

# Accountability in Public-Private Partnerships: The Emerging Development Paradigm in India amidst Financial Crisis

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## Introduction

The contemporary global economic crisis, including the financial collapse of September 2008, has become systemic in its manifestations. The crisis no longer restricts itself to be tackled and tamed by monetary and fiscal policies; rather its spill-over effects can be seen as afflicting what Gramsci called the sphere of complex super structure: political, legal, cultural. The crisis has raised certain fundamental questions about the foundational functioning of free-market capitalism, and therefore, there has been a shift in focus from the analysis and critique of one form of capitalism to any and all forms of capitalism, even also when and where it is putatively working well. Samir Amin reminds us of three contemporary crises at the global level (a) the crisis of accumulation in the real productive economy, (b) the energy crisis and the depletion of natural resources, and (c) the crisis of peasant societies including the agro-alimentary crisis (Amin 2011), to which one more may be added that undergirds the three – the crisis of development policy paradigm. Nation states grappling with the economic and its associated crises are responding with varying development policy options. Most of them have returned to the idea of mixed economy – a mix and match formula of the association of public and private sectors – accompanied by strong social policies.

One of the ways in which the governments, including both the majority of developed and developing nations, are responding to the development policy crisis is by resorting to a newly-designed phenomenon called public-private partnerships (PPPs). The use of these methods to augment development is largely seen as a means to avoid the opprobrium that has come to be associated with both contracting out and privatization in some quarters (Savas 2000). Governments have generally been able to sustain them, unlike the politically incorrect and unpopular idea of privatization, without large-scale opposition but also without much justification. However, the moot question that emerges in their usage has to do with the question of accountability in the backdrop of the emerging development paradigm, post-financial crisis.

The Indian government has also embarked on the much sought-after development paradigm of PPPs as a means of strengthening the economic reforms launched in 1991. The major push to such response by the Indian government has been seen more in the last decade, particularly during the visibility of global economic crisis, as privatization – the key reform of the agenda in 1991 – became a somewhat politically risky proposition for political parties. In the health care sector, the Indian government roped in the private sector to deliver health care facilities and services to poor and marginalized sections of society. In its 12th five-year plan (2012-17) a steering committee on health has been constituted to review and assess the role of the private sector and PPPs in health care and delivery and medical education. This chapter has three parts, the first dealing with some theoretical debates on intervention in the development process and PPPs as one of the modes of such intervention; the second with the exploration of meaning and various dimensions of accountability and its linkage with PPPs; and the final one about the Indian experience of PPPs specially in the health care sector.

### **State Intervention, Development and PPPs**

State intervention in social planning and programmes gained credence in the post-depression and post-war period in the US and European nations. Liberal governments were keen to put an alternative to class conflict in the depression era, by shaping up a cooperative effort of social planning and regulation of the economy. Planning, either direct or indirect, was necessary because of the collapse of supposedly free, self-regulating markets and social coordination of corporations, unions and interest groups. Karl Mannheim (1950) argued that new, democratic forms of planning had to be found involving government control over the growing monopoly power of the corporations, centralization in most areas of decision-making, strong legislative oversight and governmental initiatives to foster citizen access and group competition. Most of the liberal democratic nations sought indirect planning through Keynesian economics.

As the state gradually increased its role in underpinning citizen welfare, higher living standards were accompanied by the growth of major public enterprises, often in place of failed embryonic markets. Governance meant state intervention, perhaps greater control, in the economy fiscal (e.g. taxes, deficits) and monetary (e.g. interest rates, money supply) policies or through economic commands quotas and control. The burgeoning growth of public enterprise brought together elements of state (public) and market (largely private in traditional view). The dominant idea, moreover, around the mid-twentieth century remained nationalization with the state largely substituting public enterprises in the provision of public goods and services for private market policies. Ramanadham (1984) postulates that public enterprises have two faces: one, governmental as they are owned by the state and need to serve public goals, and the other, enterprise oriented in as much they are expected to be business-like in their operations. For him, public enterprise can be organized as a department or part of it, as a statutory corporation, as a state-owned company, or as a local government activity.

The modern privatizing bug gained hold in the 1980s when the reformers started questioning the very *raison d'être* of public enterprise. The so-called government failure was seen as justifying the removal of public enterprise and much else from the public realm. The dominant market oriented and government limiting ideas came from the proponents of public choice theory (Tullock 1965; Niskanen 1971; Ostrom 1973; Breton 1974). The agenda of reform concentrated on the reduction of inflation, lower taxation, privatization, deregulation, use of market forces in the public sector and institutional and constitutional reform to reduce the role of the state in social transactions and to limit it vis-à-vis the market.

From the 1980s, however, financial engineering meant, in most developed countries, refinancing existing properties or financing new projects, through leases or sale-and-buy-back arrangements (effectively purchases on credit from private firms). For instance, the Conservative government in Britain in 1992 introduced the Private Finance Initiative (PFI) which was continued by New Labour later in a friendlier-sounding public-private-partnership label. The very notion of PPPs in contemporary times has come to be associated with collaboration, cooperation, communicative governance and co-management (Kooiman 2003).

### *The Indian Context*

The political economy of the Indian state, including its economic policies, their rationale and consequences has been extensively documented (Chakravorty 1988; Jalan 1991; Bhagwati 1993; Dreze and Sen 2002; Panagariya 2008). The first Prime Minister of India, Jawaharlal Nehru, emphasized rapid

industrialization, economic independence and socialistic pattern of society and therefore opted for the import substituting industrialization model (ISI). In the early years, ISI led to improvement in literacy rates, mass communication and urbanization in the context of political democracy. However, ISI also generated classic conditions of low productivity. The twin ISI-driven dynamics of slow economic growth and social mobilization played an important role in generating the fiscal crisis of the Indian government (Krueger 1997).

By the mid-1980s, the Indian state development paradigm made a shift from ISI to trade-led growth (TLG) and reduced direct government intervention in the economy (Shastri 1995). However, it was the fiscal and balance of payment crisis (foreign exchange crisis) in 1991 that led to an agreement between the government and the International Monetary Fund to open up the possibility of exploiting the crisis to liberate the economy by a pro-trade and private sector-oriented government. Interestingly, globalization and global competition catalysed the coming together of business and state in many ways. Government started seeking policy inputs from industry firms, both during the formulation and implementation of policy-making. Liberalization, privatization and globalization demanded a 'policy paradigm' shift, including a greater role for private capital, and a new development issue linkage in a two-level game between the IMF, the government, and Indian industry. Public private partnerships emerged as somewhat of a consensus development paradigm in the Indian policy regime.

### **Public Private Partnerships (PPPs)**

There are multiple grammars as to the meanings of PPP (Linder 1999). According to Foster (2005), there is a consensus among scholars on PPP, though writing from different perspectives that the term PPP must be seen in relation to previous more pejorative terms such as contracting-out and privatization. The collaborative advantage of a win-win-win or trifacta situation in PPP presents an attractive alternative to the market, quasi-market and contractualized relationships that have dominated the public management reform movement in the past decade and a new form of organization created from the bodies that come together (Linder 1999).

PPPs have become some sort of institutionalized co-operative arrangements between public-sector and private-sector actors. It is the co-operation of some sort of durability between public and private actors in which they jointly develop products and services and share risks, costs and resources which are connected with these products. Since the mid-1990s, PPP has generally referred to long-term infrastructural-contractual-type PPPs, including schools, hospitals, security services, waste water treatment and so on. It is also seen as

an important part of governmental reform in most OECD countries as well as in developing countries such as India, Brazil and South Africa.

PPP is unique, in a sense that the proponents of this partnership (Linder 1999; Savas 2000; Teisman and Klijn 2000; Foster 2005; Stuart and Newman 1997) have distinguished it from outsourcing, privatizing and contracting. They also argue that ideologically, the private sector is superior to the public sector in producing and delivering goods and services and pragmatically government leaders can bring in special technical expertise, funding, innovation or management know-how from the private sector to address complex public policy problems. The uniqueness of PPPs seems to be more pronounced in its central characteristics such as (a) the partnership is usually a long-term rather than a one-time relationship as in a conventional contract for a good or service; (b) the private party cooperates in both the decision making and the production and delivery of that good and service which normally has been the domain of the government, and (c) the relationship involves a negotiated allocation of risk between the public and private sectors, instead of government bearing most of the risk. The partnerships, therefore, are seen as the shared procedural activities of productivity involving human skills and resources.

### *PPPs Vis-à-Vis Privatization, Outsourcing and Contracting*

One of the most sought-after ways in which government reforms, involving the private sector, are initiated is through PPPs. Transferring government functions to non-profit organizations or the private sector to achieve greater fiscal control and more efficient delivery systems is preferably called outsourcing. In fact, government outsourcing is an application of the make-or-buy decision to government operations, even functions that have been the traditional domain of governments. The presumption is that private vendors can provide some public services more cheaply than government agencies (Savas 2000). There is nothing intrinsic to outsourcing that requires a partnership is the core argument of distinction.

Privatization involves the transfer of some activity and its assets that in the past was operated by the public sector to the private sector, through a sale concession or some other mechanism. Either the government eliminates direct control and ownership of the function and the delivery of services (full privatization), or it retains some influence by holding stock in the privatized firm. The idea is, in such cases, that the day-to-day production and delivery of the goods and services is left to private operators, i.e. the market and the government's involvement is primarily regulatory. As in outsourcing, there is nothing intrinsic to privatization that requires a partnership.

The contracting out approach is a method by which government dictates the terms and conditions for service production and delivery. The government

agency (the purchaser) defines what it needs, specifies the desired product or service, and then issues a request for proposal to allow those in the private (or non-profit) sector – vendors – to bid on the good or service being sought. The government, therefore, may contract out for the design and construction of an infrastructure project without a bidder's involvement in the design specifications, financing or operations of the project. After awarding the contract, the public sector serves as the project manager or overseer, making sure the vendor supplies the goods and services promised in a timely and effective manner.

PPPs are often justified on one fundamental assumption and one fundamental presumption. The assumption is that governments often do not have the in-house knowledge of the most cost-effective ways to deliver public goods and services. In a globalizing world that is more integrated, complex and volatile, government simply may not possess the prerequisite knowledge, capacity or managerial skills due to the absence of effective incentive and motivation structure systems in the public sector. In such cases, governments need to engage partners that have the necessary expertise and managerial adeptness needed to carry out government responsibilities. The presumption is that governments can partner with private firms in a common goal where both of their fortunes are linked to the success of the overall project, providing the incentives for both sides to cooperate, innovate and work collaboratively towards the success of the enterprise. Accountability in PPPs, therefore, is linked to the specific relationship created and the obligations and requirement accepted by both the government and the private firm. However, understanding what constitutes the best design to ensure accountability is case specific and public managers are supposed to sort out, assess, and address various dimensions of accountability when considering a PPP.

### **Contextualizing Accountability**

Government is the accountability holder and the holdee. It has to perform within its ability to manage its tools and hold its tool users accountable. Governments, both in the developing and developed world, are experiencing fiscal deficits and resorting to PPPs as an alternative way to finance and deliver public services to ensure efficiency and economy. With the increased use of PPPs, the issue of accountability at all levels has become the core question raised in public policy and development discourse.

Accountability is an important aspect of democratic polity. The substance of accountability requires government to make laws work as intended in their content, to exercise lawful and reasonable administrative discretion, to recommend new public policies and enhance citizens' confidence in the governmental institutions. Above all, government's prime responsibility is to function in the public interest and to respond to the politics of the governed.

Traditionally, government accountability was seen in terms of principal-agent relations. In this sense, there is the delegation of sovereign authority to public officials empowered to act in the name of the people and their representatives, resulting in the necessity to maintain control over those officials' action. In recent times, governments have been asked to conform to legitimate and popular accountability expectations, both at informal and formal levels. They are asked to be accountable to other governmental and state agencies, to impersonal standards, to hierarchical accountability and to finances, fairness and performance.

### **Accountability: Various Dimensions**

Accountability as the key concept and central concern of both the study and practice of governance remains rather elusive and controversial. The word continues to excite a great deal of academic debate and practical application and is commonly used in close association with other ideas, particularly responsiveness, answerability, representation, efficiency, equity and legitimacy. The term may be used to describe a general, subjective sense of responsibility, the upholding of professional values and standards even in the absence of external scrutiny, a demonstrated responsiveness to particular clients or to the community at large, and the requirement for transparency, a democratic discourse and public participation in governance areas.

Accountability may also mean as the ineluctable quest for control that governmental policy-making is often more devoted to while avoiding the worst outcomes. This attitude reflects the synonymy of control, as in Klitgaard's (1997) formulaic  $C=M+D-A$  (Corruption equals Monopoly plus Discretion minus Accountability). The purpose of accountability has been put into clear perspective by Thomas (2001) who has pointed out that: '...preventing the potential abuse of power is the ultimate goal of numerous accountability arrangements and procedures adopted by contemporary governments'.

Though used interchangeably in popular parlance, accountability and responsibility are not synonymous. Accountability is a matter of political and organizational house-keeping, whereas responsibility is often about moral conflicts and dilemmas about goals and procedures of an individual action. Mosher (1968) has made a conceptual distinction between objective responsibility and subjective responsibility. Objective responsibility essentially means that someone is answerable to someone else for the carrying out of specified tasks with commensurate authority and resources. It requires agents (politicians or bureaucrats) to give an account of their actions to specific others, who have the right and capacity to monitor performance and to invoke sanctions and rewards, and to be answerable to those with an account

of how and why decisions were made, discretion exercised and actions taken. Subjective rationality is a psychologically-oriented idea, focusing on moral conflict and choice among the subjectively felt duties of obligation confronting politicians and administrators.

In the complex world of public policy-making it is often extremely difficult to trace cause and effect; all sorts of endogenous and extraneous factors combine to produce outcomes that are seldom finite and change over time and therefore the contributions of particular individuals to policy 'success' and 'failure' can seldom be demonstrated conclusively. Hannah Arendt (1963) described bureaucracy as the rule of nobody, implying that bureaucratic organizations are, by definition, collective not individualist systems.

The combination of various control and responsibility factors makes accountability anything but straightforward for public managers. As Behn (2001) points out, the result is an overlapping set of independent and competing mechanisms – and a variety of independently operating accountability holders. If politics is who gets what, when and how, then accountability is a forum of stewardship and/or responsibility involving account giving, both procedural and substantive, for who gets, what, when and how. Therefore, accountability serves as a useful analytical tool, both for civil society and government, to manage and enhance the perceptions of key stakeholders in the political process.

### **Accountability in PPPs**

PPP actors are positioned within an already existing set of complicated and often competing chains of authority. Accountability in PPPs demands attention to the existing constraints and requires new approaches to management. The existing literature addresses many contemporary challenges of managing horizontal relationships, unlike vertical hierarchy as the principal method of controlling the acts of those within an organization, within indirect and networked government (Kettl 2002; Milward and Provan 2006; Posner 2002) or managing multi-sector responsibilities through service contracts (Cooper 2003; Guttman 2002; Savas 2000). These approaches emphasize the changing demands on accountability when government responsibilities are shared with private and non-profit entities. Many PPPs, especially infrastructure projects, involve public sector organizations getting access to private capital and construction expertise and private sector organizations getting new orders and securing new customers (Hodge and Greve 2005). A key to ensuring accountability, taking a long-term view of partnership relations, is the recognition that the public entity needs to be aware that its responsibility for contract management does not end once the contract has been awarded.



In fact, PPPs require controls and oversight both *ex-ante* and *ex-post* contract formation. Ex-post involvement needs to be taken as ongoing negotiation between the public and private partners.

Exercising accountability in PPPs ultimately depends on clarifying responsibilities in relationships. The manner of interaction between public and private partners affects the overall ability of an agency to monitor compliance and reward and punish success or failure by the contractor. Both parties, i.e. the public and the private, require mechanisms to demonstrate their commitments to the partnership in both short-term and long-term contracts. According to Milward and Provan (2006) accountability in this sense is seen as two-sided, implying both a willingness to take responsibility for one's action and an expectation that these actions will be recognized. Both partners develop interdependence under the stewardship of the government so that accountability is ensured and, therefore, public managers must take care of two very important dimensions, *inter alia*, of public sector accountability. These dimensions are socio-political impact and partnership collaboration. The other dimension such as understanding and allocating risk among the partners, costs and benefits, expertise and performance measurement also play an important role in the assessment of accountability. The nature of partnership collaboration and its outcomes are intrinsically connected with the social and political impact. These two dimensions, therefore, explain the potential for the effective exercise of accountability.

### ***Socio-Political Impact***

PPPs may affect different social systems, for instance, health-related, legal, educational and environmental systems. However, in assessing impact of social equity outcomes and effects, the differential impacts on socio-economic segments (caste in India) of the society need to be considered. The distribution of social impacts may have implications for the political system, potentially affecting electoral outcomes.

The perception of a partnership's success or failure can determine its ability to carry on the public service delivery. The failure in a public sector network has all kinds of political ramifications such as negative influence on the future re-election of the politician who supported the partnership, and so, undermines the politician's support for future funding of the partnership. For any partnership to continue, even when elections bring change in the government regime, sufficient political backing is essential. There is always a risk that political support will not be maintained if the programme's elected sponsors are voted out.

In such a situation a few questions regarding social and political factors and public accountability become important. Particularly, what is the strategy

of each partner in identifying social, economic and environmental impacts and which partner will address those impacts? And, what is the involvement of the affected stake-holders, both potential and current, in the decision-making process?

### *Partnership Collaboration*

The clarity in expectations for coordination as well as flexibility to facilitate collaboration and also the networked relationships within a PPP are what need to be specified in PPP contracts. This would enable a government agency's ability to monitor compliance and reward success or punish failure by the private partner. There are many potential inter-personal challenges that need to be considered, such as communication with stakeholders, effective leadership, project management and trust. Consistent and clear communication with all stakeholders involved in the PPP is essential to ensuring success in a partnering effort. Effective communication builds trust and encourages transparency which may increase engagement and translate into increased buy-in from those whose support is needed for success.

Policy entrepreneurship and effective leadership empowered throughout the organization is required to ensure accountability from all involved. 'It is important to recognize the differences and to understand which roles are needed at what stage and for what purpose. It is equally important to ensure that the best person is allocated to a particular role.' Therefore, it is the effective leaders who can maintain the momentum of the partnership and ensure that goals are met in the agreed upon time frame and hold those accountable for missteps and missed deadlines.

Another key to success is effective project management. The project manager's role is to guide the project through its course to ensure that goals, deadlines and benchmarks are met appropriately along the way.

Most importantly, and finally, the component of trust within the partnership is vital to success. Open and candid communication and transparency both with internal and external stakeholders that compose the partnerships is essential to engender trust. Trust typically does not exist on day one of the partnership and needs to be cultivated over time. The way the two organizations regard each other is crucial and above all else there must be mutual trust or the relationship may break down. There are two important questions that come immediately to mind in the aspects of trust, collaboration and accountability:

- I. Are the terms of contract useful in creating an innovative climate for the stakeholders involved in the PPP?
- II. What is the strategy for developing and sustaining open collaboration among the PPP stakeholders?

However, the processes and the outcomes in PPP are fraught with several challenges to governance structures and mechanisms. Government engages itself at various levels during the partnership deals as they are complex, non-transparent and expertise-oriented. These deals are rarely open to public scrutiny. At times, there is a host of organizations – both private and public – involved in the partnership. So the question of government's role in policy advocacy concerning PPPs and its actions as resolving multiple conflicts of interest – as economic developer and steward for public funds, as elected representative for decision-making and regulator over the contract life, and finally as a commercial signatory to the contract and planner – are of utmost importance. Government also has to decide when to choose a PPP over an alternative governance form. The most daunting challenge for government is to manage partners from the private sector that follow their own strategic agenda. The long-term nature of the contract makes it almost by definition impossible to foresee which factors can influence the governance environment in the long run. PPPs, therefore, present challenges to the various forms of public administration and posit different accountability and governance arrangements.

### **Trajectory of PPPs in India**

Interestingly, neoliberal ideology tried to sustain itself by highlighting the conflict between the state and private actors and promising a better investment climate with minimal state intervention during the last couple of decades of the twentieth century. It also attacked the idea of public interest, or public good and argued that government or public service that is able to serve the public good is myth. The neoliberal crisis that culminated into the 2008 crisis exposed the fallacy of neoliberal development paradigm, that of self-regulating market in both economic theory and public policy. There has emerged widespread consensus that the unfettered privatization agenda of economic reforms is flawed and, therefore, the state's role as provider, regulator and a partner in the decision making at all levels in partnerships is called for. The fanning out of the state, the spanning out of the state, the privatization of state and para-state institutions, and the sub-contracting of state functions is what governance is about in contemporary times (Chandhoke 2003). This is down to the effect of a new concern which can be called as the governance of globalization.

It would be naïve to state that the 2008 crisis did not affect the Indian economy and policy paradigms. However, India proved to be a little more resilient to the crisis when compared to the other G-20 countries. The down drift from the global crisis that reached Indian shores, came to an economy that was expanding with a great deal of momentum (2003-08 had been

exceptionally dynamic for India, averaging nearly 9 per cent growth). India had followed an incrementalist approach to both domestic regulation of banks and other financial intermediaries and to capital account convertibility. The financial system could not be exposed to the clawing-up institutions of the West. Also, in the 2008-09 budget, India had gone for extraordinary fiscal profligacy – due to the general elections of spring 2009 – and also to store up fiscal and inflationary problems for the future, which had the major effect of countering the deflationary shock from the global financial and economic crisis.

As the RBI's Annual Report for 2008-09 observes, '...despite India being one of the least affected countries in relation to other G-20 countries in terms of scale of growth deceleration, the fiscal stimulus used by India has been one of the largest as a percentage of GDP. The government and RBI tried to ramp up both monetary and fiscal stimuli to counter the deflationary effects of the global financial turbulence and the Great Recession' (Shankaracharya 2012).

In the wake of such developments, India has pressed hard to push PPP as the new face of development. The Eleventh Five Year Plan (2007-12) explains the state's agenda for furthering PPP as follows:

The approach to PPPs must remain firmly grounded in principles which ensure that PPPs are formulated and executed in public interest with a view to achieving additional capacity and delivery of public services at reasonable costs. These partnerships must ensure the supplementing of scarce public resources for investment in infrastructure sectors, while improving efficiencies and reducing costs... Public private partnerships must aim at bringing private resources into public projects and not public resources into private projects.

That the Indian government has intensified the pace of PPPization in both infrastructure and social sectors is evident from the fact that a PPP cell has been created by the Ministry of Finance a viability gap funding (VGF) scheme is being initiated for the projects which are economically justifiable but not commercially viable; and a government company India Infrastructure Finance Company Ltd (IIFCL) has been established to provide long-term finance to infrastructure projects and intensive capacity building at the state and central level.

**Table 11.1: Growth in health infrastructure in India**

<b>Indicator</b>	<b>1951-52</b>	<b>2005-06</b>	<b>Remarks</b>
Population	361 mn	127 bn	Census data
Primary health centres	725	22,669	
Allopathic hospitals	2,694	15,393	Both public & private sectors
Allopathic beds	--	683,545	Both public & private sectors
All beds	117,178	914,543	
Doctors (allopathic)	61,800	660,801	Registered at MCI*
Doctors (Indian systems)	--	724,823	Ayurveda, Unani & homeopathy
Nurses	16,550	908,962	General nursing, midwives only
Five Year Plan Budgets (Rs mn)	653 (I Plan)	589,203 (X Plan)	Includes health, family welfare, Indian systems plus homeopathy
Medical Colleges	30	262	

*Source:* Medical Council of India

### **Lessons from the Indian experience of PPPs in healthcare**

There is near unanimity that the Indian state has failed to provide even a minimal level of healthcare, according to global standards, to its vast population, especially the poor. As a public policy intervention across the world in 1990, PPPs are being increasingly adopted for critical health care, where loss of control and outright privatization are considered unacceptable. This kind of health care reform policy is grounded in Amartya Sen's capabilities approach to development as a response to rising inequality and stunted growth. In a review of health sector reform initiatives in Peru, Guatemala, Costa Rica, Columbia and Dominican Republic, Abramson (1994) identifies that public sector contracts with NGOs to deliver primary health services have led to (a) extending coverage in the scope of services as well as geographic area for underserved populations; (b) increasing the availability of medicine and medical supplies (c) improving the quality of care; and (d) improving efficiency, cost control and optimal use of resources.

India has one of the world's largest networks of health centres and hospitals under a public health system. Since independence, the social infrastructure for India's public delivery of health services grew substantially and the health of its population improved. The achievements, however, have not been uniform across all sections of society or across different regions of the country. For instance, Kerala and Tamil Nadu are comparable to middle-income countries while the BIMARU states (Bihar, Madhya Pradesh, Rajasthan, Uttar Pradesh) resemble the least developed countries.

Despite significant progress in health status and the creation of a vast network of institutions, the public health system has been unable to deliver healthcare services at desirable levels of quality and efficiency. The financial crisis of 2008 has alerted the state to focus on the social sector which can act as a foundation for its capacity building leading to growth in the long run. The Indian state has also focused on strengthening its PPP capacity by involving private players in primary health centres, social franchising and demand-led financing of the health industry and therefore, resurrecting health care services. The investor-friendly approach to PPP in health care services is to make healthcare accessible to the rural and urban poor. However, studies have documented the extent of economic stress on the poor and have also indicated that the average utilization level of government health institutions in rural areas is less than 25 per cent. The critical problems afflicting public sector health systems are (a) inadequate financial resource commitments, including budgetary allocation; (b) inability to address emerging diseases and the epidemiological transmission; (c) structural and managerial inefficiencies, including administration of health personnel; (d) unregulated growth of the private health sector and its consequences; and (e) poor mobilization of the

community, including local bodies, NGOs and the private sector, as critical stakeholders in the health sector. Inequities in the private health sector and malfunctioning in the public health system exacerbate the impoverishment of India's poor as they seek healthcare. Governments and policy-makers are exploring alternative policy options and strategies not only to improve efficiency, performance and quality of the public health system but also to enhance the equity, accountability and affordability of the private health sector. Health reforms in the developing countries may be done at three levels. According to Thomason (2002), these levels are: (a) changes in financing methods that includes user-charges, community financing, insurance, stimulating private sector growth and increased resources to health sector; (b) changes in health system organization and management through decentralization, contracting out services and reviewing the public-private mix ; and (c) public service reforms per se by rightsizing public sector, productivity improvement, improving geographic coverage and increasing the role of local government. While there is consensus that the health sector requires radical reforms, perspectives on the contents of reforms range from marketization to complete government provision of health services.

### **Hospitals entering PPPs**

Governments, both at the centre and state levels, have already begun to involve the private sector in delivering healthcare services to the poor sections of society. The central government is expected by the World Health Organization and other donor countries in the area of health, and also by the people, to play a catalytic role by developing standards and mechanisms for PPPs. Since India is a federation, with both centre and states responsible for healthcare, the states are supposed to identify specific programmatic needs to map the private, to design the specific partnership details, to develop standards for interim accreditation, to improve capacities of government to monitor and regulate the private sector, and to build capacity at district level. During the past decade, both central and state governments have initiated PPP arrangements. While most of these initiatives involve collaboration between the public and the private sectors, several could be bracketed under government grant-in-aid schemes.

Based on the study by Venkatraman and Björkman (2009) on public private partnership in healthcare in India, it is interesting to note the challenges of implementing public-private partnerships and to explore whether partnership with the private sector can be designed to deliver healthcare services to the poor as well as the consequences for beneficiaries. From the above-mentioned study, the following aspects of policy implications are observed for the processes of PPP:

- It is difficult to ascertain the initiator of the policy option for PPP. However, states that experimented with partnership ideas before formalizing a policy seem to be more successful than states that promulgated a formal policy well before experimenting with it.
- There is no uniform pattern to indicate which services are best provided through partnerships and which services are strictly off-limits for private partners.
- It seems contracting is the predominant form of partnership; most successful hassle-free partnerships have been with private non-profit organizations.
- It is not clear whether the PPP policy option was guided by multi-lateral development funding agencies, compulsory resource constraints, competitive bureaucracy or state intentions to innovate in healthcare delivery.
- It is also relevant that policy pronouncements by government alone are not sufficient to initiate partnership. The major stakeholders, such as social policy entrepreneurs, visionary leaders, bureaucracy and private sector initiative at times are essential prerequisites for successful partnerships.
- Pre-negotiated partnership agreements based on detailed dialogue are more effective than competitive bidding in the choice of partners. Partnership initiatives by the bureaucracy have less success than partnerships initiated by private partners.
- The private non-profit sector is more likely to undertake partnerships at the primary care level than the for-profit sector which is more likely to provide secondary and tertiary clinical care.
- The capacity of private partners and the bureaucracy to manage partnerships is underdeveloped. Known for their informal and flexible systems in organizational processes, private partners are uncomfortable with the rigid organizational and managerial processes and procedures of the public sector bureaucracy. Successful PPPs require a proactive and enterprising bureaucracy; therefore, administrative systems and procedures must be modified or reformed.
- Contract agreements and MoUs must include performance indicators, supervision and monitoring, documentation and information system, incentives or penalties, dispute settlement mechanisms, exit options and quality standards to be followed.
- Policy innovations like PPPs are contextual. They cannot be uniform across all the regions or suitable under all political and administrative dispensations. PPPs are no substitutes for the provision of health services by the public sector through better governance.



- Though the initiation of PPP can be an administrative decision, political support and community perception are critical. In states where the private sector is prevalent, partnership initiatives are an alternative, not necessarily because of competitive efficiency but to prevent further pauperization of the under-served and the poor.
- Engaging the private sector is fraught with political risk. Given the government trend to transfer its responsibilities to the private sector, any collaboration with the private sector is perceived suspiciously. It is imperative to create sufficient political consensus as well as appropriate legal systems in order to delineate the scope for partnership. Likewise, a policy shift towards PPPs requires institutional systems within bureaucracy including trained personnel, procedural guidelines for resource management and financial systems, management information systems, supervision and monitoring.
- Given limited evidence, it is too early to judge whether it is more effective to subsidize inputs or to provide direct subsidies to the poor by purchasing the services from the private sector. Likewise, it may be inappropriate to conclude that partnerships with the private sector have a catalytic effect on public sector health services, which is quality of care, accessibility, service utilization level and human resource performance.

### **Policy Practice**

Engendering PPP as an alternative to ward off deficiencies in healthcare delivery systems may not be a panacea for the major ills of public sector health systems in developing countries. To make PPPs successful, in developing nations in particular, it is important to synergize the strengths of government, community, NGOs and the private-for-profit sector. Local politics and experiences need to be considered – a bottom-up approach – to make PPP area-specific, demand-driven, needs-based and people-centred while designing the projects and programmes. Also, implementation and sustainability must be explored through pilot projects in health services in terms of quality of care, accessibility, service utilization level and human resource performance.

It is also important to note that decentralized partnership initiatives are more likely to be useful. However, these require capacity building at local-level institutions to get the contract right, an accountability framework of checks and balances to ward off corruption, proper definition of standards in terms of resource allocation, safety nets, health package, modes of payment and communication patterns. Since government is the prime mover, it has to play a

decisive role in steering and monitoring of PPPs. It has to facilitate the regular exchange of communication, joint planning of activities as well as problem-solving, training and stability of key personnel. However, a government that fails to deliver quality services due to lack of administrative capacity would not be able to contract either clinical or non-clinical services. It is imperative, therefore, that for development concerns to be met, administrative development and reforms must take place simultaneously.

## Conclusion

The development policy crisis may have led different nation states to embark on PPPs but the road ahead seems perilous as far as addressing the questions of socio-economic equity and who benefits in the collaboration is concerned. Private capital, in search of greater accumulation, has a high degree of penetrative capacity to fuse public capital and adapt it to its own image. PPPs applied in various contexts and by various governments are still in a process of locating accountability for larger public legitimacy.

The private sector, for any of its activity looks for private-profit maximization, and the public sector essentially functions to serve public interest by not rendering worse-off those who are on the margins of development. In such a situation, PPP adopted by developing countries is an attempt to find a zone of consensus and collaboration between the two. No doubt it is a difficult task.

Privatization has led to market failures; and in the context of public services, it has led to the exclusion of the poor with serious ramifications for equity and access. Though the Indian economy was a little resilient during the financial crisis, the lesson learnt from unfettered privatization, à la neoliberal recipe, is to bring the state back in with the ideation of partnership, particularly in the soft social sectors such as health and education. Also, privatization post-financial crisis is not a politically viable agenda for political parties. At the same time, accountability issues vis-à-vis access, equity and finances remain crucial. The time is ripe to debate the sudden arrival and pertinence of PPPs in India's development strategies and explore real alternatives for social change (Data 2009). Nonetheless, the challenge remains.

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