector and its existing complex relationship with KWSB as well as other social factors in this complex and large metropolis.

In any case their work on the preparational phase of the privatisation project was lucrative for themselves, and paid for by the Government of Sindh. However, by not

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18 PSP or Private Sector Participation: the assets of the water utility (in this case KWSB’s debts!) remain property of the state so that the private operator does not actually buy them and so minimizes his risk taking. This is important in case the project fails and the operator wishes or is forced to withdraw. In
taking account of the reality of the city, the consultants have shown at best their lack of professionalism and ignorance and at worst their contempt for the people of Karachi. They did not contact any of the trading associations, such as the Water Tanker’s Association, to exchange views, despite their complementarily with KWSB’s network and their relevance in Karachi’s water politics. Nor did they hold talks with KWSB’s operational staff, restricting themselves to senior managers. They did not establish contact either with the experienced NGOs and citizen organisations which have been dealing with issues of water and sanitation in the city for decades and which have become the most knowledgeable group on Karachi’s urban issues, nor with the university’s urban research departments. Not taking into consideration these factors could easily contribute to spark off renewed tensions between and within Karachi’s numerous religious, linguistic, provincial, and foreign communities and the failure of the privatisation project. With its very limited financial involvement the foreign operator would not be at much risk for itself, but the potentially heavy social, political, sanitary and financial bill would be for the poor people of Karachi to bear. The example of Cochabamba could easily replicate itself in Karachi with far greater consequences.

**Not Taking Account of the Poor**

This lack of concern for the political socio-economic realities of one of the world’s fastest growing metropolis in the formulation of such a radical reform as the handing over of water distribution to a foreign private firm should be a matter of primary concern. This whole project, as the global framework within which it operates, is engineered by the World Bank. The World Bank with its logos “A world Free of contrast in the UK there was strictly speaking a full privatisation where private companies bought the network they now own.
"Poverty”, “Serving the Urban Poor” and “Our dream is a world free of poverty” posted at the top of its web pages. The World Bank with its affiliated World Water bodies financing research and publications on water sanitation and the poor and which, within its “Water Vision for the 21st Century” Project, calls for halving the population deprived of safe water access by the year 2015.

The World Bank is either schizophrenic, bicephale or hypocrite: On one hand important funding is made available towards its research and advocacy centred on poverty eradication, but when it comes to policy implementation there seems to be no more question of a ‘poor friendly approach’, and certainly not in the case of KWSB’s privatisation strategy. There is no mention of poverty in any of the official literature regarding the project, but only of profit, rate increase, bill recovery and to cut off supplies to defaulters. In his paper “Managing Water As An Economic Good: Rules For Reformers”, which represents an amazing insight into the World Bank’s real approach to water management, its senior water advisor John Briscoe lists the following keywords to be used by policy implementers: “economics, managing transitions, politics, strategy, water markets, water resources management.” (Briscoe, 1997, p.2)

No mention of poverty eradication, poor friendly measures, universal access to sanitation or anything like that whatsoever! The first three principles of the Dublin Statement calling for an “holistic”, “participatory” and “gender sensitive” approach to water management seem to be forgotten by the World Bank as soon as it gets down to the ‘real’ world and away from the media. The UNDP did research, funded by the World Bank, on the water vending practices of Karachi and the water market for the poor, but the information gathered did not seem to have reached the policy makers at the
World Bank. The irony is that the UNDP Water and Sanitation Program which carried out this research happens to share its office with the World Bank in Islamabad!
7. **Conclusion**

As we saw the Government of Sindh has cancelled both the ADB loan and the privatisation of the KWSB after much pressure and documentation from Karachi’s citizen organisations, and despite heavy pressure from the federal Government of Pakistan, the World Bank, and the ADB not to do so. In the Karachi daily ‘Jang’ of 29 November 2000, KWSB’s managing director stated that they would now carry out all projects through local resources and avoid foreign loans in the future. (URC correspondence to KWSB, 21 December 2000)

As for the fate of KWSB itself, the World Bank and its national and international allies have yet to abdicate. An article in the daily newspaper Dawn dated 7th July 2001 (www.dawn.com/2001/07/09/local1.htm) reports that the privatisation of KWSB is once more back on the agenda, although the news has not been officially confirmed as yet. Asked in what way would the new plan differ from the earlier one, the source gave the evasive answer that “under the proposed plan, there would be no retrenchment of employees, and water tariffs would be determined by a regulatory body”. In brief, the new rhetoric tries to provide answers to the main criticism that had been levied against the plan in its first presentation.

However, the economic realities for the operator as well as the social and political make up of the city still remain the same. It is difficult to see how a privatisation plan could be laid out that could reconcile the two opposing perspectives, social and economic. No
private operator would risk itself in Karachi without state guaranteed returns, high tariff rates and massive downsizing. The network would remain physically identical, with the same shortfalls. The practical difficulties of physically being able to control water theft still exist. The police are now in charge of surveying the filing of KWSB’s tankers and make sure that they do reach their planned destinations. So, we can ask, how would a private company deal with this sort of problems?

Any changes in KWSB’s structure should ensure the development of alternative sources and the expansion of the scale of services, with due considerations for the poor of the city and their actual difficulties at providing water for themselves. This can only be done by bringing together all the different key holders: representants of the informal sector, community organisations, NGO’s, local technicians and social anthropologists that have acquired a deep knowledge of the city’s physical and social infrastructure.

It is very difficult to perceive how a top down privatisation generated in Washington and Paris could ever be successful for the poor people of Karachi. I do not see how the World Bank and other transnational structures, in the present situation, could take on board volatile but nevertheless primordial parameters as the socio-economic and political ones of such a city. In any case private partners are only going to get involved to maximise their profits, and this outlook will never be able to bring about the investment needed for the poor for it is not meant for that. The alternative could consist of the disintegration of the KWSB between its water and its sanitation sector. A redistribution of KWSB’s responsibilities between different municipal departments and
an increased formal recognition of community sanitation network and their incorporation into the city’s map.

Water issues are very complex. They incorporate many different social fields in a unique combination. In order for each player to express itself in this complicated nexus, local political and social argumentation have to be able to express themselves and confront each other in a natural debate through which the numerous subtleties are able to be somehow articulated. Foreign decisions to hand over the issue to transnational companies short circuits this complex process by forcing down simple and biased ready-made decisions. I feel that such external interference in what should be a local political debate cannot bring about anything positive for the people.

Karachi has the chance to have an active and militant citizenry that has already saved it from the environmental devastating effects of grandiose projects that were not compatible with its social and economic realities. These were systematically capital intensive and promoted by the World Bank and its international contractor allies. These projects included the construction of an overhead motorway planned to take heavy diesel vehicles through the city centre: could we imagine today plans to do the same through Oxford street? Projects of this kind and their devastating effects can be seen all over Asian cities, such as Manila and Bangkok, and are vastly responsible for the debt crisis faced by these countries. Many other similar project are planned and pushed ahead in view of the enormous contracts they represent for Western companies, the World Bank, and influential governments: “it seems that contractors, consultants and
loan pushing agencies are determining Karachi’s physical and hence social development, or lack of it” (Hasan, 1999bis)

NGOs specialised on water and sanitation issues are only starting to look more deeply into the question of privatisation. However, they still are looking at ways to make privatisation, as proposed by the “global high command”, work better. I personally feel that the way privatisation of water services is taking place is intrasequely perverted, and that nothing good for the common people can come out from such a dogmatic, opaque, unbalanced and undemocratic process. I should add that most of the research carried out on privatisation and the poor is being financed by the World Bank and the NGOs merely acting as consultants themselves.

By researching on the denationalisation of water and sanitation services in poor countries, it is possible to highlights all sorts of power dynamics at play on the international stage that concurs to their underdevelopment. This raises questions over the whole concept of development and issues of democracy, either ‘there’ or ‘here’. How are the international financial institutions allowed to hold such a double standard? How can we talk about democracy when no one seems to have any more control over these institutions than the people of the katchi abadis of Karachi? The realisation of these shortcomings is taking place globally, so that the anti-globalisation movement maybe the only truly global one that exist. The well mediatised dichotomy between South and North, poor and rich, the ‘civilised world’ and the rest only hides the
increasing gap that is forming worldwide between citizens and the centres of policy making.
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