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# Outsourcing the State? Public–Private Partnerships and Information Technologies in India

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**Summary.** — This paper examines public–private partnerships (PPPs) for development through the example of telecenters in two Indian states. How might a developmental state position itself with respect to civil society under a PPP model of service delivery? We find that each state’s political economy is reflected in its PPP strategy, but that in both states the emerging middle classes rather than the poor benefit most from ongoing telecenter projects. Outsourcing development services to private entities need not “privatize” the state but does alter the way in which citizens “see” the state. Service delivery through telecenters becomes a symbol of government efficiency and responsiveness.

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## 1. INTRODUCTION

Information and Communication Technologies (ICTs), such as computers and mobile phones, have emerged as the newest tools for the delivery of development services to rural areas. ICT and development (ICTD) projects cover many domains including health care, education, online government services (“e-governance,”) and the provision of commodity price information to small producers (Brewer *et al.*, 2005; Jensen, 2007; Madon, 2005). Substantial funding has been injected into ICTD projects around the globe: in 2006 the World Bank had a portfolio of \$3 billion in loans to ICT projects in over 80 countries, while USAID spent \$200 million in 2004.<sup>1</sup> As did the earlier (albeit different) Green Revolution and Appropriate Technology movements, the ICTD movement presents a technology-centered set of solutions to problems that beset developing countries. A particularly popular example of ICTD is the entrepreneur-run computer kiosk or telecenter that provides e-governance and education services in rural regions that previously lacked access to computers (Bell, 2006; Kumar & Best, 2006).

As part of a wave of good governance reforms in developing countries, ICTD telecenter projects are being implemented predominantly through public–private partnerships (PPPs). The goals of the good governance agenda are increased accountability, professionalism, and reliability in the delivery of public services. The reforms are being carried out through restructuring and (partial) privatization of state bureaucracies, decentralization of state power to local governments and non-state actors (Batterbury & Fernando, 2006), and the introduction of managerial practices to governance (Clarke & Newman, 2008). Supporters of this agenda argue that poverty alleviation and development can be achieved more effectively by “combating corruption, nepotism, bureaucracy, and mismanagement” (Nanda, 2006, p. 270).

Proponents of PPPs likewise argue that they increase efficiency and responsiveness in the delivery of hitherto govern-

ment-provided services (Lewis, 2000). PPPs have been advocated for healthcare services, water and sanitation, and infrastructure projects (Miraftab, 2004) in developing countries. In principle, the private sector would “provide higher quality goods and services at lower cost, and the government sector of public providers would shrink accordingly” (Linder, 1999, p. 36). At the same time, the public sector can “satisfy social pressures or the local needs of service provision” (Klijn & Teisman, 2000, p. 84). On the other side of these debates, some have criticized good governance agendas for their “neoliberal bias” of market-led development (Jenkins, 2002). Critics of PPPs maintain that these models “cover” for or border on pure privatization and replace the public sector’s ability to serve the public good (Miraftab, 2004).

Despite the growth of PPPs in the developing world and the considerable funding behind ICTD projects, actual partnership practices and the political and social impacts of the PPP-ICTD pairing remain under-investigated. The premise of the critiques of PPPs is that the private sector is the more powerful partner and the state<sup>2</sup> acts as little more than the guarantor of private interests. The premise of the supporters of PPPs is that the private sector will deliver services more effectively without excessive government interference. It is true that governments often partner with influential corporations to deliver public services or large-scale economic

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development projects. But in this paper we ask: what are the roles and responsibilities of each of the partners when the private sector actors are small-scale entrepreneurs? At the project level, who benefits from these partnerships and do they remake or reinforce existing social asymmetries? At a more macro level, does shifting the responsibility for providing development services to private entities alter the way in which citizens “see the state”<sup>3</sup> (Corbridge, Williams, Srivastava, & Veron, 2005)? And how may the developmental state<sup>4</sup> position itself with respect to civil society under a PPP model of service delivery?

We approach these questions through a critical examination of ICTD telecenters in the states of Kerala and Andhra Pradesh (AP), India. Development-oriented telecenters, mainly organized as PPPs, are increasing at a faster rate in India than in any other country (Madon, 2005). We focus on how the PPP-ICTD pairing gives the state a way to renegotiate its image before its citizens, and on the welfare impacts of telecenters on rural households and on entrepreneurs.

Our research is based on a combination of field methods such as interviews, participant observation, and short surveys, as well as secondary literature review and document analysis. Primary data collection took place on several trips to India over a period of 19 months from 2004 to 2006. We chose Kerala (a traditionally interventionist state) and AP (a less-interventionist but nonetheless developmental state) for our analysis because both have been at the forefront of the telecenter movement. Despite historical differences with respect to the relationship between state and civil society, both have implemented their telecenter projects using entrepreneur-centered models. Their ICTD initiatives display a range of emphases on the private *versus* the public sector and on social *versus* financial concerns. This makes them excellent cases through which to highlight variations and similarities in PPP structures and to correlate these with the outcomes of ICTD projects.

Our research indicates that PPP-ICTD projects are strongly impacted by the natures of the state and the private sector, and that the development benefits of these projects are mainly captured by the semi-rural emerging middle classes. Entrepreneurs are significant, yet vulnerable, stakeholders in telecenter projects. We find that PPPs must combine the credibility of the state and the service orientation of the private sector in order to provide better experiences for users. We argue that states are turning to the private sector as partners not only for the provision of services, but also to associate themselves with a liberal market order and the modernization process more broadly. In both Kerala and AP, the governments are eager to improve their image with the public and are trying to reshape themselves into market friendly and efficient entities. Everyday encounters with telecenter entrepreneurs have become a new mechanism through which the citizen sees, and so comes to construct, the state. Service delivery through ICTD kiosks is beginning to act as a symbol of responsiveness and as a tool to portray a new, more efficient government to citizens.

There are contradictions in this new representation of the state. We find that citizens simultaneously feel trust and disillusionment toward the government as an entity that they consider credible yet inefficient. The private entrepreneurs, too, distinguish themselves from, and at the same time ally themselves with, the government “brand.” We thus find, in contrast to some critiques of PPPs, that the state is not “privatized” in the process of developing these partnerships, at least when the private partners are small and home-grown entrepreneurs. Rather, a developmental state can outsource a portion of its

development agenda and yet retain considerable control over it.

We begin the paper with an overview of how and why ICTD projects developed through PPPs in India; this establishes the context for the specific cases of Kerala and AP. We then review telecenter strategies and projects within these states. This section is followed by a discussion of our research methods. Finally we discuss our findings by looking at: (1) how political economy influences the structure of PPPs; (2) the material benefits of telecenters for customers and entrepreneurs and the influence of PPP structure on these benefits; and (3) how the state negotiates the way it is seen by citizens through its telecenter projects.

## 2. ICTD THROUGH PPP IN INDIA

The arguments for delivering ICTD services through PPPs are wide-ranging. Private sector firms, multilateral organizations, and state officials themselves claim that PPP models are becoming the norm for ICTD projects in response to stretched development budgets, the public sector’s inefficiency as the sole provider of services for the poor, and the loss of state power in a liberalizing global economy (Cerny, 1995; McMichael, 1996). NGOs that once saw themselves as a counter to the for-profit sector have accepted this strategy as a good way to improve the lot of the “common man.” PPP proponents emphasize the importance of treating the citizen as a customer (Clarke & Newman, 2008) instead of as a recipient of largesse from government representatives, who wield monopoly powers, and are often abusive or inattentive to citizens’ needs (Corbridge *et al.*, 2005, p. 78). These arguments are broadly supported by recent and influential advocates of solving the problems of the poor through market driven strategies (Desoto, 2000; Prahalad & Hart, 2002). All of these rationales have been sympathetically received, to a greater or lesser degree, within the flourishing Information Technology (IT) sector in India.

The Government of India (GoI), too, has embraced entrepreneur-owned telecenters as a key component of reform through e-governance<sup>5</sup> (Madon, 2005, p. 402). The entrepreneurs who run the centers have market-based incentives to be efficient, are situated at the village or peripherally urban level, and in most cases are members of the communities they serve. As lay citizens, they have experienced the challenges of dealing with government bureaucracies. They are best suited, it is argued, to make e-governance and other services responsive to the needs of the local population.

We found two factors that led the state to pursue ICTD projects through PPPs in India. First, PPPs in general gained support in the 1990s in an international environment that strongly supported economic liberalization and less state intervention. In India this led to a partial dismantling of state controls in hitherto nationalized sectors and greater encouragement for private enterprise (Kohli, 2005). The shift gradually became entrenched in India’s development agenda for infrastructure, service delivery, and assistance to the poor—sectors that were once fully in the domain of the public sector. The 1990s thus saw an increasing acceptance of the private sector in development-related activities through PPPs—and all the more so with ICTD projects.

Second, India’s much acclaimed success in the IT industry prompted the state to distribute the benefits of ICTs more broadly through ICT and “D.” In the mid-1980s, the Indian government made a concerted effort to launch its software industry (Dedrick & Kraemer, 1993). Quickly IT became one

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