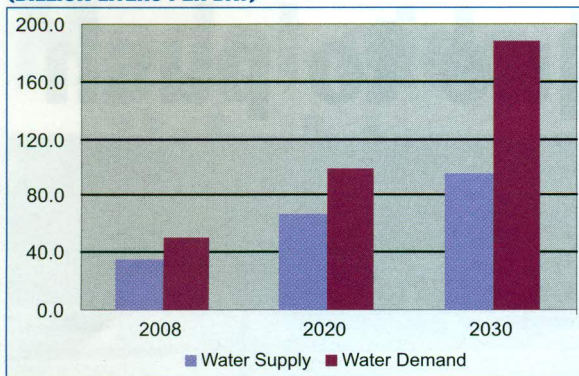
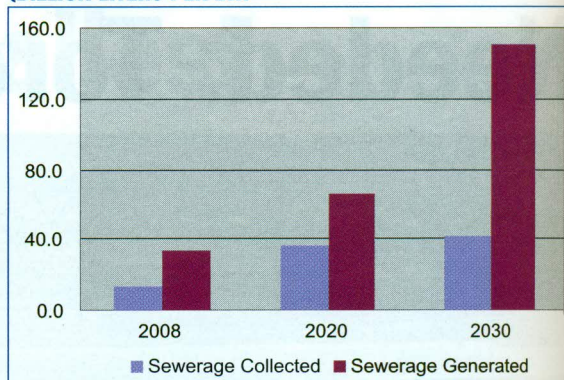


URBAN WATER DEMAND - SUPPLY GAP (BILLION LITERS PER DAY)



Source: Frost & Sullivan

URBAN SEWERAGE COLLECTION - GENERATION GAP (BILLION LITERS PER DAY)



Source: Frost & Sullivan

Water and wastewater treatment equipment: The municipal segment is slowly opening up for private participation. A very recent example is the Nagpur Municipal Corporation, which has outsourced the entire drinking water service operation and maintenance job for 25 years to Orange City Water (OCW). The Gujarat Government has signed a memorandum of understanding (MoU) with a consortium comprising Japan's Hitachi and Itochu and Singapore's Hyflux. The consortium would set up a 300 million litre per day (MLD) desalination plant in Dahej SEZ, on design, build, finance and operate (DBFO) basis in two phases. The Assam Government has borrowed a sum of \$81 million from the Asian Development Bank for executing various water projects. The Kerala Government is soon expected to set up desalination plants across the state.

As many municipalities are gearing up to build/

improve their capacities for water treatment, there is also the need to develop the associated piping and smart water metering systems to reduce non-revenue water and generate more revenues to meet the costs of water treatment and distribution. With increase in piped water supply and revamp of existing tainted pipelines, more smart water meters would be required by the project developers.

The way forward would be revamping of existing infrastructure along with new capacity additions, which requires heavy investments by the municipal sector. But the problem is cyclical, in that because water is either a free commodity or highly subsidised in India, it results in very low revenue generation—a major reason for the lack of funds to invest in water.

Courtesy: Environment & Building Technology Practice, Frost & Sullivan—South Asia, Middle East and North Africa

POLICY ANALYSIS

The trickle-effect benefits

India would benefit from establishing an independent Central Water Regulatory Authority to design, control and coordinate national programmes for water management and conservation. Policy changes would also ensure that water management techniques and initiatives are executed at national and local levels across sectors.

The Union Budget FY2013, though lacking in major announcements, has made an attempt to manage the finances in a much sensible manner in the midst of a global slowdown with a downturn growth momentum. Measures for boosting demand, especially on the investment front through progressive policy action, were widely anticipated in this budget. Government strategy to increase investment in infrastructure through a combination of public investment and PPP indicates an increased thrust on the sector. Increase of over 27 per cent in budgetary allocation for rural drinking water and sanitation from existing Rs 11,000 crore to Rs 14,000 crore is a welcome

move. The proposal to add certain sectors as eligible sectors for Viability Gap Funding (VGF) is expected to provide support to PPP in the water sector also. Additionally, allowing for tax free bonds to the tune of Rs 60,000 crore will further support infrastructure financing.

Given the increased plan outlay for water and rural infrastructure, combined with increased thrust on plugging the gap in infrastructure financing, the budget is positive for the water sector. The government is focused to accelerate infrastructure development and efforts are expected to continue outside the budget which is required to boost the growth momentum. However, the government has not laid down a strong reform agenda. While it was fervently expected that specific action would be taken regarding subsidies, FDI, labour laws and land acquisitions, the budget is silent on that front.

- **Anil Sethi**, Chairman, SPML Infra Limited, a leading developer and O&M contractor in water.