CHAPTER 2

DESIGN OF THE STUDY
CHAPTER 2
DESIGN OF THE STUDY

Introduction

As stated in earlier Chapters, low operating efficiency, inadequate maintenance, lack of attention to the needs of users, poor institutional capacity, and ineffective implementation of the programs have played a major role in reducing the development impact of investments in urban infrastructure. The services provided through municipal administrations have inadequacies and incompetence that have resulted in poor service quality and loss of welfare of the mass population. There is need to involve private sector through cost-effective and efficient public-private-partnerships to improve delivery of civic services. Civic administrations need to accept that the private sector involvement would provide access to new technologies, external expertise and new sources of finance with better efficiency in service provision and delivery with sound regulatory roles vested with the ULBs.

The different models of privatization studied in Chapter II gives a confusing scenario regarding the selection of a particular model for provision of municipal services. Further as the models of privatization are all in the initial stages of implementation realistic assessments have not been made. Therefore, this study is aimed to explore a sustainable model through which decisions can be made for privatizing municipal services. It concentrates on analyzing the role private sector can play in improving the effectiveness of management and delivery of municipal services. The study focuses on the management issues involved in the efficient unbundling of services provided by municipal administrations. It seeks to explore the ways for inducting private participation in the provision of services presently done by the public sector through
unbundling of service, supervisory and regulatory components with a view to increase consumer satisfaction.

Statement of the Problem

The urban population in India faces major problems in respect of the quality and adequacy of services related to water supply, sewage and garbage disposal/treatment, street lighting, maintenance of roads and city transportation. While provision and supply of services is one side of the coin, the other and more important side of the problem is the management capacity and efficiency for the delivery of these services. Many public sector agencies and institutions and the municipal systems have generally grown haphazardly affecting their capacity to manage the provision of services efficiently. They have become citadels of highly labor-intensive organizations with complicated and time-consuming bureaucratic procedures, and highly nontransparent and unaccountable in their functioning. All these affect services to the urban population. The decentralization of powers to the ULBs has not addressed the issue of management inefficiencies of the municipal administration. There is a need to reverse the process of bureaucratization of municipal services. If left unattended there is the possibility of imminent collapse of the existing systems leading to catastrophic deterioration of urban life.

Urban services suffer a two-fold problem: low coverage and poor functioning due to a failure of the providers or users to maintain them. Given the many deficiencies of municipal institutions, as mentioned above, it is doubtful that real progress can be made within the confines of existing municipal culture, customs and practices all of which present obstacles to the development of effective services. Therefore there is need for major institutional reform. Privatization of services or at least contracting them out is often proposed as a solution to these and other failures of the municipal institutions. It is not, however, an easy option as many contractors perform no better than the government, especially if they are not supervised, monitored and regulated well. The problem therefore is to find the most effective and sustainable system of management arrangement, which will incorporate the interests of the citizen, the government and the private sector service provider.
Objectives of the Study

The main purpose of this study is to identify management techniques for improving quality of services provided by Municipal Systems in the Indian context. This objective is based on a framework that private sector can provide efficiently when it is effectively supervised and regulated by the municipal system. In particular the study assumes:

- Private sector assistance in the management of municipal services improves efficiency in administration and enhances consumer satisfaction through effective and sustainable delivery of goods and services.
- Management and delivery of municipal services will be best performed when private sector executes independently under the supervision and regulation of municipal system.

The following are the specific objectives of the study:

- Evaluate the status of provision of the various urban services in India and assess the magnitude of issues affecting the efficient management of urban services.
- Take stock of privatization process carried out in various places and evaluate the efficacy and sustainability of these in formulating the management technique for municipal systems.
- Assess the functioning of purely privately operated systems and the possibilities and consequences of its replication in the municipal systems.
- Suggest a model of management, which is acceptable to the citizens, attractive to the municipal system and staff, ensuring financial and operational efficiency, and sustainable on long-term basis.

It is hoped that the study will not lose its relevance in the future, as there will be need for constant review and improvement in the services provided to people by the public systems. It could include functions where direct contact with the general public takes place in areas such as infrastructure services, social sector programs, city management, rural development, delivery of services through panchayats and municipalities, enforcement of law and order, collection of government revenues, monitoring of the
Changes in emphasis and procedures may be required in future to make this relevant to the particular service and needs of consumers and social values.

**Methodology**

This is an exploratory research study, with the main purpose of developing a working hypothesis privatization of municipal services from an operational point of view. The major emphasis of this study is on the discovery of ideas and insights. As such, the research design attempts to be flexible enough to provide opportunity for considering different aspects of the problem under study. As the research concept is relatively new in the Indian context, reference has been made to literature available with development institutions such as the organizations of the United Nations, The World Bank, Asian Development Bank, etc. The object of literature survey is to obtain insight into the various experiments conducted in privatization in different parts of the world. Most of these have been reported in the World Development Report 1994. In addition to these, effort is made to look into some of the cases of privatization efforts in India and abroad.

The main part of the study consists of proposals for privatization in selected functions of municipal administration. Maintenance of residential colonies by municipal administration has been the subject of study and analysis. Services provided in two contrasting areas in Delhi maintained by the Municipal Corporation of Delhi have been subjected to the study and analysis. Their conditions are compared with relevant facts drawn from the study of a private colony developed and maintained by one of the private builders in a suburb of Delhi. The conclusions drawn are based on the following parameters of unbundling:

- Need for unbundling
- Preconditions of the public systems which can be unbundled
- Tackling employee objections
- Inducting Private Sector Assistance
- Pre requisites for the private sector induction program,
- Models of privatization,
- Commercial principles of operation
- Pricing and quality standards
• Sustainability of the Coexistence
• Tackling failures of private assistance
• Control mechanisms
• Role of beneficiaries
• Building on the outcomes.

This thesis follows a case study method. Efforts are made to study the following aspects of municipal service delivery for drawing out generalizations and inferences:
• Expectations of consumers and the existing satisfaction level
• Existing systems of functioning and causes of failures.
• Extend of existing centralization/decentralization,
• Degree of delegation,
• Effectiveness of existing control and monitoring mechanisms,
• Areas where services of the private sector could be inducted for greater operational efficiency
• Failures expected from the operations of the private sector,
• Control mechanisms for inducting private sector participation,
• Remuneration criteria for sustained participation of the private sector,
• Possible objections from the government employees of the public administration whose areas are affected.

Data Collection

Data collection was made from both primary and secondary sources as follows:

(i) Details of functioning of a purely private colony namely, Sushant Lok at Gurgaon, near Delhi was subjected to study. This colony is under the maintenance management arrangement with Star Estates Management Limited, the maintenance company of the developer of the colony, Ansal Properties & Industries Limited. Discussions and inquiries were held with the concerned official and their records were reviewed for collection of data relating to cost of provision of services, levels of services provides, and deployment of human, financial and material resources.
(ii) Discussions were conducted with the members of the Resident Welfare Association and the records of minutes of meeting were obtained for collection information regarding complaints and issues related the performance of the service provider. The record provided comprehensive information about the nature and frequency of complaints regarding the quality and adequacy of services provided and the promptness with which complaints are attended. The discussions between the welfare association and the Star Estate Management provided insights about the profit seeking behavior of the service provider and the systemic problems faced by residents.

(iii) Two residential colonies under the Municipal Corporation of Delhi (MCD) were subjected to study namely, Vasant Kunj and City Zone. The two localities are very different in their specifications in terms of geographical location and size, spatial facilities, aging, economic activities in the location, population density and quality, infrastructure facilities, etc. These differences have contributed to additional findings and improved the quality of the study.

(iv) The general complaints regarding the functioning of the municipal services provided by MCD in different parts of the city were collected from newspaper reporting.

(v) Discussions held with the concerned senior officials of the two localities and data related to cost of provision of services, levels of services provides, and deployment of human, financial and material resources were obtained from the MCD records

(vi) Results of data analysis were again taken back to the MCD officials and the private sector provider and were validated regarding applicability of the findings of the study.

Data Analysis

(i) Consumer satisfaction with the quality of services of the private sector provider was assessed through the survey of the documents of the minutes to the meeting of the Resident Welfare Association. The issues related to the dissatisfaction and complaints were gathered and analyzed.
(ii) The issues and problems of the MCD colonies were identified and were analyzed to mitigate them in the new method of service provision.

(iii) Using the operational and efficiency parameters relating to labor, material and equipment and input output ratios observed in the privately managed colony of Sushant Lok a counter factual analysis of service levels, costs and efficiencies was made for the two selected municipal colonies of MCD. The unit costs of the private sector were applied to the MCD areas to arrive at the estimated costs of maintaining. While analyzing this some of the existing standards of MCD were retained to accommodate the local requirements. The results of the analysis in the two MCD colonies were compared for assessing similarities and differences with a view to learning lessons.

(iv) A management model was developed for the introduction of private management for the provision of services in municipal systems in general.

(v) As the new model could not be tested for practical purposes this was again subjected to discussions with and study by both MCD officials and the private service provider. The results of the discussions were documented in the study.

Scope of the Study

This study seeks to understand the various intricacies involved during the process of privatizing the management and delivery of services currently provided by municipal systems. The study was conducted to address the inefficiencies in the municipal system while providing services related sanitation, colony and road maintenance. The model that has been developed for inducting private sector can be applied generally to all municipal systems although the results related to cost savings will vary from unit to unit based on various issues. The study can be further modified to make it applicable to many other services in the municipal systems like maintenance of health centers and municipal schools, municipal tax collection and administration, maintenance of accounting records, etc. The study is pertinent and will not lose its importance as it is attempting to address the grave issue related to governance in the entire Indian urban sector. This will be of immense help to planners and policy
makers and management experts for framing governance strategies for municipal systems. The study limitations are discussed in the Introduction section of Chapter 1.

Overview of Literature

In the past several years, interest in privatization - which means contracting with or selling to private parties the functions or firms previously controlled or owned by governments - has been growing in both developed and developing countries. The movement has affected even the socialist countries, and pressures for privatization have surfaced in almost all of the Eastern Bloc countries. Privatization is a subject of great current interest in many places. International development institutions have undertaken major studies and provided technical assistance to develop conceptual and policy framework for privatization in developing countries. World Development Report (1994) examines the link between infrastructure and development and explores ways in which developing countries can improve both the provision and the quality of infrastructure services. The report identifies the basic cause of poor past performance as inadequate institutional incentives for improving the provision of infrastructure. To promote more efficient and responsive service delivery, incentives need to be changed through commercial management, competition, and user involvement.

Status of Urban Services

National Institute of Urban Affairs (1988) gives a good reference of urban studies in India. The vastness of the country and the complexity of the urban phenomenon have given rise to a wealth of data and inferences based thereon, which together contribute to the overall picture of India's urbanization. National Institute of Urban Affairs (1989) is a comprehensive sample of 157 municipal bodies within the size category of 1-7.5 hundred thousand population. The study analysis the financial resources required for up gradation of core municipal services like water supply, environmental sanitation, street lighting, roads and preventive medical services. It presents a perceptible analysis of the problems confronting the local bodies and suggests policy options for their solution. National Institute of Urban Affairs (1989), gives an in depth evaluation study of the implementation of the Integrated Development of Small and Medium Towns (IDSMT) scheme in 22 selected towns (about 10 per cent of the 235 IDSMT towns) across the country to assess the impact of the scheme. The study
provides valuable insights into the achievements and impediments faced by the IDSMT scheme in fulfilling its programme objectives. National Institute of Urban Affairs (1990), which examines its revenue and expenditure pattern over a period of time and assesses the impact of various measures that have been adopted by the MCD to increase its revenues and to regulate expenditure.

Asian Development Bank (1998) in its report India Urban Sector Strategy provides description of the urban situation in India, highlighting the principal problems associated with urban growth in the face of deficiencies in the infrastructure and municipal services.

At national level the 73rd and 74th Amendments to the Constitution have mandated a third level of governance in the country. The local level governance is expected to improve the education, health and other developmental programs and provide assistance to public administration. This has encouraged a number of studies on urban governance and development. National Institute of Urban Affairs (1994) provides comprehensive comments on the implications of the 74th Constitutional Amendment. The Act provides for many changes in the structure of the municipalities, their composition, powers and functions. This attempts to provide a comprehensive perspective of various facets of the Act. Incorporating the views of leading experts on the potential role of urban local governments, following the enactment, it would facilitate policy makers at the state level to redefine the role of the urban local governments in meeting the needs of the urban poor. Dr. Jayaprakash Narayan (1998) in the article Federalism and Local Self Government in the Indian Context has analyzed the issues related to concentration of powers at the Central Government and the need for peoples empowerment for centralized governance. National Institute of Urban Affairs (1998), provides a comprehensive review of the salient aspects of urban sector in India. Particular emphasis has been laid on issues related to urban development financing and capacity building needs of the urban local bodies. The report outlines numerous issues confronting the urban sector, more important among them being the policy initiatives and guidelines required to address the sector problems relating to urban growth, institutional capabilities at various levels of urban administration, and urban governance. Housing and Urban Development Corporation (2001) state the current status of political and functional empowerment in urban governance. National
Institute of Urban Affairs (2000) presents the status of water supply; sanitation and solid waste management in 300 class I and class II and towns in the country. It also gives the additional capital investments for covering the entire urban population by these services till the year 2022.

**Privatization and Pricing of Urban Services**

A regional seminar on Mega cities Management in Asia and the Pacific Region held in Manila, Philippines in October 1995 was co-hosted by the Asian Development Bank and the United Nations/World Bank Urban Development Program for Asia and the Pacific. The seminar report, Mega city Management in the Asian and Pacific Region, provides an in-depth look at private sector participation among other major themes (Asian Development Bank (1996)). Steve H. Hanke, (1987) provides a 'how-to' manual on techniques of privatization. Economic And Social Commission for Asia And the Pacific (1997) in its Guidebook on Private Sector Participation in Water Supply and Sanitation shows how the demands on the government funds may be reduced by greater involvement of the private sector while still retaining public ownership of assets and also by increasing accountability for operation. It recommends ways to improve efficiency, transparency and reduced costs through private involvement. Human Settlement Management Institute (2001), provides some of the International and Indian experiences of good urban governance in matters related to participative planning and management. Reza, Sadrel, (1999), reports the institutional aspects of privatization in a case study of Viet Nam. The stress is on the need for appropriate institutional infrastructure without which public reforms cannot be feasible. Although privatization is urgently warranted to help switch over to market based public functioning institutional weakness dictate a slower approach to avoid failures and risks. Welch, Dick and Fremond, Olivier (1998), techniques and Examples, a case-by-case approach to privatization as it allows governments to resolve the policy issues relating to regulation and labor matters attached to privatization. Asian Development Bank Institute (1999), concludes that there is no single model, which will work everywhere. The differences that will matter in privatization are the political system, capacity and efficiency of the private sector, relations between the two sectors, etc.
The research study on Management of Urban Services by National Institute of Urban Affairs (1986) attempts to determine the management and organizational problems that are encountered by the urban local bodies in their attempts to deliver urban services efficiently and the factors responsible for this. It suggests the measures that could be adopted to overcome these problems. Dhaliwal S.S. (1999), mentions in his book on Municipal Administration the problems being faced by the employees of municipal system from bureaucracy, politicians and citizens. National Institute of Urban Affairs (1991), examines the share of the public and private sectors in the provision of urban services in three cities – Gurgaon, Varanasi and Visakhapatnam. It studies the existing institutional arrangements within the public sector for this purpose. It analyses the efficiency of provision, financial aspects and the accessibility of the services to different sections of the population. The four services studied in the report are water supply, sanitation, transportation and health care. National Institute of Urban Affairs (1992) reviews the municipal services in selected localities and makes recommendations regarding options for private provision of services. In “Scope and Practice of Privatization of Urban Services in India”, the National Institute of Urban Affairs (1997), attempts an analysis of the existing institutional arrangements, particularly private sector involvement, in the provision of four municipal services – water supply, sewerage, solid waste and roads. It recommends the type of public-private partnership arrangements that the local governments could adopt for improving the provision of these services. Four cities are taken up for study – Pune, Indore, Visakhapatnam and Baroda. Based on an examination of the legal framework under which the local governments operate, the study recommends the changes that may be necessary in order to facilitate the entry of private contractors/firms to the urban services sector. The study titled Strategy for Capacity Building of Urban Government Institutions in India by National Institute of Urban Affairs (1998) focuses on strengthening and capacity building of urban government institutions in India in the context of economic and social changes and the thrust towards democratic decentralization as symbolized by the 74th Constitution Amendment. It attempts to analyze the various legal, institutional and human resource issues with special reference to the four case study cities of Aurangabad, Bangalore, Mangalore and Vishakhapatnam. National Institute of Urban Affairs (1999), presenting some of the innovative initiatives taken by the local governments of selected cities of India to improve solid waste management through various measures including improving
efficiency, finding administrative and technical solutions to improving waste collection and disposal, involving the private sector and NGOs in improving the service, and exploring new ways of financing investment. Marina Pinto (2000) voices concern regarding the existing systems of civic management promoting participatory model to encourage people empowerment ensuring professionalism. Department for International Development (1998) in its compilation of Community Initiatives in Operation and Maintenance of Urban Services provides summary of cases where role of consumers in decision-making and financing the provision of municipal services was tested with varying results.

The study of National Institute of Urban Affairs (1990) on Pricing of Urban Services, heralds a beginning in efforts to understand the complex issues involved in the pricing of urban services. It attempts to ascertain the procedures and techniques of pricing two important services – water supply and solid waste disposal – followed by municipal bodies and their ability to recover the costs of providing these services from the users. Based on field data collected from nine cities of different sizes and functional specialization, the study shows that both these services are under priced and therefore jeopardize the overall financial viability of the municipal bodies. It points out that in order to make these services self-paying, water tariffs will have to be increased substantially, and municipal bodies must recognize the financial worth of solid wastes and use them as an important resource.