

New Public Management: Chennai

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It is now accepted in the academic and official circles that New Public Management (NPM) is an offshoot of the reforms carried out in New Zealand in the 1980s (Schelder and Proeller 2002). It can be variously defined, but the most acceptable and adequately suitable definition would be that it is a two way arrangement between the public and their elected representatives, with specific regard to public works (Borins 2002). There are different forms of NPM in action - contracting out, benchmarking or quality management.

The present paper attempts to understand the basis of NPM in the public administration agenda, and also to comprehend the rationale behind the relevance of it to the present times. The models of NPM and its attendant features are also explained.

The paper is divided into three sections: Section I talks about the theoretical bases of NPM and its multi-faceted attributes; Section II illustrates the use and abuse of NPM in the city of Chennai (Tamil Nadu, India) through the specific example of Chennai Metro Water Supply and Sewage (CMWSS); Section III explicates the cross-national activities in NPM. The conclusion investigates the future of NPM and the corrective actions to be taken for successful implementation of NPM, the world-over.

SECTION I: THEORETICAL PERSPECTIVES

"This term [NPM] now enjoys international recognition to signify a pattern of reform of public management per se, as well as the associated growth of the plural state."

(Pollitt & Bouckart 2000)¹

Introduction

Historically speaking, every society has moved from an informal, decentralised system of management to a more formal, robust and centralised system of organizing public efforts. With a sovereign head, public management, according to Adam Smith's *Wealth of Nations*, consists of:

- defending the society from external aggression and violence,
- securing internal justice
- erecting and maintaining public institutions and works (for instance, infrastructure to facilitate commerce in the society).

Moving further from these uncomplicated, albeit important, objectives of public management, the modern state (post-industrialisation) encompasses highly diversified activities ranging from the provision of water to the citizens to the building and management of multi-crore refineries. This discussion throws up three questions:

- what is a state?
- what is public management?
- why should it engage in public management?

A State: In political parlance, **a state** is often dubbed as an organised political community with a single government at its head. The government at the helm may contain more than one political party. A Marxist ideologue² states that "The state is an evolved institution, coming into existence as a result of continued class contradictions and not in the Hegelian sense, an institution that came to be identified as the absolute spirit of god, which operates against the selfish interests of individuals." What is to be essentially comprehended is that

¹ Quoted by Osborne and McLaughlin. 2002. *The New Public Management in context*. Chapter 1 in Kate McLaughlin, Stephen P. Osborne and Ewan Ferlie (Eds.). 2002. *New Public Management: Current Trends and Future Prospects*. London: Routledge.

² Seshardri, Kandadai. 1988. *Marxism and Indian Polity*. New Delhi: People's Publishing House.

the state is not something that originated instantaneously; rather, it was a response to the needs of the time. Moreover, it is of prime importance to realize that a state is a territorially structured political entity, having an exclusive right over public management.

Public Management. Running a public works programme of a government is no mean task. Yet, there are always deliberate flaws in the system. **Public Management** refers to the how policymakers guide, manage, and oversee public bureaucracies in a government administration. An ideal public management exercise should be good and effective aiming to strengthen democracy and human rights, promoting economic prosperity and social cohesion, reducing poverty, enhancing environmental protection and the sustainable use of natural resources, and deepening confidence in government and public administration machinery.³ Classic instances of this would be laying roads, building bridges or maintaining proper supply of water.

Need for the state to engage in public management: The foresight and the vision of the state are far greater than the prognostications of an individual. This is one of the reasons for the state to engage in public activities, that is:

- to create an equitable society, and
- to take on socially-beneficial projects in contrast to commercially-profitable ones.

Besides, the ability of the state to garner resources (money, humans or minerals) is considered to be illimitable. This enables the state to establish high-cost, long gestation period eliciting projects, which the market may not always find revenue-generating.

As the first stage of development of public management, the role of a *minimal state* was often hailed as *the state as a necessary evil*. Presently, an increasing public expenditure of governments is evident, alleging the following reasons for the upsurge in the functioning of public management activities:

- recasting of social and economic problems away from a focus on individual blame and towards a recognition of them as societal issues which concerns everybody. (from individual child-savers, who saved children from maltreatment, to a comprehensive child-care legislation with public authority backing), and
- the recognition that the state did have a legitimate role in providing at least some public services, like safe water, sanitation or vaccines.

It is understandable that there is a greater need for state intervention in the modern times, as a security against internal disharmony and anarchy. Despite these pressing needs, there has always been a requirement for establishing a government that fulfills its public responsibilities, with a view to satisfy the wants of the people. This is what **New Public Management (NPM)** endeavours to achieve and exemplify.

Definition of New Public Management: The perennial problem with definitions is that it is always shrouded with the cloak of subjectivity; more so in a broad area like NPM. The concept of NPM, initially an outgrowth of scholarly deliberations, is of late being used increasingly in government and organisational circles.

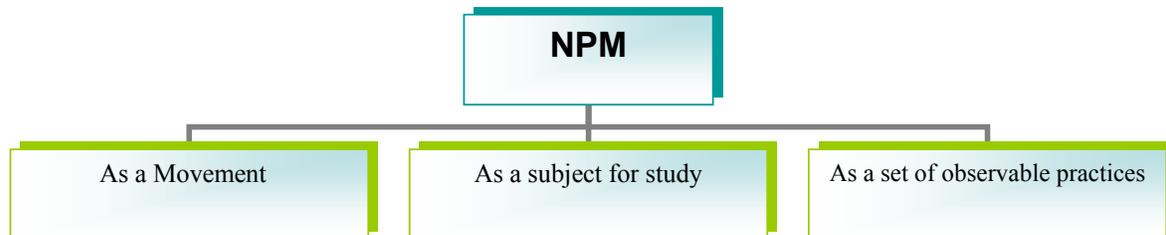
According to **Hood (1991)**, "NPM [is] referred to a pattern of policy and practice described as a style of organising public services..."

³ Organisation for Economic Co-operation and Development (OECD). Accessed on 16 June 2004 at www.oecd.com

Several of **OECD** studies characterize the term NPM as, “NPM constitutes a unified, consistent and coherent set of ‘business-like’ or neo-managerial practices”, focus exclusively on aspects of public governance. It is a “continuously monitored management-by-objectives, with account for results.”

Dawson and Dargie⁴ explore the possibility of defining NPM in three different ways, depending on their context and functions:

Fig. 1 Dawson and Dargie’s classification of NPM



As a movement, NPM can be defined as a set of beliefs or ideology based on creating institutional and organisational contexts in the public sector, which as much as possible mirrors what are to be seen as critical aspects of private sector mode of organising and managing transactions.

As subject for study, NPM can be defined a distinct facet in public administration, with its focus on institutions, politics and value systems.

As a set of observable practices, NPM looks at professionally trained public service providers educing improved efficiency in public management exercises.

Doctrines of NPM: On a more untailored degree of thinking, the doctrines of NPM reveal a set of principles, devised to bring out the nature of NPM and its workings. Ceremonially, *a doctrine is a view of how a single organisation design should be resolved.* **Hood and Jackson (1991)**⁵ provide comprehensive and simple pointers for NPM practitioners:

Table 1. Doctrines of NPM

1.	Use independent public bureaucracy
2.	Use private/independent organisation
3.	Use differentiated rank/one boss/delegation
4.	Separate ‘policy’ and ‘admin’ specialism
5.	Decide by discretion
6.	Multi-source supply- between organisations
7.	Multi-source supply- within organisation
8.	Prefer admin/managerial skills

⁴ Dawson, Sandra and Dargie, Charlotte. 2002. *New Public Management: A discussion with special reference to UK health.* Chapter 3 in Kate McLaughlin, Stephen P. Osborne and Ewan Ferlie (Eds.), *New Public Management: Current Trends and Future Prospects.* 2002. London:Routledge.

⁵ Hood, Christopher and Jackson, Michael. 1991. *Administrative Argument.* Aldershot: Dartmouth. Cited in Barzelay, Michael. 2002. *Origins of the New Public Management,* Chapter 2 in in Kate McLaughlin, Stephen P. Osborne and Ewan Ferlie (Eds.), *New Public Management: Current Trends and Future Prospects.* 2002. London:Routledge

9.	Contract out
10.	Promote on merit
11.	Prefer paid work/ pay by outcome
12.	Limit tenure/ hirer fires
13.	Have a pluriform structure
14.	Control through business methods
15.	Control by output measures

Hood and Jackson designed the above-mentioned principles with two points in mind:

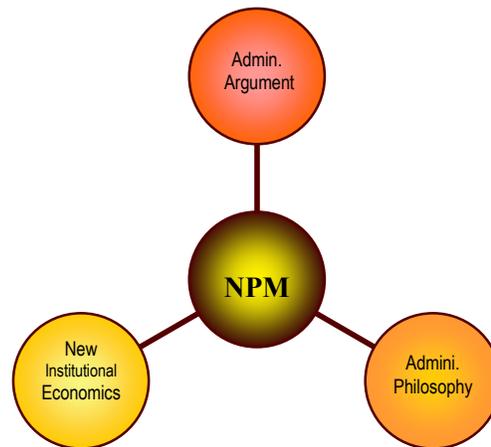
- these doctrines should help one to get a point of view about the organisational design in government, and
- these doctrines contain importance given to sigma-type values (like efficiency, performance) and also to theta-type values (like honesty, fairness).

Features of NPM: There are unique attributes that make up NPM. Further more, it is a response to the inefficiency and often ostentatious spending by the governments, and hence would essentially inculcate the facets of balanced and cogent structural points of reference, as mentioned below:

- ***The introduction of techniques of business management, with emphasis on efficiency:*** The very hammering in of this element entails one to understand that public works are not run on a business footing, and hence the obvious and admitted delays and unwarranted interruptions. Efficiency is the watchword here- a term used to bring in the attitude of doing things right, every time.
- ***A greater service and client orientedness:*** The basic lacuna in the government system of administration is the lack of accountability to the customers. This has, evidently led to a lackadaisical attitude among the government personnel, who do not value the loss or gain of a customer, because of the monopoly they have over certain aspects of community activity. The NPM system endeavours to bring in the core idea of being answerable to the customers, by endeavouring to incorporate greater service and client orientedness among the public service providers.
- ***An introduction of market mechanism and competition in public life:*** Evidences abound about the perceptible expediency of turning to a market-dominated mechanism, ensuring healthy competition and vigorous contests. It is the intention of NPM to ensure that a remove the hassle that garner the sphere of public management, and to eliminate the hurdles while moving to a path of progress and accountability.

Aspects of NPM: By aspects, it is meant, the diverse and often dissimilar gradations that touch the realm of NPM. Without being effusive, the three-pronged approach to understanding the aspects of NPM is undertaken with a view to build a robust framework for its analysis and interpretation:

Fig 2. Aspects of NPM



NPM as an Administrative Argument: It is for simplicity sake that the aspect of administrative argument is taken in the case of NPM. That an argument can be broken down into smaller arguments is accepted and established. These sub-arguments are taken to break down each argument in NPM, which customarily focuses on a broad spectrum of organisational design issues. As a method of comprehending the various parts of NPM and also for prioritizing the issues relating to NPM, the administrative argument aspect would be of immense use, especially in drawing up relevant justifications for the inclusion of certain administrative values in the system (both sigma and theta -types values).

NPM as an Administrative Philosophy: Any governmental agenda is susceptible to the vagaries of opinion and consensus. In this climate, it is imperative that the government embarks to understand and identify historical and political processes. The administrative philosophy attributed to NPM, enables one to demonstrate enough knowledge about the explanation of change effected in the organisational designs due to the amendments to the public opinion ambience.

NPM as New Institutional Economics (NIE): The core idea behind NIE is that it also seeks to explain political, historical, economic and social institutions such as government, law, markets, firms, social conventions, the family, etc. The three major areas of focus for NIE, with regard to NPM are: public choice theory, transaction-cost economics and economic theory of agency. Eliciting a bias for private engagement of public works, NPM attempts to duplicate the vital point of NIE, namely, the success of a system is dependent upon the institutions that facilitate efficient private transactions.

The NPM Models⁶: Model-building is an important task for any organised body of knowledge, and serves to be a very significant analytical tool. The models for NPM, as identified, are four in number. The models are discussed under this head to pull out the distinct features of each model, and its meaningful, exhaustive and mutually exclusive existence with the other models. Each model represents a calibrated move from

⁶ Ferlie, Ewan. Pettigrew, Andrew. Ashburner, Lynn. Fitzgerald, Louise. 1996. *The New Public Management in Action*. Oxford:Oxford University Press.

conventional public management operations. In a more indulgent sense, these models can be taken as alternative forms of public management.

Model One: The Efficiency Drive

Considered to be the first of NPM models to materialize, it was dominant throughout the 1980s. There was this embedded idea of making the public sector more business-like, by introducing models of private sector management into the sphere of public management.

The essential bases of this model are:

- an increased attention to financial control,
- a stronger general managerial command,
- an extension of professional and independent audit protocols,
- increased stress on providers responsiveness to consumers,
- de-regulation of the labour market and increasing the pace of work,
- a shift in power from professional to management,
- empowerment of less bureaucratic and more entrepreneurial management, and new forms of corporate governance.

A critical evaluation of the model would reveal that no account of the distinctive properties of the public sector agencies is given, and hence there is a high chance for inappropriate importation of ideas from the private sector.

Model Two: Downsizing and Decentralisation

This model recognises the need for in-built flexibility and unbundling of vertical integrated forms of organisation. This model also encourages increased decentralisation of strategic and budgetary responsibilities.

The key elements that comprise this model are:

- developing a quasi-market mechanism to allocate resources within the public sector,
- a move from management by hierarchy to management by contract,
- market-testing and contracting out of non-strategic functions,
- a split between public funding and independent sector provisioning,
- move to new styles of management like management by influence, and
- move to a service system characterized by more flexibility and variety.

This model is criticized for the disequilibrium it will cause to the labour market, and its consequent long-term repercussions.

Model Three: In Search of Excellence

This model highlights the role of values, culture, rites and symbols in shaping how people achieve excellence in work. There is a strong interest in how organisations manage change and innovations, to achieve the target of distinction and merit. The fundamental elements that make up this model are:

- emphasis on organisational development and learning,
- radical decentralisation with performance judged by results,
- managed culture change programmes, and
- a more assertive and strategic human resource management function.

This model is criticized on the basis that it relies on the intangible charismatic nature of leadership rather than on the tangible and transactional form of leadership.

Model Four: Public Service Organisation

The latest of the NPM models, this model represents a synthesis of private and public management ideas, compatible with high quality management elements. It aims at re-energising the public sector managers by outlining a robust public service mission - an aim to create a public service organisation. The vital points that make up the model are:

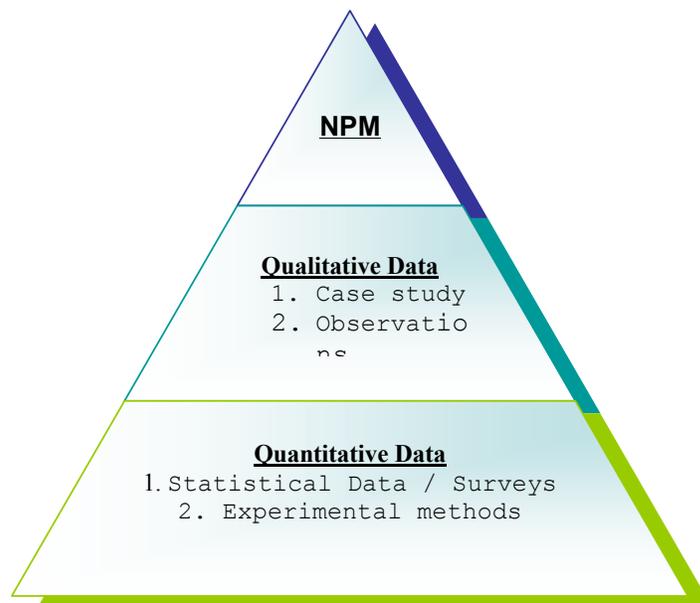
- a value-driven approach to achieve excellence in public services,
- reflection of user concerns,
- stress on delivery of routine services, and
- a stress on securing participation and accountability as legitimate concerns of management in the public sector.

The biggest complaint against this model is that this model does not take into account the internal contradictions that arise following such compatibility exercises.

Methodological Concerns

The primary motive of attempting a study of NPM is to encounter in reality the theoretical eulogy attributed to it. In the first place, there is a need to regress along the lines of conventional research methodology by looking at the concept of NPM at both the micro-economic and macro-economic levels⁷. As a further lead to understanding the nuances of NPM, it would be imperative for a researcher to use qualitative⁸ and quantitative⁹ data. A conceptual framework in this regard would be something like:

Fig 3. A Conceptual Framework for Methodology in NPM



⁷ Flynn, Norman. 2002. Explaining the New Public Management. Chapter 4 in in Kate McLaughlin, Stephen P. Osborne and Ewan Ferlie (Eds.), *New Public Management: Current Trends and Future Prospects*. 2002. London:Routledge

⁸ Huxham, Chris. 2002. The New Public Management: An action research approach. Chapter 17 in in Kate McLaughlin, Stephen P. Osborne and Ewan Ferlie (Eds.), *New Public Management: Current Trends and Future Prospects*. 2002. London:Routledge

⁹ Boyne, George. 2002. Researching the New Public Management: The role of quantitative methods. Chapter 19 in in Kate McLaughlin, Stephen P. Osborne and Ewan Ferlie (Eds.), *New Public Management: Current Trends and Future Prospects*. 2002. London:Routledge

Issues in the Working of NPM

The issues discussed here will those hurdles that which either NPM has been facing or those that the workings of the NPM could create. Janet Newman writes about three questions that would be germane for a large-scale discussion of the NPM. The three areas of inquiry¹⁰ could be:

- a) NPM and strategic decision making,
- b) NPM as a mode of power and control, and
- c) NPM and the relations with the public.

Table 2. NPM and Issues

Strategic Making	Decision	Mode of Power and Control	Relations with the Public
Organisation Goals (survival and success of the organisation)		"Hands-off" controls through contracts	Managers free to make decisions with policy framework
Development of Partnerships		High levels of devolution to managers	Organisation delivering efficiency through professional expertise
Accountable for organisational performance		Competition used to drive up performance	Weak Networks
Evaluation through performance indicators		Privatisation for performance	Relations with consumers limited through weak feedback mechanisms
		Universal incentives and levers of control	Relations with the public governed through weekend institutions of democracy.

Limits to assessing the impact of NPM:

The actual implementation and its effects can be done only after the relevant data are got and analysed. However, such unbiased and complete information is not forthcoming. Both qualitative and quantitative data are required for evaluating the impact of NPM, and in both cases, it is not only incomplete data that are available, but also unfair data are provided. Among the elements in the list of limiting factors¹¹ to appraising NPM are:

- absence of base-line measures, to enable before-and-after comparisons,
- absence of benchmarking,
- limited or no gathering of the views of the service users,
- Scarcity or absence of data on transactional costs,
- opinion gathering being limited, or biased towards, senior staff,
- limited or no attention to attribution problems,
- narrow range of criteria applied to findings.

Such limitations make right and unbiased assessment and evaluation of NPM impossible. This makes corrective and remedial action unfeasible.

¹⁰ Newman, Janet. 2002. The New Public Management, modernisation and institutional change. Chapter 5 in Mclaughlin, Kate et al., *New Public Management - Current trends and future prospects*. 2002. London: Routledge.

¹¹ Pollitt, Christopher. 2002. The New Public Management in international perspective. Chapter 16 in Mclaughlin, Kate et al., *New Public Management - Current trends and future prospects*. 2002. London: Routledge.

General Impacts of NPM

The actual process of enabling the assessment of NPM would require the defining the results, that would be got from taking the relevant actions. The results could be in the form of better public relations and also discipline on the financial front.

Table 3. Impacts of NPM

Common Impacts	Particular Effects
Being close to customers	Savings (reduced budget appropriations)
Being performance-driven	Improved Processes (faster/accessible complaint procedures)
Displaying a commitment to continuous quality improvements	Improved efficiency (better input-output ratios)
Highly decentralised, with street staff empowered to be more flexible and innovative.	Greater effectiveness (less functional illiteracy, crime and inequality, more employment)
Practicing tight cost controls	Resilience of administrative system
Using performance-related systems for recruiting, posting, promoting and paying staff.	An increase in the overall capacity /flexibility (better committed staff / skilled public servants)

A Critique of the NPM Process: A scrutiny of the workings of the NPM would reveal to one, an unblemished system, which might be considered by many to encourage efficiency. On the other side, it is not always looked upon benevolently by all - there are criticism leveled against it. Three view points are articulated by a critic¹² of NPM:

- NPM was never intended to incorporate equity and social justice concerns,
- NPM is too brash with its business-orientations,
- NPM ceases to contain core public values.

Recapitulation

Many scholars remark ruefully that NPM is not being defined adequately and uniformly. This is the reason for the various interpretations of NPM. In order to provide an untangled and clear-cut meaning of the tern NPM, a recapitulation has been attempted, and could contain:¹³

- the adoption of private sector management practices in the public sector;
- an emphasis on efficiency;
- a movement away from input controls, rules and procedures towards output measurement and performance targets;
- a preference for private sector ownership, contestable provision and contracting out of the public services; and
- the devolution of management control with improved reporting and monitoring mechanisms.

¹² Harrow, Jenny. 2002. New Public Management and social justice. Chapter 9 in Mclaughlin, Kate et al., *New Public Management - Current trends and future prospects*. 2002. London: Routledge.

¹³ Hope Sr., Kempe Ronald. 2002. The New Public Management: A perspective from Africa. Chapter 13 in in Kate Mclaughlin, Stephen P. Osborne and Ewan Ferlie (Eds.), *New Public Management: Current Trends and Future Prospects*. 2002. London: Routledge

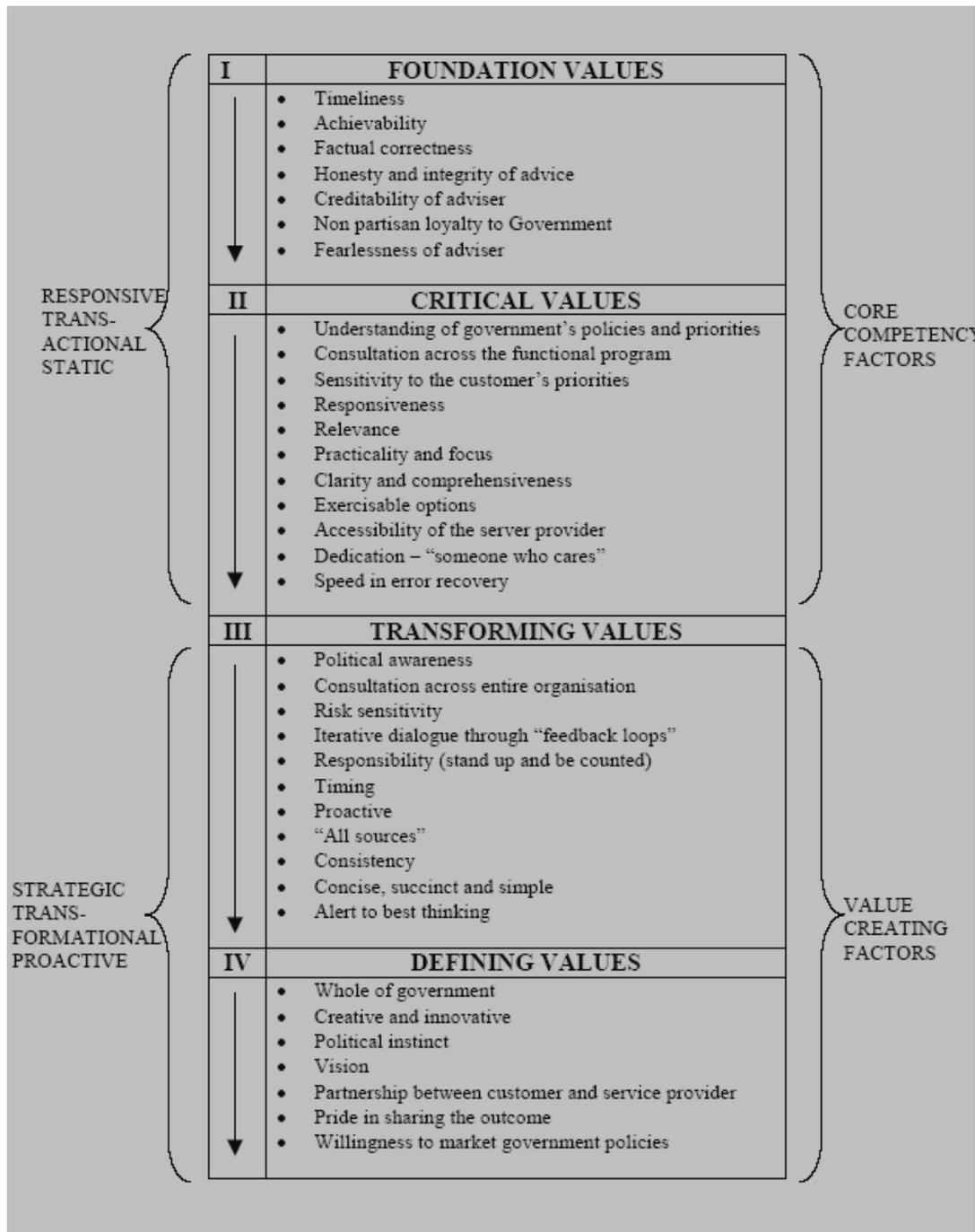
APPENDIX

Table A.1 Generic Element Categories of NPM¹⁴

Category	Characteristic/Objective
Organisational Restructuring	Delegation of Responsibility Reduction of Hierarchy Political and managerial roles
Management Instruments	Output Orientation Entrepreneurship Efficiency
Budgetary Reforms	Closer to private sector financial instruments
Participation	Involvement of the citizen
Customer Orientation/ Quality Mgmt.	Gain Legitimacy in service delivery Re-engineering
Marketisation / Privatisation	Reduction of public Sector Efficiency gains through competition.

¹⁴ Schelder, Kuno and Proeller, Isabella. 2002. *The New Public Management: A perspective from mainland Europe*. Chapter 10 in Mclaughlin, Kate et al., *New Public Management - Current trends and future prospects*. 2002. London: Routledge.

Fig A.1. A Value Creating Model of Policy Services



Source: Behm, Bennington and Cummane (2000, p.171)¹⁵

¹⁵ Cited in Lynne Bennington and Ramanie Samarantunge, *Skills and attributes required for NPM: The case of Sri Lanka*, Accessed on 03.07.2003 [www. http://www.sba.muohio.edu/abas/2000/SriLanka5R1.pdf](http://www.sba.muohio.edu/abas/2000/SriLanka5R1.pdf)

SECTION II: NPM at Chennai Metro Water Supply and Sewage (CMWSS) Board.

Introduction

There are several instances of private companies taking up the public works of departments India. It could be the managing of a large port¹⁶ or allowing supply of water to urban centres.¹⁷ However, there has always been one section of the population who has been against these privatisations, and politicians, leveraging on such issues have created an aura of 'Hydropolitics'.¹⁸ It is not just the disbelief in the private sector that drives many to conclude that it is contrary to welfare. It is also the rise in the cost of services, as the government no longer intervenes to protect the interests of the masses, especially the poor and downtrodden, that compels many to resolutely support the stand for non-privatisation of water resources. While on the one hand the government is optimistic about the involvement of the private sector in water management,¹⁹ there are others like **Alfredo Pascual** of the Asian Development Bank who vehemently state that: "...the private sector does have a valid role to play — not as the owner of water resources but in providing the much-needed expertise, technology and financing for the delivery of efficient water services."²⁰

The scenario with respect to Chennai, is different, in the sense that there is contracting out of work for both infrastructural and water supply activities. However, the Chennai Metro Water Board still holds the key to supply of water to many areas. Nevertheless, the laying of pipes and other relevant infrastructure are contracted out, and the Chennai Metro Water Board is gaining on such private initiatives.

The City of Chennai

The Chennai City, the capital of Tamil Nadu State is the fourth largest city in India. The growth of the city which started in 17th century was developed rapidly and the present area of this Metropolitan city is 170 sq.km, with a population of about 6 million. The nucleus of the water supply to Chennai city was laid in 1812 and it was gradually expanded over the years.

Water Supply in Chennai

Ancient system

The water supply of Chennai was for many years obtained solely from shallow wells, and it was not until 1866 that it was decided to adopt a public supply scheme. This scheme, which combined the Chennai City Water Supply with irrigation of 3500 Ha of previously wasteland, was opened in 1872. Water was taken from the Kortalaiyar River for storage in Cholavaram and Redhills lakes.

The Intermediate Period

Till about the middle of 19th century Chennai received water from local shallow wells and tanks. Mr. Fraser, a civil engineer forwarded a proposal to the government to tap the Kortalayar River which is situated about 160 km North West of Chennai and it was accepted. The project comprised of a masonry weir across Kortalayar at Tamarapakkam and diverting

¹⁶ Chaudhary, Archana. 2004. Maersk may buy out Sea King, PSA in Gujarat Pipavav Port. *The Hindu Businessline*, 5 July.

¹⁷ Jayaramam., Nityanand. 2002. Trashing Water is Good Business For Water Companies. Accessed on 21 May 2004 at <http://www.indiaresource.org/issues/water/2003/trashingwater.html>

¹⁸ Muralidharan Y.G. 2002. Washing its hands off water. *Hindu Metro Plus Bangalore*, 19 August.

¹⁹ Water Policy of Government of India, April 1, 2002

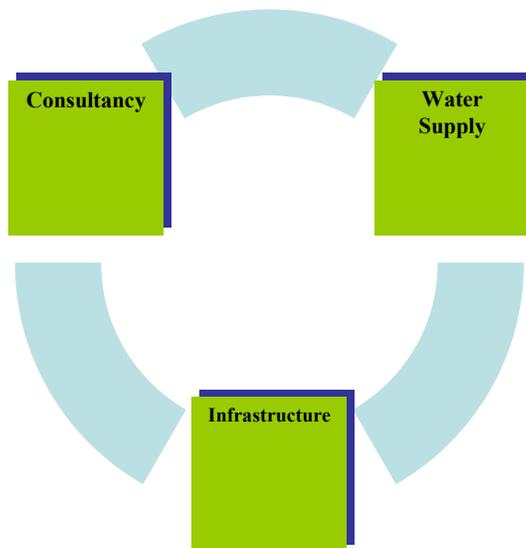
²⁰ The Hindu, 21 Jan 2003.

the water into Cholavaram Lake and thence into the Red Hills Lake through a channel. The works were completed in 1870 at a cost of about Rs. 18.50 lakhs. In 1872 a Valve House at Red Hills and an earthen Supply channel to supply water to Chennai by gravitation was constructed. At Chennai end, the channel delivered water by gravity into a masonry shaft at Kilpauk from which the cast iron mains of the City branched off and a scientifically designed water supply Distribution System was established. Further developments, which took place after 1907, were the construction of an outlet tower and roughing filters at Redhills, an underground conduit to convey water to the city and slow-sand filters at Kilpauk.

The Present Times

It was after the establishment of The Chennai Metropolitan Water Supply and Sewerage Board did Chennai have an organised an accountable system for the management of water resources. The Chennai Metropolitan Water Supply and Sewerage Board is an Independent Institution was constituted in G.O.Ms.No.916, Rural Development and Local Administration Department, dated 21.05.1975. The CMWSS Act was notified and the provisions of the Act have been brought into force in G.O.Ms.No. 1176, Rural Development and Local Administration Department, dated 22.07.1978. The Board was established under The CMWSSB Act. 1978' (Act No.28 of 1978) and commenced functioning from 01.08.1978. Under Section 20 of the CMWSS Act, an employee of any local authority i.e. Chennai Municipal Corporation, Ground Water Division of the Public Works Department, Tamil Nadu Water Supply and Drainage Board, in Chennai Metropolitan Area who is serving in connection with Water Supply and Sewerage System may be transferred to the services of the Board. Accordingly, persons who were working in the local authority were transferred and absorbed in this Board. In exercise of the powers conferred under Clause (c) of Sub-Section (2) of Section 81 of the Chennai Metropolitan Water Supply and Sewerage Act 1978 the CMWSS Board had framed Employees Services Regulations, 1978 and CMWSS Board Special Regulations, 1982. In recent times, the CMWSS Board has gone in for contracting its activities that include both maintenance and operations. The three areas that have been identified by the CMWSS Board for contract to external agencies are:

Fig 4. The Gamut of Contracting work:



Contracting out in CMWSS Board

It is heartening to know that the CMWSS Board has benefited greatly because of the participation of external agencies in its activities. Its **2002-03 Annual Report** has the

following mention about contracting out and its advantage: “[The CMWSS] Board also envisages private sector participation as a part of its ‘market oriented financial systems-package’ and also as ‘alternative systems of management’ towards securing increased efficiently and cost –effectiveness.”

THE CHENNAI METROPOLITAN WATER SUPPLY AND SEWERAGE ACT, 1978 (TAMIL NADU ACT 28 OF 1978) guides and legally weapons the CMWSS Board to involve in contracts with private agencies - given in **CHAPTER IV: Establishment, Transfer and vesting of Water Supply and Sewerage Services, under sections 25(a) and 30 (a)**. There are three areas earmarked for private participation at the Chennai Metro Water:

Water Supply: The city of Chennai is provided water with the help of certain companies like Vivendi (a French conglomerate) and Kirloskar Brothers Ltd., to a part of the city. Other than these assistances, the CMWSS Board undertakes to provide water to the other areas of the city with the help of water tankers.

Infrastructure: From a few years back (4-5years), the CMWSS Board has started giving annual maintenance and operations contract to private parties, which also include multi-crore worth MNCs. The infrastructure contracting work includes laying of pipes across the city, building water cleaning plants, etc.

Consultancy: The CMWSS Board has undertaken to provide consultancy work along with a MNC by name M/s. Compagnie Generale des Eaux (GdE), French Company under a twinning agreement. The agreement aims to “guide CMWSSB towards providing a commercially minded customer orientated service that will operate in an efficient and cost-effective manner”. The solid aims of this consultancy twinning arrangement are two in number: maintaining public health and provision of pollution free environment.

The fundamental contracting links

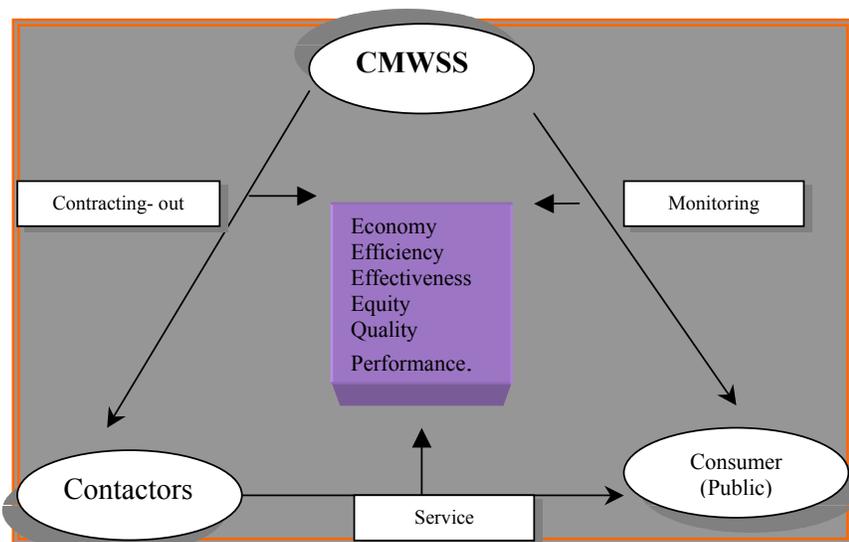
It is generally believed by the CMWSS Board, that it is not absolved of its duty once contracting out is done. The presence of a transparent tender system for private participation (available on the website www.chennaietrowater.com) reveals the aim of the Board to provide the needed service to the consumers. Now, in accordance to the policies of the CMWSS Board, this is done in two ways:

- Contracting out, and
- Overall surveillance and monitoring of services.

Now, it would be partially fulfilling its duty to the public, even if it misses on one these points. An adapted framework²¹ would look like this:

²¹ Blundell, Brian and Murdock, Alex. 1997. *Managing in the Public Sector*. Oxford: Butterworth-Heinemann.

Fig 5. An adapted framework in contracting-out relationships.



The aims of all the three links in the contracting-out programme would be to achieve economy, effectiveness, efficiency, equity, quality and performance. This is one socially viable and financially feasible way for providing the needed services to the public.

Benefits to the CMWSS Board: The benefits that have accrued to the CMWSS Board are many, i.e., it included safety of the consumers, and also takes care of the bottom-line of the Board. Though it may seem only to be an exercise in financial resource allocation, entailing efficiency and effectiveness in its use, what has been missed out is the time and effort saved by the CMWSS Board. It is also imperative that work gets completed on time, in most cases, for it is people who must bear the brunt of unwarranted delays.

The following table reveals the amount of financial savings CMWSS Board was able to do for the year 2002-03²².

Table 4. Indicators of Benefit Flows in CMWSS Board due to privatisation

Areas of privatisation	Annual Savings (02-03)	
	in percentage	Rupees in lakh
Operation and Maintenance of Well Fields	56%	14.60
Water transport through private lorries	18.5%	138.40
Maintenance of Sewage pumping Stations	65%	32.14
Maintenance of Sewerage treatment plant	33%	4.67
Maintenance of Water treatment plant	(+)14.4%	90.90 (Excess)

²² Annual Report of the CMWSS.

Head Works	46%	14.00
Chlorination Plant inside KPS	32%	1.56
Security	10.42%	4.18

The total monetary savings turn about to be in the tune of Rs 299.55 lakhs, which is around 1.19% of the total income (Rs 25018.49 lakhs) for the period 2002-03. In terms of expenditure, the total savings stood at 1.23% for the same period. The CMWSS reaped an excess income of about Rs 758.48 lakhs during the year ended 31.3.2003. The total savings from privatisation activities form about 40% (39.49%) of the excess income, thus indicating an efficient and cost-effective involvement of the private sector in public works.

Standardisation

It is considered to be a paradigm shift in the management of water resources. It is not just the involvement of private sector in the water business at Chennai that the CMWSS endeavoured to achieve. It is ensuring that no compromise in quality and quantity are done, when engaging in contract work. This, evidently, depends on the type of project and cost involved. The CMWSS Board's Annual Report 2002-03 declares, "Systems of annual rate contracts for the procurement of materials and standard works-contracts initiated a few years ago were further strengthened. Standardization of these procedures has resulted in substantial cost savings as also increased efficiency and productivity." The standardisation process is aimed at three points:

- period of the project (long-term or short-term)
- area of involvement (high-traffic area or low-traffic area)
- maintenance and operation ease

The standards are specified in the tender notifications and they are strictly followed by the CMWSS Board.

Methods in privatisation

The CMWSS Board ensures equal participation of all competent private agencies by following two different modes of privatisation:

- **Build, Own, Operate and Transfer (BOOT):** This is a methodology followed by the CMWSS Board for big projects like setting-up a desalination plant. In a BOOT project, the ownership is vested with the private developers, albeit temporarily & a terminal payment is made to the project developer during the asset transfer process at the end of the concession period²³. For instance, the CMWSS Board has planned to provide 300 MLD sea water desalination plant on BOOT basis to have a reliable source of water supply as a drought proofing plan.²⁴
- **Annual Contract:** Usually, the period of time given to the private parties could stretch between 12 months to 18 months. This type of agreement entered upon would be in the form of a mutually contract entailing the awarding a private contractor (concessionaire/franchisee) full responsibility for the delivery of the infrastructure services in a specified area, including all operating, maintenance, collection and management activities.²⁵ This is also done in the case of service activities like annual maintenance contract for computers in the office or bar code identifiers.

The Debate in Water Privatisation:

²³ Accessed on 14 June 2004 at <http://www.infrastructureindia.com/articl12.htm>

²⁴ Accessed on 28 June 2004 at <http://www.tn.gov.in/policynotes/maws2003-04-14.htm>

²⁵ Accessed on 14 June 2004 at

http://www.dotars.gov.au/localgovt/publications/infrastructure_financing_manual/chapter3.aspx

The basic dictum girdling the issue of privatising water is the well-founded and often-quoted concept of water being a 'merit' good. Merit goods are those goods that are given 100% subsidy by the government, as they are basic to living, and are of use to the poor people, who cannot afford it, in the case of subsidy not given. In the case of CMWSS Board, it is explicitly a case of cross-subsidisation. However, there are studies that point out that full privatisation essentially reaps in more revenues for the government.²⁶ The Chennai experience has shown that water supply has to '*regulatively-privatised*', with an efficient system of short listing contractors, and also ensuring good monitoring system. The ultimate aim is to provide good water to the masses, at a cheap rate.

Hurdles in water privatisation

Although water privatisation in Chennai was not done with much fanfare, it is not just resistance from the masses that pose as a serious threat to a democratic agency; rather the government is still to frame good, workable policies of the inclusion of private players in the public management programmes (also called New Public Management internationally). There are some issues in allowing the private agencies to participate in public works:

- There are not enough provisions in the legislation to protect the environment from private project initiatives (like in Chennai, when the East Coast Road was being built by L&T, many trees on the margins of the road were cut.)
- There are legal hurdles to receiving compensation from the contractors from misdemeanour or non-fulfillment of certain accepted provision.
- There is no way to administer or monitor the activities of the private contractors (for instance, they may engage child labourers at low wages)
- In the case of long-term projects, the estimates of the contractors may differ in accordance to the ideologies of the ruling parties.

²⁶ Accessed on 12 June 2004 at <http://www.cass.city.ac.uk/faculty/g.urga/files/research/BEMUAugust18.pdf>

ANNEXURE TO SECTION II

Contractor Registration Application Form²⁷

APPLICATION FORM FOR REGISTRATION/UPGRADATION OF WORKS CONTRACTORS

Issued to		Issued on	
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CHENNAI METROPOLITAN WATER SUPPLY AND SEWERAGE BOARD

No.1 Pumping Station Road, Chintadripet, Chennai – 600002

Application No:						<u>New</u>	<u>UPG</u>
-----------------	--	--	--	--	--	------------	------------

From	To The Superintending Engineer Contracts & Monitoring CMWSS Board CHENNAI – 600 002
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Sir, I / We herewith submit my / our application for registering / up grading my / our name in your register of Contractors in Class-_____ for executing works in CMWSS Board.

SIGNATURE OF THE APPLICANT

Encl:

1. Challan / D.D./ P.O. for Rs. _____
2. Details of Firm's Certificates
3. Details of Machinery, etc.
4. List of works undertaken in the past

Please note :-

1. The cost of application form is not refundable under any circumstances
2. The applicant should pay application cost at the time of registration
3. Details of Registration Fees (as detailed below)

S.No.	Class of Registration	Monetary Limit	Registration Fees	Application Cost+ST@ 8%
1.	Class-I	Above Rs. 75.00 Lakhs	Rs.15,000.00	Rs.540.00

²⁷ Accessed on 5 June 2004 at www.chennaietrowater.com.

2.	Class-II	Upto Rs.75.00 Lakhs	Rs.12,000.00	Rs.540.00
3.	Class-III	Upto Rs.30.00 Lakhs	Rs.10,000.00	Rs.540.00
4.	Class-IV	Upto Rs.15.00 Lakhs	Rs.7,000.00	Rs.540.00
5.	Class-V	Upto Rs.6.00 Lakhs	Rs.5,000.00	Rs.540.00

- a. Registration Fees can be paid in Cash at Cash Counter of CMWSS Board or by D.D., etc., drawn in favour of CMWSS Board, payable at Chennai.
- b. Registration Fees will be refunded if the applicant is not registered in the Board, considering the eligibility. The excess registration fees paid is refundable in case the applicant is registered in lower class

GENERAL

1.	Name of the applicant and address (State whether the registration sought for is for)	
a.	An Individual	
b.	Joint Stock Company	
c.	Un-divided Hindu family	
d.	Partnership firm	
e.	Proprietorship firm	
	(Please tick the appropriate column. If a firm, the name of the partners together with the details of financial & other business interest of the partners should be separately furnished. Attested copies of Memorandum of Articles of association in the case of companies or Registered partnership deeds in the case of firm to be enclosed. If a Joint Stock	

	company, names of the directors should be furnished)	
2.	Name of the Registered Office of the individual or company and place of business	
3.	Permanent address to which all communications should be sent	
4.	Does the individual or company do any business other than contract works?	
5.	Challan No./Demand Draft/Pay Order and date in which the prescribed fees have been remitted	
6.a.	Has the applicant applied previously for registration and if so, with what result?	
b.	<u>In the case of up-gradation application</u> , Details of previous registration viz. in which year and in which class he / they has/have been registered already. (Attested copies of previous registration letter should be enclosed)	
7.	Has the applicant or in the case of firm, any of the partners or in the case of company any of the Directors being removed from the	

	list of contractors or blacklisted anywhere it any time? If so, for what reasons? (Here give full details)				
8.	Has the applicant registered himself as a contractor with the any other public department, local authorities or other Government undertakings? If so, full details such as proof of registration and it's current validity should be furnished.				
9.	Whether the applicant is a director or a partner of any firm already registered in the Board?				
	<u>B. TECHNICAL</u>	A	B		
10.	The nature of work, the applicant proposes to undertake (whether civil works / pipe laying works for Water Supply / Sewerage and erection of pumping machinery, etc. Please tick the box preferred.)	Civil and Pipe laying (Water & Sewerage works)	Machinery/ Erection / Electrical works		
11.	Experience of the applicant in the line (list of works executed with total value of work would be separately enclosed along with attested copies of testimonials such as work orders, performance certificates, etc., for each work) List may be furnished for the respective group listed in para 10 above (Please see Annexure-A)				
12.	List of technically qualified permanent employees together with their qualifications and experience (copy of the qualification certificate along with passport letter...	S.No.	Name	Qualifcn.	Experience
		1.			
		2.			
		3.			

	along with consent letter should be furnished separately in the case of temporary employment.)	4.			
		5.			
13.	Does the applicant maintain an office for preparing designs, drawings, estimates, tender documents, bills, etc.?				
14.	Does the applicant own a work shop or structural fabrication work and if so furnish details thereof.				
15.	Particulars of construction machinery, tools & plant and transport vehicles owned by the applicant	S.No.	Details	Nos.	
a.		Mixer Plant			
b.		Dewatering equipment			
c.		Sheet piles			
d.		Mobile Crane			
e.		Derrocl			
f.		Vehicles			
g.		Other items (furnish separately)			
16.	Does the applicant own a plumbing or electrical or any other license connected with his business? If so, give details				
<u>C.FINANCIAL</u>					
17.	Name or names of the banker(s) with whom the applicant maintains accounts				
18.	Name of the persons holding the power of attorney in the case of partnership firm				
19.	Paid up capital of the				

	applicant	
20.	Bank deposits during the last one year (Certificates of the bank to be produced)	
21.	Value of property owned as on date (A certificate to be produced from the Revenue Department)	
22.	Name & Designation of the Officer of the Revenue Department (person) issuing the property certificate.	
23.	Whether the applicant has enclosed attested copy of the current income tax clearance certificate? (Please see Annexure-A)	
24	Whether the applicant has enclosed attested copy of sales tax registration/verification certificate?	
25.	Annual turnover of the applicant (please see Annexure-A)	
26.	Monetary limits of contracts upto which the applicant will be able to undertake works.	
27.	Are any relatives of the applicant, or in the case of a partnership or limited company, any relatives of the partners or Directors, employed in CMWSS Board? If so, give details.	

I / We declare that the particulars furnished are true to the best of my / our knowledge.

SIGNATURE OF THE APPLICANT

Place :

Date :(Seal of the company in the case of firm)

INSTRUCTIONS TO APPLICANTS

1. Complete particulars should be furnished against each item
2. Application received without registration fees and other document will not be considered
3. Incomplete application will not be considered
4. The applicants should enclose only attested copies of all the certificates and documentary evidences attested by Gazetted Officers. If un-attested copies are received, originals should be produced for verification.
5. Solvency should be 30% of the maximum value of the Registration sought for. For registration in Class-I the minimum solvency is Rs.30.00 Lakhs. for registration in class-V, solvency is not necessary. (Please see Annexure-A). The solvency should be in the name of the applicant or any of the partner and should be obtained from the Revenue Department official not below the rank of Tahsildar and issued not earlier than one year from the date of application.

ANNEXURE-A The applicant for registration as a contractor should furnish the following documents for consideration.

- i. If a firm, the names of partners, together with details of financial and other business interests of the partners.
- ii. If a registered firm, a copy of registration documents.
- iii. If a Joint Stock Company, a copy of Memorandum and Articles of Association and the names of the directors.

NOTE:- A partner of a firm, or a director of a company which registered as a contractor in this Board will not be permitted to register himself as a contractor under his name or in any other capacity.

S.N	Details	RUPEES IN LAKHS				
		Class-I	Class-II	Class-III	Class-IV	Class-V
(iv)	Attested copy of the Current Income Tax Clearance Certificate - Minimum Turn Over	100.00	50.00	25.00	10.00	--
(v)	Solvency	30.00	22.50	9.00	4.50	--
(vi)	Performance of Works / in Water Supply and					

	Sewerage Sectors alone will be considered) within the last five years. 10% weightage will be given to each year.					
a.	Single work (or)	100.00	50.00	25.00	10.00	--
b.	Multiple work in a single year	225.00	90.00	45.00	20.00	--
(vii)	Attested copy of CURRENT Sales Tax Registration / Verification Certificate					
	SIGNATURE OF THE APPLICANT					

Source: <http://www.chennaietrowater.com/con-regform.htm>

SECTION III: Cross-national experiences.

It would be welcome to understand NPM as a holistic framework for public management. The OECD has endeavoured to provide a model for NPM containing the following elements:²⁸

- devolving authority; providing flexibility;
- ensuring performance; control and accountability;
- developing competition and choice;
- providing responsive service;
- improving the management of human resources;
- optimizing information technology; and
- strengthening steering function at the centre.

With spreading NPM-based public management programmes all over the world, an attempt to understand the how far NPM has been successful in select nations has been ventured upon. There is always the contest of whether NPM is better suited to developed nations or developing nations. While developed countries vary in the type of projects and contracts they enter into with private companies,²⁹ it is with such variety that developing nations engage themselves in NPM. Rather, NPM-based management of developed nations could help the developing nations to learn the usefulness³⁰ of engaging in private-public ventures.

A Few Examples

The focus of this section is to underscore the attempts by various nations to implement NPM-based programmes. This is done to grasp the prevalence and relevance of NPM-based curricula for public administration bodies.

Denmark, Europe

Presenting a perspective of NPM from mainland Europe, Schelder and Proeller³¹ enlighten us by stating that the Dutch local governments are considered forerunners of NPM in Europe. It is the supportive attitude of the central government of the Netherlands that helped NPM to make a major impact. The first segment of the reforms took place in the 1980s at a place called Tilburg. It is after the success of NPM at this place, it was called the Tilburg Model. While the 1980s reforms in public administration were aimed at efficiency gains and reconsideration of public expenditures, the 1990s reforms process looked at the major issues of professionalization of the civil service, the strengthening of client orientation and productivity of public organisations. Its success rests on the fact that there is now a better interaction between the municipality (appx. 650) and the citizens. Paradoxically, the 1990s reorientation, which evoked a major change in public administration, did not get as much publicity as the Tilburg Model of the 1980s.

The United States of America (USA), North America

The two major countries in the North American continent- USA and Canada- have a federal set-up, and hence public sector performance did not always remain top in the agenda of

²⁸ McCourt, Willy. 2002. *NPM in Developing Countries*. Chapter 14 in in Kate McLaughlin, Stephen P. Osborne and Ewan Ferlie (Eds.), *New Public Management: Current Trends and Future Prospects*. 2002. London:Routledge.

²⁹ Accessed on 7 June 2004 at http://www.thewaterpage.com/ppp_new_projects.htm

³⁰ McCourt, Willy. 2002. *NPM in Developing Countries*. Chapter 14 in in Kate McLaughlin, Stephen P. Osborne and Ewan Ferlie (Eds.), *New Public Management: Current Trends and Future Prospects*. 2002. London:Routledge.

³¹ Schelder, Kuno and Proeller, Isabella. 2002. *The New Public Management: A perspective from mainland Europe*. Chapter 10 in McLaughlin, Kate et al., *New Public Management - Current trends and future prospects*. 2002. London: Routledge

discussion of policymakers, remarks Borin.³² One of the first and most notable of NPM-based management was the Ford Foundation's Innovations in State and Local Governments programme of 1986. This was a 'bottom-up' management system that worked well for the public departments. In 1993, former President Bill Clinton assigned VP Al Gore to create a document for administrative reforms in federal government. This report, 'Creating a Government that Works Better and Costs Less', engendered cutting red tape, re-engineering and applying IT. The three media for change were identified to be: economic pressure, ideas and high-level commitment. One unique thing about USA is that there was little public ownership, to engage in privatisation. The success of NPM-based management in the USA arose out of creation of performance-based organisations (PBOs) and reinventing laboratories. The most vital lesson one can learn from such initiatives in the USA is that rather than focusing on major structural reforms, it is more powerful to depend on service delivery mechanism and government's partnership with private and non-profit organisations.

Countries of Africa

Hope Sr³³ explains in his essay that from 1980s onwards, many efforts have been made in the sub-Saharan African countries. These efforts were taken to reform or transform the public sector management, since they reeked of incorrigible bureaucracy. The pressures from the African nations have been aimed at simplifying the complex institutional mechanism, with a view to implement government policies in a timely and effective manner. The nature of NPM reforms in Africa have rested on decentralisation and state transformation - like deconcentration, delegation, devolution and privatisation. A specific instance would be the commercialization of government activities through contracting out (water supply and telecommunications). Nations in the African continent that have switched to NPM-based reformation processes include Angola, Botswana, Ghana, Kenya, Mozambique, Zimbabwe, South Africa, Tanzania, Uganda and Zambia. Two concrete examples are revealed to us: In Botswana, services like maintenance and security are contracted out, while in Zimbabwe non-clinical health services like laundering, catering, etc., are given to private agencies. It is the contention of the author that though the reforms have delivered mixed results, they are positive indications for a successful reforms process.

China, Asia

The reforms process began in China as a part of its post-Mao economic system reforms - seeking to transform a previously state command into a socialist market economy, observes Cheung.³⁴ The reforms of the government and state-owned enterprises took place in three phases: from 1978 to 1987 (streamlining of government organisation); from 1987 to 1992 (administrative reforms); from 1993 onwards. The Provisional regulations of the State Civil Service, promulgated in August 1993, aspired to 'debureaucratise' government organisations, and to bring in rationality and efficiency in public service deliveries. In spite of all these well-meaning reforms, China was not able to reap the benefits of NPM-based management, primarily due to under-regulation and excess fragmentation. However, the author is optimistic because the global community will drive the reforms towards efficiency and increasing marketisation would act as an impetus for change in the public administration mechanism.

³² Borins, Sandford. 2002. *New Public Management, North American Style*. Chapter 11 in in Kate McLaughlin, Stephen P. Osborne and Ewan Ferlie (Eds.), *New Public Management: Current Trends and Future Prospects*. 2002. London:Routledge.

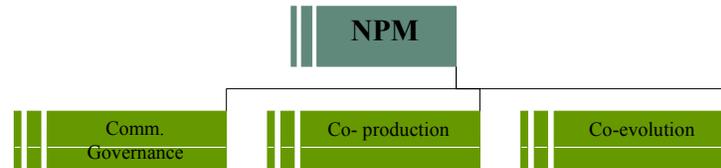
³³ Hope Sr., Kempe Ronald. 2002. *The New Public Management: A perspective from Africa*. Chapter 13 in in Kate McLaughlin, Stephen P. Osborne and Ewan Ferlie (Eds.), *New Public Management: Current Trends and Future Prospects*. 2002. London:Routledge

³⁴ Cheung, Anthony. B.L. 2002. The politics of New Public Management: Some experiences from reforms in East Asia. Chapter 15 in Kate McLaughlin, Stephen P. Osborne and Ewan Ferlie (Eds.), *New Public Management: Current Trends and Future Prospects*. 2002. London:Routledge

Lessons for India

To be succinct, the lesson India could learn from other nations' experience is: measure the risk and embark confidently. Additionally, three broad areas have been identified for India to emerge as a super-reformer in NPM-based public service delivery systems:

Fig 6. Lessons for India



Already, there are many cities in India, where privatisation of water delivery is being embarked upon - Bangalore, Pune, Tiruppur and Chennai - and this privatisation drive has turned out to be contagious.³⁵ The positive impact of NPM-based reforms will be sighted in India only when participation of people (individuals, private enterprises or Non-profit organisations) prevails in governance and delivery of public services. This would ring the death knell for 'patronage democracy' and pave the way for combined growth and progress.

Conclusion

The new public management is seen by many to a panacea for the problems of government involvement in the public management sphere. There are many, however, who see NPM in the light of its excess commercial orientation, and ultimate disregard for the under-privileged. **Ferlie et al**³⁶ rightly comment, when they state, "*The new public management has been seen by critics as a market-based ideology invading public sector organisations previously infused with counter-cultural values. But it has also been seen by others as a management hybrid with a continuing emphasis on core public service values, albeit expressed in a new way.*"

³⁵ Orwin , Alexander . 1999. The Privatization of Water and Wastewater Utilities: An International Survey. Accessed on 18 June 2004 at <http://www.nextcity.com/EnvironmentProbe/pubs/ev542.txt>

³⁶ Ferlie,Ewan, Pettigrew,Andrew, Ashburner,Lynn, Fitzgerald,Louise. 1996. *The New Public Management in Action*. Oxford:Oxford University Press.

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32. www.chennaietrowater.com
33. www.oecd.com