

PRIVATISATION OF MUNICIPAL SERVICES

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It is estimated that by 2020, over half of India's population will be living in areas designated as urban, an indication of the economic prosperity and technological advancements anticipated in India. Despite the rapid growth of national economy and major contribution of urban centres to this growth, the cities in India today seem more vulnerable than ever before and face a serious crisis of infrastructure and services. Shortage of drinking water, inadequate mass transportation, lack of power, rising air and water pollution, etc. has made urban living an enigma.

Although the Municipal bodies or corporations are expected to provide these services, studies show that they have an annual per capita income of Rs.200/-only. Studies also indicate that it would require nearly Rs.50, 000 crores in the next decade to provide these municipal services. Let us not fool ourselves -- the Central and State Governments do not have sufficient budgetary resources to even complete a major part of this work. The Government is committed to provide an improved quality of life to its residents as well as sustain the important economic role the city would play in the national and global economy. It has to privatize part of these services through public private partnership rather than being an ambitious but non-successful provider of services. In the paradigm of partnership, the government assumes the role of a facilitator. The private sector is expected to bring in capital and managerial strength to ensure efficiency while the government is expected to ensure equity and welfare of the people.

Given the inability of the municipal governments to raise the necessary resources and the need to cutback expenditures on operations and maintenance, partnership with private entrepreneurs appears to be a viable mode of urban governance. Public-Private Partnership in municipal services has a number of advantages like cost reduction, capital infusion, increased efficiency, additional coverage and above all user responses and satisfied citizens. We may want to make our city a better place to live in for our children but unless we do something about it, it would continue to remain a distant dream.

A number of partnership arrangements can be worked out or developed further which include creation of special purpose vehicle (SPV), incorporation of direct service organisations and service level agreements between sections within a municipal government. Privatisation options to encourage private sector participation can be evolved around various models like Contracting Out, Build-Operate-Transfer (BOT) or its variants like BTO, BRT, etc. Build, Own, Operate, Transfer (BOOT), Leasing, Franchise, Co-operatives or Concessions.

A model where the public-private partnership in India seems to have worked is the New Mumbai Experience where the City of Industrial Corporation of Maharashtra Ltd. (CIDCO) has been set up to plan and develop New Mumbai. Since the beginning private sector contractors have been involved to help in the maintenance of infrastructure and services such as roads, drainage, sewerage, water supply, street lighting, billing and collection, etc. In the provision of housing CIDCO has used the service of professionals. For bigger projects, like construction of bridges, large private sector companies have been roped in. It is also actively involved charitable trusts, NGOs, local associations, clubs and various communities in its operations.

So where does the government start from?

The role of the municipal government is to set up a process to identify and define the services to be performed including the quality specifications, identify performance indicators and costs of the services. After doing this if the municipal government is able to demonstrate. That it can deliver a service more efficiently, more economical and more equitable than the private sector, it should continue to do so. In case it feels otherwise, it should think in terms of private involvement, which should be focused to make services more efficient and economical. Special care should be there to see that the equity and social infrastructure agenda is not neglected in the process.

Even in privatisation, the government has explicit responsibilities of developing appropriate legislation and regulations, which include setting of tariff levels. The government should restrict its involvement and focus on its function of creating an enabling environment and acting as a facilitator for the privatisation and improvement of these municipal services.

If the municipal governments do not react and take immediate action, the deteriorating municipal services, which have already begun to affect the quality of life of the urban residents, will have a negative impact on the productivity of the urban centres, before collapsing under its own weight and pressure. If cities have to perform their role as engines of growth they will have to be well endowed with proper infrastructure and services. Privatisation is one option available to overcome the present financial and managerial shortcomings of the urban government in India.

It must however be understood that privatisation does not mean giving up all responsibilities by the local government which is often a mis conception amongst many policy makers. The important role as a facilitator and provider of enabling environment will continue by the municipal governments despite privatisation. Privatisation does not mean a sell out but a genuine public-private partnership between the government and the private sector, which is ideally suited to resolve the urban infrastructure crisis.