CHAPTER 8

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Conclusions of the Study

Privatization is a term that has been associated with the transfer from the public to the private sector of assets in terms of ownership, management, finance or control. In its narrowest sense it has been used to describe the sale of public assets to the private sector, but it has also been associated with a reduced regulatory role for government linked to policies of liberalization and deregulation. Privatization has been linked to a range of techniques which include: asset sales, in which government sells all or part of state-owned enterprises or property; contracting-out services, in which public officials act as service arrangers; internal market arrangements, in which the purchasing of services is separated from their provision; user fees, in which government levies charges for services that are still provided by the public sector; public-private partnerships, in which government finances, manages and risk shares with the private sector on a joint project; and liberalization, which involves the relaxation or removal of statutory provisions which prevent private sector firms entering public sector markets. The range of approaches indicates that privatization is increasingly defined broadly to include all efforts to encourage private sector participation in the delivery of public services. In this broader sense privatization does not necessarily lead to all ownership and control of the service being transferred to the private sector and in these cases the term marketization is often used interchangeably with privatization.

Considering the current differing perceptions of the concept and application of privatization of municipal services as a process and strategy and considering its
relatively recent and limited adoption and application in various countries as well as the public policy issues of equity it raises, it is not yet possible to render a definitive verdict on the efficacy and effectiveness of its performance in municipal services provision and management. The system requires a longer period of time of implementation and practice to provide sufficient experiences on which more plausible evaluation could be based. More extended monitoring and evaluation studies are therefore required to arrive at more credible conclusions about the efficacy of privatization of municipal services.

In India time has come to start the process of inducting the private sector for the provision of municipal services. The municipalities as managed today are archaic and if not subjected to reforms the current systems of public management will not be sustainable and will face gradual collapse. The citizens are ready for the experiment as they are discontented with the current system. They expect changes to take place. If not there will be public outcry, which will demoralize the employees of the public systems and the employees’ output will in turn further deteriorate and this will transform into a spiraling vicious cycle leading to chaos in public systems. Is the private sector ready? Not exactly as have not been shown the market for public systems management. In India there is no dearth of capacity, knowledge and skills. What is required is they have to see a potential market and they are innovative to meet the challenge. Once the process is initiated it will transform into a major road towards greater public service efficiency. It is hoped that this study will contribute to this great cause.

In Chapter 1 the study has made an attempt to overview the Indian urban sector to understand the current scenario and the need for making improvements in the management of provision of urban services. With over 30 percent decadal urban population growth and about 60 percent contribution to GDP it is expected that there would be greater urbanization in the near future. It is projected that urban population will increase to 605-698 million during 2021-2025. There is need for major upgradation and renovation of assets providing civic amenities, particularly water supply, sanitation and sewerage as they have outlived operational efficiency. The existence of over 4,300 urban towns and agglomerations and the assignment of responsibilities to Local Self Governments under the 74th Constitutional amendment
the quality of service delivery is coming under strain. This is aggravated by the existence of archaic systems under the bureaucratic set up. The approach of the Tenth Five-Year Plan to urban management revolves around the strengthening of the democratic structure with the assistance of the various agencies. Great importance is placed on capacity building in the ULBs for greater accountability and sustainability. There is an urgency to improve service delivery and in both quality and quantitative parameters. The municipalities need to transform from being providers to regulators and monitors of the services. Private sector needs to step in as the provider of urban services. How to do this is the challenge of this study. Private sector participation in municipal services is relatively a new concept in the Indian municipal systems. It is important that lessons are learnt from the experiences of the privatization models practiced both outside and inside India. An attempt is made in the next chapter to assess the various privatization models experimented in various municipal systems for management and delivery of services.

Chapter 3 reviewed the existing models and methods of privatization of municipal services. This study concludes that everywhere there is a consensus for induction of private sector in the delivery of municipal services. Attempts have been made in various ways to include the presence of private sector either through contractual arrangements or through community involvement. Although privatization is often interpreted as dispensing with the role of the state and the public sector, it paradoxically requires an enlargement and strengthening of the regulatory role of the state to monitor and enforce contracts, the rules of the game, as well as protect overall public interest. Privatization thus requires a strong public presence for it to be effective. Some conceptual confusion or ambivalence about what privatization actually involves still exists. Some understand it as contracting or leasing out tasks and responsibilities to private sector firms, while the local (municipal) government retains overall supervisory and regulatory control. Some understand it as commercialization of services by municipal departments and some understand it as total and complete transfer of responsibilities for providing the service to private sector firms who set their own prices, etc. This conceptual ambivalence still requires clearer definitions to enable more objective assessment of the efficacy of privatization as an efficient and effective mode for provision of municipal services. It is not yet possible to render a definitive verdict on the efficacy and effectiveness of private
sector's performance in municipal services provision and management. There are still differing perceptions of the concept and its application to privatization of municipal services as a process and strategy. This is mainly due to its relatively recent origin and limited adoption and application in only a few countries, as well as the public policy concerns regarding its impact on the equity. The system requires a longer period of implementation and practice in more countries to provide sufficient experiences to facilitate plausible evaluation. Further, properly done monitoring and evaluation studies are required to arrive at more credible conclusions about the efficacy of privatization of municipal services.

With the view to provide a detailed understanding of the functioning of municipal system in Chapter 4 a detailed study of the functioning of Municipal Corporation of Delhi was made. The study reveals that Delhi suffers from over-governance. MCD has a total employment of over 100,000 personnel out of which 44,000 are sweepers. Of the total monthly wage bill of Rs. 830 million Rs 500 million is spent for sweepers. There is a backlog of almost 500 tones of garbage every day. The overhead expense is estimated to be Rs. 5.4 million per sq. km. per annum. The problems of MCD based on sample survey suggest that poor human resource management and systems deficiency are the main causes. Delhi is managed by multiplicity of institutions. These include MCD, NDMC, Delhi Cantonment Board, Delhi Administration, NCT consisting of the Chief Minister and the council's ministers and legislators, the Lt. Governor and the Central Government. This leads to the need for high degree of coordination and multiplicity of approvals/obstructions and passing of responsibilities. This also results in high degree of politicization, which is detrimental to citizens' welfare. Lack of coordination among the various departments of MCD creates poor service quality, delays in the implementation of most investment projects and avoidable inconvenience.

The case studied done in Chapter 5 support the contention that private sector assistance in providing service could reduce costs of provision and improve quality. The major lacuna of the system is related to monopolistic approaches and profit maximization motive of the private sector. The case studies of the two cities of MCD with differing characteristics provides problems related to over employment, lack of commitment of junior staff, lack of motivation of senior staff, understaffing of
supervisory staff resulting in ineffective supervision, poor public impression, and high cost of operations. In the process of the case studies private sector's parameters are replicated to suit to the requirements of MCD's two colonies. The results indicate that there will be reduction in all cost elements resulting net savings of about 30-35 percent. Further this provides better employment, supervision ratios indicating improvement in service delivery. The study therefore comes out with the conclusion of an Assignment Model of engaging private sector under the banner of Municipal Enterprises monitored by Municipal System. The model is therefore named as ASSIGNMENT MODEL OF MUNICIPAL ENTERPRISES AND SYSTEMS (AMMES). The model is then tested against various management parameters to confirm that it meets them. Both the hypotheses therefore are confirmed based on the findings of the study.

Recommendations of the Study

The study recommends that the Assignment Model of Municipal Enterprises and Systems (AMMES) be adopted for implementation. The implementation process is included in Chapter 7. This is designed after careful consideration of the various issues relating to privatization as mentioned in Chapter 6. To be effective AMMES should have the following characteristics: (i) private enterprises should be specialized municipal enterprises (ME) in the provision of municipal services and sensitive to public sentiments; (ii) regulation and supervision of ME should be vested with municipalities; (iii) the role of municipalities should transform provider of services to that of regulator and their role in service provision should progressively fall; (iv) municipal functions should be delegated gradually and unambiguously to MEs, and (v) the system should be financial, procedurally and legally sustainable.

As the implementation process is through five stages, introduction, model case implementation, review of model case, full implementation, wider implementation, the study provides actions to be taken in each stage for various important issues to avoid pitfalls. This is tedious, politically difficult and time-consuming process. But once started it could pick up momentum.