Module Introduction

The governance has redefined the role and nature of State in the post liberalized period. It seeks greater role of private sector, market and civil society groups in the provision of goods and services. In the changed scenario, the state has assumed the role of facilitator and regulator rather than direct delivery of goods and services. The present chapter intends to explore the impact of governance within this neo-liberal framework on public Administration in India. The first part defines the content and meaning of governance. The second part of module analyse the impact of governance at polity formulation and operation level. The third part explores the partnership among three actors – State, Market and Civil Society as a strategy of good governance. The fourth part concludes by analyzing the impact of governance in the changed context on India.

Introduction

The rise in the popularity in the use of the term governance is closely linked with the redefinition of the role of state. In the post World war II period, state was seen as engine of growth but with the failures in development performance, it began to be blamed for all that had gone wrong. Ineffective development policies and poor implementation of these policies together with inefficient and incompetent absorption of international aid triggered the search for alternative frameworks for policy making and alternative institutions for delivering public services.

As the evidence of the ineffectiveness of public administration as an instrument of development mounted, the strategy of development also began to place greater emphasis on freeing the market and liberalizing economic policies. Governance began to be closely linked with such policies of economic reforms and the goal of public administration together with that of the state began to be seen as one that supported the liberalization of the economy.

The introduction of economic reforms and acceptance of a neo-liberal ideology as a strategy of development in 1991 brought with it the impetus to transform government to what came to be known as governance. This move towards governance has changed the entire context of public administration in India. It is demanding a loosening of the earlier view in which public administration was seen as a major instrument of delivering goods and services to the people. What we intend to do in
this lesson is to explore how governance within this neo-liberal framework impacts on public administration in India and the kinds of tensions it has created between the demands of the new styles of government functioning and older traditional ways of doing work.

**Governance: Content and Meaning**

Governance is understood in many different ways but there is a baseline agreement that governance refers to the development of governing styles in which boundaries between and within public and private sectors has become blurred.\(^1\) What previously were indisputably roles of government are now increasingly seen as more common generic, societal problems which can be resolved by political institutions but also by other actors. The main point is that political institutions no longer exercise a monopoly of the orchestration of governance.\(^2\) The concept of governance indicates a shift away from well established notions of the way government sought to resolve social issues through top down approach. The emphasis is on the reduced role of the state and acknowledgement that it is no more the only actor that steers society.

Network relationships of three actors – state, market and civil society became the core thrust of the idea of governance. Governance in its avatar during the neo-liberal era is seen as an interactive process where government frames policies in collaboration with other non-state actors. There is a network of relationships; no one actor can easily dominate; it will depend on particular process of exchange. The monopoly of political institutions in providing services is diluted; the private sector and institutions of civil society fill in the space previously occupied by these institutions. New forms of institutions emerge and this finds expression in the blurring of boundaries between the public and the private sector. A range of participative agencies arise that respond to collective concerns.

The focus is on the production of public policy and the contribution of public and private actors to it. As pointed out ‘policy networks are sets of formal institutional and informal linkages between governmental and other actors structured around shared if endlessly negotiated beliefs and interests in public policy making and implementation. These actors are interdependent and policy emerges from the interactions between them.’\(^3\)

At the formal level, policy networks have emerged as public institutions where interactions

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1 Stoker, 1998:155
2 Pierre, 2000:4
3 Rhodes 2006:426
between government, business and civil society can take place. These interactions lead to policy outputs. In operational terms, governments have instituted advisory bodies and various kinds of Councils where representatives of government and other two actors – business and civil society are members. Such policy networks are different from lobby groups whose role was to influence government to get outputs in their favour.

At the informal level, governance means opening up of government activities to non-government actors. It is no longer a preserve of hierarchical decision-making, which is often secretive and closed. The three actors, state, market and civil society, interact more frequently in public domain and attempt to formulate public policies together. This is distinct from an understanding of lobby groups who tend to influence government to frame/bend policy in their favour. It is a fundamental change towards a more open government that is willing to listen and become one participant in among the three in policy making.

Apart from policy networks, there can be operational networks too. These networks are implementation tools delivering public goods and services that one single actor cannot do. Increasingly the government has adopted the mode of seeking cooperation of one or the other actor in implementing programmes of public interest. Such cooperation has taken the form of what has come to be popularly known as public – private partnership. This type of partnership is widely being promoted as a strategy of governance in delivering goods and services in many sectors.

Governance agenda then underlines the curbing of the role of state and expanding the space for market and competition. Competition is accepted as a powerful tool and essential dimension of economic, political and social life. In extolling the virtues of the market and competition and in laying stress on the past failures of state, governance agenda virtually condemns the state of having suppressed the energies of a society. Because the state is an alien oppressor, the curtailment of state activities becomes a people-friendly, democratic venture, almost to the extent that state contraction or dissatisfaction is presented as synonymous with democratisation. Its emphasis on civil society and its institutions have to be seen in this perspective of strengthening democracy and in constructing an informal sector that can harness people’s entrepreneurship through community institutions and inter-personal relationships. In the good governance discourse, democracy emerges as the necessary political frame work for successful economic development, and within this discourse democracy and economic liberalism are conceptually linked: bad governance equals state intervention; good governance equals democracy and economic liberalism.
In this agenda of good governance, the conceptualisation of civil society proceeds on the assumption that power and exploitation is associated with the state, while freedom and liberty falls in the realm of civil society. This leads to a kind of romantic view of civil society where the existence of institutions outside the state become a sufficient basis to assume that state power is curbed and greater democratisation is taking place. It is in this perspective that the concept of civil society carries with it a notion of something worthy and of value. It is considered good in itself and its creation a worthy goal to be pursued. Those promoting the ideology of liberalization helped the international donors and governments of the Third World shape an uncritical view of the civil society and persuaded them to believe that it can be created though their aid and policies of support. The view that ‘civil society could do no wrong and there was nothing it could not do’ was widely accepted among donor agencies. Non-governmental organizations sprang up like mushrooms offering to strengthen civil society, and as civil organizations in their own right. In many cases they claimed to speak on behalf of civil society at large. In the field of development, the role of NGOs was strengthened through donor aid and policies.

Governance as a concept thus began to encompass a wide array of issues relating to the restructuring of state-market-society relationships. What all this has meant is that governance reforms agenda is very wide and complex. It ranges from reforming the entire gamut of state machinery for improving delivery of goods and services, strengthening civil society to become an effective partner in socio-economic endeavours and strengthening market mechanisms for greater efficiency. Existing institutions needed to be improved and new institutions created where none existed. This is a daunting challenge; a challenge that India is facing with uneven success.

**Partnership as Strategy of Good Governance**

Across the world partnership among the three actors – state, market and civil society is promoted as a strategy of good governance. The partnerships promise to avoid duplication of efforts and are seen to draw on their complementary resources and capabilities to design more effective problem solving mechanisms. They promise to increase responsiveness of policies and create accountability by including other actors- market and civil society- into decision-making processes. They are also presumed to improve compliance with and implementation of political decisions. In addition, the partnerships provide opportunities to the partners to learn from each other.\(^4\) It is widely believed that net works play a significant role in the processes promoting social and economic development. has argued that shared understandings are vital for better functioning of economic

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\(^4\) Streets 2004.
decision-making.\textsuperscript{5} Shared understandings help overcome bureaucratic resistance and allow the state not to fall prey to social and political interests. Industrialists increase their ability to get necessary infrastructure and collective goods for future growth.

However, this optimism is not shared by many. Critics point out that these partnerships can be a strategy of the state to evade responsibility.\textsuperscript{6} Others point out that new institutions can be created that lack democratic accountability. Bureaucracy is responsible to the representatives of the people and networks carry the risk of weakening traditional accountability mechanisms by shifting policy decisions to the realm of partnerships that can circumvent parliamentary control. A fear is also expressed that partnerships can be used by the corporate sector to embellish their own power and resources.

Despite these concerns, optimism about the partnerships is prevailing and complex web of networks is emerging worldwide that has far reaching impact on the nature of state and functioning of democracy. The notion of governance is transforming the organisation of the state and its relationships with private sector and civil society actors. Considerable amount of scholarly attention is now being devoted to analyzing and debating this transformation of state and democracy. Attention is being directed towards improving understanding of the wider public policy system in which the institutions of government appear to be involved in processes of negotiation, bargaining and compromise with a host of other actors.

The strategy of pursuing public-private partnership as a strategy of development has led to establishing new kinds of institutions that are not necessarily and not always part of government hierarchy. The fundamental concern here is that, with the formation of new institutions of policy making and delivery of services and goods, how do the various actors with divergent orientations work together to achieve the goals of efficiency and equity. What is the impact of these new institutions on the functioning of democracy and state? The issue of accountability is at the forefront of all academic and people’s concern. To whom are these partnerships accountable and how? Who finds representation in these partnerships? Is the functioning of these partnerships transparent?

**The Indian Experience**

**Policy Networks: Partnership with Private Sector**

The government in India adopted the new style of governance enthusiastically as it began

\textsuperscript{5} Pingle (2000)

\textsuperscript{6} See for example Datta, 2009; Rousenau, 2000; Reijners,1994.
to prioritize the goal of raising the rate of economic growth. In meeting this goal, the government saw its most important role in provisioning infrastructure, power, transport, roads etc. But these sectors demanded heavy investment and it turned towards the corporate sector for financial and technological resources. The 11th Five Year Plan emphasised the strategy of public-private partnerships for finding these resources. The Prime Minister in a speech, reiterated that 'a synergy between public support and private initiative can help multiply the productivity of resource mobilization'. Government sought an alliance with corporate sector to pursue this goal. Broad linkages between the government and the private sector began to be established by forging new institutions of consultation and advice. The Prime Minister headed a Council of Trade and Industry that had leading industrialists on board. Other economic ministries followed and channels were opened up formally for advice.

At the formal level, business organizations like FICCI and CII were represented in government advisory bodies while these organizations reached out to the policy makers to explain their demands. Liberal minded Prime Ministers sought support from these organizations for their policies. In 2004 the Finance Minister requested 'the CII and FICCI to address some of our friends in the Left parties and convince them to increase the FDI cap'. In 2009, the Finance Minister addressing a convention exhorted 'CII to play a stellar in making the Indian growth story a continuing one'.

Other ministries particularly those of Human Resource Development and Health also followed the economic ministries and established consultative bodies incorporating the corporate sector. Thus, at the policy level, the signal was clear. The role of the government had transformed itself; it was no more to control the private sector to see that it works for public interest. It was now to work with the private sector in public interest.

**Policy Networks: Partnership with Civil Society**

In the shift of government to governance, the role of civil society has been very significant. There have been two kinds of strands in this role. One has been that of social movements which have taken the cause of the poor and the marginalized and made the government responsive to their needs through changes in institutions, laws and procedures. The other has been the rise of what have come to be known as Non-Governmental Organizations that have taken upon themselves multifarious roles that includes implementation of governmental programmes as laid down in law. Social movements and Non-Governmental Organizations (NGOs) have carved out new spaces in the political processes and in delivering public services.

While social movements have a momentum of their own, NGOs have become partners in
new policy networks. Under the chairpersonship of the President of the Congress party a National Advisory Council has been established. This Council has representatives of civil society and acts as a voice to influence government policy. It has specifically directed its attention to the social sector and has been influential in framing several policies in the arena. The Council is not a constitutional body but yields influence because it is head by the President of the party in power.

Creation of such an institution is in keeping with the exhortation of The Eighth Five-Year Plan (1992-97) of re-examining and re-orienting the role of government by laying considerable stress on strengthening of people’s participatory institutions. It made a strong plea for greater role of the private sector. It must be recalled that this Plan came at the time when economic reforms were being instituted and a new governance style was being called for. Three Five Year Plans later, the Approach Paper to the Eleventh Five Year Plan, has explicitly recognized that ‘many civil society organizations have a proven track record of implementing programmes at the grass-roots level and they have shown impressive results in this area.’

In May 2007, the Planning Commission announced National Policy for the Voluntary Sector. This Policy is an expression of ‘a commitment to encourage, enable and empower an independent, creative and effective voluntary sector, with diversity in form and function, so that it can contribute to the social, cultural and economic advancement of the people of India.’ This policy further ‘recognizes the important role that the voluntary sector has to play in various areas and affirms the growing need for collaboration with the voluntary sector by the Government, as well as by the private sector, at the local, provincial and national levels. The Policy emphasizes partnership of government with the voluntary organizations and recognizes three instruments of partnerships: viz., (i) consultation, through a formal process of interaction at the Centre, State and District level; (ii) strategic collaboration to tackle complex interventions where sustained social mobilization is critical over the long term; and (iii) project funding through standard schemes.

A significant achievement of the role of civil society has been the pasage of the Right to Information Act on 2005. This has the potential of changing the nature of governance in the country.

**Public-Private Partnership (PPP) as Implementation Mechanism**

Flowing from policy networks, the concept of partnership is also being applied at the level of providing public goods and services which was the responsibility of public administration alone earlier. PPPs broadly refer to long term contractual partnerships between the public and private sector agencies, specifically targeted towards financing, designing, implementing and operating infrastructure
facilities and services that were traditionally provided by the public sector. A Concept Note on Public-Private Partnerships prepared by the Planning Commission (2004) also points out that three things generally distinguish PPP from direct provision of services by governments, namely (i) a partnership based on well articulated ‘contract’ (ii) a long term relationship between the public and private sector (iii) flexibility and responsiveness in decision-making. PPPs are embedded in the general idea they are the new implementing agencies replacing the ineffective and inefficient state and bureaucracy. The participation is being formalized in governance structures where the government and any of the other two actors in society can participate. These structures are not part of the government hierarchy and are being established as semi-independent institutions, though overseen by the government.

With all the caution about the power of the private sector to mould a PPP to its own interests, ambitious investment in PPP projects is planned in the 11th Plan and projected for the 12th Plan. In the infrastructure sector, government is relying on the strategy of partnership for investment and technological resources. The investment in infrastructure is set to rise to Rs. 20,54,205 crores in the 11th Five Year Plan period. During the 12th Plan it is expected to be of the order Rs. 40,99,40 crores. (see GOI 2011) 136 projects had been approved by 2009. Several steps have been taken to facilitate the creation of agencies that can support this investment. The Prime Minister himself chairs the committee that looks after the implementation of PPP projects.

While most projects have not been evaluated, some infrastructure projects have come in for public scrutiny. The Joint House committee of Karnataka probing the construction of the Bengaluru International airport has indicted several public functionaries and officials for faulty design and construction of the airport. The Committee on Public Undertakings of the Parliament has ‘flayed’ the National Highways Authority of India for irregularities in the execution of the traffic intensive Delhi-Gurgaon highway claiming that it made certain exceptions to the usual approach to projects in order to benefit the private concessionaire. (Indian Express, 17 December, 2009) For the first time the Committee raised the question of as to how much should be the reasonable profit for the private investors which operate and collect toll for periods extending to 20 years in such stretches. The private partner saw profit in light of balance of risk and award and saw considerable risk in this case and thus pitching in higher rate of profit. (Times of India, 9 October, 2009)

While the challenge that the policy makers face in the infrastructure sector is that of creating a more favourable ‘enabling state’ to attract greater private sector investment, the story of PPP projects in the social sector has an additional challenge. This is concerned with not only creating the physical infrastructure that can provide health and education services but providing them equitably.
Public-Private Partnerships in health and education sector appear to face problems that transport, roads or energy sectors in some ways do not face. These are in terms of reaching the poor and those who are deprived of these health and education services.

However, in the health or education there are some innovations taking place. Among the 16 case studies of public-private partnership undertaken by Venkatraman and Bjorkman (2007) eight are those of public sector and NGOs. Their analysis suggests that the most successful partnerships have been with NGOs in spite of the fact many terms and conditions have not been as favourable to them as to ‘for profit’ sector. Poor patients seem to have benefited from the partnership arrangements. The NGOs have also succeeded in taking over management of hospitals in partnership with government.

Another success story comes from Madhya Pradesh where the government has encouraged the formation of Lok Kalyan Samitis which has representatives of civil society and hospital staff on board. They have been registered under the Madhya Pradesh Societies Registration Act 1973, with the mandate to manage the hospital and the powers to mobilize additional finances, apply them to local needs, hire staff on contract basis and carry out other activities to improve hospital services. Typically, the General Body consists of elected representatives, government officials, medical professionals, social workers and citizens. This kind of an arrangement has had considerable influence on health reform. Institutions such as Hospital Development Society in Kerala, the Medical Relief Society in Rajasthan, Chikitsa Prabhandan Committee in Uttarakhand and Aspatal Kalyan Samiti appear to have roots in the experiment tried in Indore.

Similarly in the field of education in rural areas, the government has recognized the role of voluntary agencies in provisioning school education and enriching its quality.

**Conclusion**

Network governance is assumed to contribute to the production of public purpose within a certain area. This public purpose is an expression of social vision and the direction the policies should take to achieve this vision. But network governance is embedded in political and social processes at work in society and they may not be necessarily conducive to the production of public purpose on all occasions. Even the Prime Minister, speaking at a public function, has doubted the way we are going and has alerted the country to the growing symptoms of ‘crony capitalism’. The reason is that in the Indian context it is possible for big business to influence decisions in their favour and get away with it. The data on the Indian economy is a testimony to this view.

This brings up the issue of the capacity of the state to negotiate and bargain in these
networks. There is ample evidence to show that both political as well as bureaucratic leadership has not been too uncomfortable in taking personal advantages and benefits that the liberalization policies have offered. Consequently, their capacity to negotiate is weakened. In addition with the blurring of the boundaries of public and private interests, public servants may not feel the urge to carry the burden of pursuing public interest alone. Thus, the partnerships are not equal and can allow certain private interests to dominate.

While it is accepted that governance seeks to dilute the monopoly of political institutions in resolving societal problems and actively seeks other actors to play this role jointly or independently, the need to coordinate the roles of many players still remains. This coordination and coherence among a wide disparate array of actors with different objectives and interests can only be brought about by state and its institutions.

In this emerging web of institutions, it should not be believed that state has been rolled back and become ineffective. It remains a pivotal institution. Without state playing its role and having the capacity to do so, the network of institutions cannot perform functions they have been set up for. State is the source of laws and democracy legitimizes them. Laws are meant to resolve conflicts and maintain harmony in society. Together with making laws, state is the only agency that can enforce them for it has the monopoly of the use of coercive power. Thus, a democratic state is based on rule of law and the critical question is its capacity to do so. This capacity does not stem from coercion alone but from legitimacy. Governance, with its extensive participative institutions, will presumably be in a better position, to provide legitimacy than state-centric governance. Participative institutions help the state to enforce laws cleanly and transparently and this is what the move towards governance does.