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PUBLIC PRIVATE PARTNERSHIPS VIS-A-VIS THE DEVELOPMENT OF VILLAGES THROUGH PANCHAYATI RAJ

T.S.N. SASTRY

"The true India is to be found not in its few cities, but in its seven hundred thousand villages. If the villages perish India will perish too."

—M.K. Gandhi

In the era of globalisation and liberalisation, almost all the countries on the globe would like to utilise their resources in a more meaningful manner especially to cater to the essential basic needs of social security of their citizenry. Countries all over the world without exception are giving top priority to the PPPs in order to garner the support of the private entrepreneurs' strengths with the concept of good governance and to cope up with the external and internal economic pressures. In that direction, India is no exception and the government has initiated many steps to develop the communications, infrastructural facilities such as highways, hospitals, education, communications, etc. But all these efforts are mainly concentrated to develop the cities at the cost of neglecting the villages. Villages being the vital organs of the Indian society in many ways and means, this article attempts to study how important is the PPP relationship in developing the villages and strengthening the sustainability of developing this large sector in the longer run.

AS RIGHTLY pointed out by the background note of this special issue, Public Private Partnerships (hereafter referred to as PPP) play a significant role in rendering the service to the public in a satisfied manner. This will certainly yield a cost-benefit factor to both the sectors as well to the public. But ultimately the responsibility lies primarily on the state to see that the services that are aimed to reach the public are delivered without any mismanagement or bungling by the private sector, with a profiteering motto relegating the interests of the state and the people at large. This means in whatever fields, the state invites

the private sector, it has to craft the policy perspectives in a focused approach without losing its firm grip of control on the private sector. Then only the involvement of the private sector shall have a meaningful role in compensating the obligations of the public sector that are expected to be discharged in promoting the welfare of the people and in helping the state to steer its wheel in boosting the economy both nationally and internationally.

However, many a time, majority of the private partners choose to take an active part in commercially viable projects especially in cities and towns than those in villages. India being a rich reservoir of villages wherein nearly 70 per cent of the population live, the state should take steps to develop the infrastructural facilities as well as make investments in the agricultural sector which is critical for the sustainability of the economy in the longer run than encouraging the private partnerships only in the industrial and other few limited sectors of the urban areas. With this aim, this article makes a modest attempt to analyse the origin, growth of the PPPs and the role to be played by developing the villages which are the back-bone of the economy.

ORIGIN AND CONCEPT OF THE PUBLIC PRIVATE PARTNERSHIPS

With the evolution of the concept of good governance in the early 80's, it has been argued that the private sector has greater role to play to bail out the economic crises of the states. However, strictly speaking, the idea of private investment in a way is much an older concept and originated in the post World War II era after the collapse of many economies across the globe in the international scenario especially in the emerging international relations. This is what is otherwise referred to as the Multinational Corporations or Transnational Corporations which have a wider role to play in the economies of the developing world. Though the purpose of these private investments is different than that of the present private partnerships, in a nutshell the evolution of the private sector investments in the contemporary era had their origin in international relations and trade only.

The contemporary notion of private initiatives has been developed on the basis of the increasing public debt, which has caused a panic in many countries during the 70's and 80's and as an alternative the private sector role has been highlighted with an aim that it could sustain the sagging economies. Many governments across the world including that of India were hesitant about too much involvement of the private sector with the nagging fear that it may dominate the public sector. However, during the late 80's and early 90's various countries especially United Kingdom,

Australia, Canada, United States, Japan, etc., started looking for the involvement of the private partnerships as subsidiary means to cope up with the radical changes that took place due to the advent of science and technology especially in the information era.

The PPP, as contractual agreements formed between a public agency and private sector entity, allows for greater private sector participation in the delivery of necessary infrastructural projects. This means the participation of private sector allows the public agencies to tap not only the technical, scientific, managerial and financial resources, but also helps them to achieve their targets and goals in a new manner with a cost-effective approach.¹ And there are many more compelling reasons that make the public sector to look for the private sector in the contemporary era.² Apart from this, the participation of the private sector will not only benefit the state in many ways and means but will also produce the desired results in accomplishing the specific tasks.³

PPP's in the Indian Context

From the days of Independence till the opening up of the economy in 1991 by the Indian Government, the Government both at the Union and state levels were guided by the socialistic ideals of the Constitution and played a major role in the funding and execution of all the major development programmes and projects in many key areas of the economy. In terms of social stratification of the people, success could not be achieved as visualised by the framers of the Constitution. This is because of the deteriorating law and order situation, rising graph of corruption, sprawling price index, criminalisation of politics and politicisation of administrative machinery, mega financial scams, scandals, falling moral, ethical and social norms and values

¹B. B. Vohra, "National Resource Management for Poverty Alleviation", RGICS Paper No. 35, Published by Rajiv Gandhi Foundation, New Delhi, pp. 46, 1996; also see <http://www/private-partnerships.org>, visited on 25.7.2008.

²The compelling aspects are: Accelerating the implementation of high priority projects by packaging and procuring services in new ways; Drawing on private sector expertise in accessing and organising the widest range of private sector financial resources; Turning to the private sector to provide specialised management capacity for large and complex programs; Enabling the delivery of new technology developed by private entities; Encouraging private entrepreneurial development, ownership, and operation of highways and/or related assets; and, Allowing for the reduction in the size of the public agency and the substitution of private sector resources and personnel; see Wikipedia.org visited on 22.7.2008.

³The possible benefits are: Expedited completion compared to conventional project delivery methods; Project cost savings; Improved quality and system performance from the use of innovative materials and management techniques; Substitution of private resources and personnel for constrained public resources; and, Access to new sources of private capital.

et al., have eroded the public confidence in the government and its entire machinery.

India is endowed with rich and diverse resources, being the seventh largest country in the world in terms of geography with an area of 3.3 million square kilometers, being a founder member of the GATT and a signatory to the WTO in order to increase its trading, reduce the balance of payments and to earn name for itself in the international arena and to meet the liquidity paradigm both nationally and internationally. The Government of India in 1991 opened its doors for private players as partners of progress to augment the social, economic needs of the people and the polity. This is otherwise what is popularly referred to as liberalisation or opening up of the economy to private players, including the investment of foreign agencies. In short, the Government has paved the way for the private sector to garner its support in the economic and social development of the society especially by introducing the user play principle. Whatever the role that the private sector is going to play in helping the state through its infrastructural investments, the state has always a bigger role to play in the development of social sector such as health care, education, and to uplift the disadvantaged groups of people though its social exclusive and inclusive policies as highlighted by the 11th Five Year Plan.⁴

A glimpse into the annals of India subtly brings the point to the fore that having a rich tradition and culture of entrepreneurship of private investments and market oriented economy since the ancient periods, the opening up of the economy by the government in the 90's and the further carry-forward principle by the successive governments till date is nothing new in the approach of the state. The economic reforms unleashed since the 90's have helped to equip its market-oriented policies to give a fresh lease of life as a fast growing free market. Even the growth rate in various sectors like infrastructure, services and manufacturing continues to an almost whooping 12 per cent per annum. In terms of GDP and GNP the country could achieve a record which stands at around nine per cent. Being a robust legal and business support system and in possession of versatile, skilled human capital the lead taken by India certainly makes sure that it stands apart as an important economic giant by the year 2020.⁵

Certainly, the special initiatives taken by the government in order to facilitate the PPPs for accelerated economic and infrastructural growth of the country, have yielded results and led to a huge growth in the

⁴The 11th Plan Document of the Planning Commission, Government of India.

⁵For details see, official website of the state <http://www.investmentscommission.in>, visited on 28.7.2008.

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communication and information technology sectors.⁶ Apart from these two, other areas like highways, space based information and communication technologies, electricity, oil and gas, education, and several other areas are on the way to reach their pinnacle. But the most important aspect is that since the opening up of the economy the development growth is confined only to the elite urban cities and towns but has not percolated down to the rural areas. The imbalanced growth has at the same time brought many problems such as over-crowding of the cities, increasing number of slums, mass exodus of population from the villages etc. The apple cart is now upset with rising new problems. In the beginning when many developed nations opened up their economies, they too had similar problems. However to avoid such aspects many Western nations have initiated steps to develop the villages too with the aid and help of the PPP.

Villages and Public Private Partnerships

From the ancient to the contemporary era, the Indian polity has given due weightage and significance to its villages (which is popularly referred to as the Panchayati Raj) as partners in progress to achieve the tenets of the Constitution to build India as a true vibrant democracy economically, socially, politically, legally and culturally.

Gandhiji always believed and strongly advocated that the development of the country is possible only through the participation and empowerment of the rural people of the country. In fact he has rightly termed them as the village republics which are too vital for the inclusive growth of the country. The ideals of Gandhiji were also enshrined in the Constitution. Taking into consideration the views of Gandhiji, Dr. Ambedkar as Chairman of the Constituent Assembly took special care and incorporated the Seventh Schedule. The former Prime Minister of India Rajiv Gandhi in no uncertain terms expressed his ideal that the power to the people could be devolved only through Panchayati Raj Institutions.

The present Prime Minister, Manmohan Singh in his first Chief Ministers' Conference in 2004 declared that in order to transform India into the World's most representative and participatory democracy, both the Union and the states should take all the efforts to transform rural India into 700 million opportunities and the local governance be involved in every aspect of the country's progressive development.⁷

⁶For details see the report of the workshop on Facilitating Private-Public Partnerships Accelerated Infrastructure Development in India, Department of Economic Affairs, Ministry of Finance, Government of India and Asian Development Bank, December 2006; also see Gurucharan Das, India Model, Foreign Affairs, July-August 2006.

⁷"Inclusive Growth through Inclusive Governance" Fifth Anniversary Charter of the Panchayati Raj; April 2008 of the Ministry of Panchayati Raj and Local Administration; Government of India.

The XIth Five Year Plan too while laying emphasis on the inclusive growth as the overarching objective of the country, in no less uncertain words clearly highlighted the primary role played by the villages in the areas that are critical to inclusive growth. The Plan asserts that "it is absolutely critical for the inclusiveness of our growth process that these large numbers of elected representatives in our PRIs are fully involved in planning, implementing and supervising the delivery of essential public services⁸."

The above observations amply highlight, in no uncertain terms, the vital role played by the villages in the all-round development of the country, at the same time necessitates one to have a glimpse into the physical statistical data how they constitute as important segment for involving the PPP's in the overall growth of the country. Even in an era of global communication and hi-speed information networks, around 70 per cent of the population of India still lives in villages. There are nearly seven lakh villages in India, which are grouped as talukas or mandals (which are around 3,500 and around 650 districts. Out of these, around two lakh villages are accounted for a population of around 20,000 to 30,000.

Taking into consideration the bulk of the villages that occupy almost two-thirds of the geographical area of the country, in the last 60 years the Union and the state governments have evolved various policy initiatives and legislative norms with many social welfare schemes to augment the needs of the rural folk of the country. But at the same time since the village administration is mainly under the control of the state governments, due to paucity of funds and excessive interference of both the political and administrative machinery, their sustainable development role of PRIs has not been fully exploited and today many of the villages have become dumping grounds of the country⁹. This has in turn not only brought pressure on the cities and towns to bear brunt of the upcoming developments but at the same time, badly affected the economy of the state and the life of the farmers in many states.

In order to achieve sustainable development goals and for efficient administration of the villages, the villages are constituted as talukas or mandals linking around 100 major and minor villages. And linking eight to

⁸For details see the 11th Plan Document, Planning Commission of India, New Delhi; see especially the 10th Chapter wherein the role of the PRIs is stated exclusively in the inclusive growth of the country.

⁹Anil, K Rajvanshi, "Talukas can provide Critical Mass for India's Sustainable Development" available at <http://www.eweb2.loc.gov/frd/cs/profiles/pdf/indiapdf>. Visited on 25.7.2008.

10 talukas constituted as zilla parshidas and districts. The average area of a taluka is around 1500 sq. miles. The villages which are under the taluka have rich potential resources such as bio-mass, solar energy, wind energy, agricultural and other commercial crops, which could help in boosting the sagging economy of the country. If the resources of the villages are used they can meet their needs locally.

According to 2004 economic and plan estimates, in view of the negligence shown in the development of the villages and not fully exploiting the resources, there is a significant adverse impact on the economy of the country. Having millions of cultivable land in the villages, we are cultivating only 46 per cent (114 million hectares). In this only 16 per cent (49 million hectares) of the land is used for double crops and around 58.4 per cent (65 million hectares) land is used for tree crops and groves. In fact these figures were much higher in 1950's which have slowly come down in view of poor allocation of funds and not heeding to the clarion calls of the farmers to protect them from debt bondage, famines, floods, etc. and about 190 million hectares of land is left as uncultivated. This scenario has forced import of foodgrains. In turn the growth has come down to 22.6 per cent in 2001 compared to that of 32.8 per cent in 1991.

After the opening up of the economy especially during the NDA regime onwards, the Union and the state governments no doubt are trying their best to extend as many sops to the private partners from within and outside the country to take active part in the development of scientific, technological, communication and infrastructural facilities. The concentration of the state to develop the major cities and towns has certainly yielded results. But at the same time this sudden developmental focus of the state has upset the regional balance and, which has brought a lot of strain and stress on the city life and relegated the significance of the village developmental activity to secondary level.

As stated earlier, there is no doubt that the villages especially the districts and talukas have a definite role to play in the future development of the country. The talukas produce nearly 400 million tons per year of agricultural residues which in turn can produce 53,000 MW of power, that is equivalent to 70 per cent of the power production of the country. Apart from producing the power, if the quality of the land is maintained and the water facilities are linked between the states as already directed by the apex Court too, we can certainly yield better crops, fruits, animal feed, fuels, and many other major economic needs of the country. The economic return will certainly increase the job potential of the country to the tune of nearly 30,000 to 40,000 per year. Many studies in the recent past have clearly indicated the necessity that the state should take more interest and investment measures

in developing the villages through the taluka system to make India a vibrant economy in the world.¹⁰

Taking into consideration the significant role played by the villages in the development of the nation many major private industries have already started their own programmes in various states in the country. But these developmental activities are only minimal and mainly motivated for the personal developmental growth of those industries and the human resource of the villages still remains the same. Since the state is taking several steps to involve the private enterprises, it would be better if these partnerships be initiated under the guidance of the state through the PRIs.

There are many areas where in the PPP relationships could be attracted in the development of the villages such as, the agricultural extension services, medical facilities, transportation facilities, water, sanitation, primary and vocational education, electronic marketing, energy sector, fisheries, commercial crops, fruits, tourism, cultural activities, and other potential resources. Since it is easy to mobilise the human resources in the villages compared to that of the urban elite, the educated intelligentsia in the cities may be retransferred to villages and see to it that they should take part in the developmental activities of the villages than confining to the miserable life styles of the cities. In fact in Western countries many educated people have realised the significant role that the villages play in the development of the nation and the easy accessibility of resources to make their life style comfortable due to the advent of science and technology and started migrating to the villages which are popularly referred to as the countryside. Even the Chinese Government has announced to turn its rural centres as semi-urban centres by the year 2050.¹¹

Since the globalisation in its fourth phase in the contemporary era started affecting the individuals too in various ways, especially in the economic empowerment, the challenge is thrown open to the government both at the Union and state levels to initiate steps to develop all areas of the country without any geographical limitations. In this regard, the Government should invite the PPPs to strengthen the hands of the village administrators at least at the district and taluka level to develop the infrastructural, communication and technological facilities. Initially, the Government may take few districts

¹⁰See the Task Force report on "A Program on Biomass Based Power Plants at Taluka Level", Ministry of Non-Conventional Energy Resources, Government of India, March 1995; also see Rajwanshi, A.K. "Energy Self Sufficient Talukas—A Solution to National Energy Crisis", EPW, Vol.XXX No.51, Dec23, 1995; pp 3315-3319.

¹¹P.V. Indiresan, "Modernising the Indian Economy", the *Business Line*, Feb20, 2006 available at <http://www.thehindubusinessline.com/2006/02/20/stories/2006022000770800.htm> visited on 26.7.2008

and talukas in each state and come out with strategies that are needed to reach geographical location apart from the general basic facilities that are ordinarily needed in the development of the villages. Apart from the various suggestions that have been rendered by the think-tank and the National Commission for the Review of the Constitution the following points also need to be considered:

- Agriculture being the main concern of the country and that of the villages for the sustainable development of the country, industries that come forward may be given various concessions, including that of tax holidays.
- The Private partners should be allowed to invest through the village administrative bodies under the close monitoring mechanism of the state, i.e., the district collector, zilla parishad chairmen and *tahsildars*.
- The bureaucratic modernism needs to be reduced and the village level administrators need to be involved. The various complicated licensing procedures need to be simplified and the needs of the PPPs be addressed quickly. If needed, fast track administrative machinery be setup to look at the special aspects that need the attention of the State with respect to the private entrepreneur's immediate concerns.
- The private entrepreneurs especially the NRIs of a particular district or taluka should be given priority in extending all the facilities compared to others in establishing various industrial outlets especially in the agricultural sector.
- On the lines of the info-village model developed by M.S. Swaminathan,¹² the State should take steps to invite the private sector to establish more communication and information centres in the villages to render the much needed information relating to agricultural products, agricultural innovations, the use of scientific methods in the agricultural sector, health, employment, market trends, education, cattle related information, weather and other critical areas relating to environmental protection, sanitation, educational inventions *et al*. Any private entrepreneur willing to establish BPO's in these areas need to be motivated and encouraged by extending him all the facilities that are required.
- Along with the private partners, the state should also take a lead role and increase its quota of spending in order to extend the

¹²Swaminathan, Using IT for Village Development: Express Computer <http://www.foreignaffairs.org/20060701faessary85401-P30> visited on 28.7.2008

social services in the areas of community health, housing, education, watershed management, rainwater harvesting, women and children empowerment programmes, old age and sick homes and disaster management to be established to meet its constitutional obligations of social security.

CONCLUSION

The opening up of the economy and the invitation of the private investors is a welcome trend. However, the state should take all the possible steps to invite the private partners in developing the country's vast rich resource belt, i.e., the rural community. The farmers in the village need to be mainstreamed and joined together with the inclusive growth policy of the government and should make them partners in progress.

In India for centuries people have lived in villages. In fact a glimpse of the ancient and medieval history of India clearly depicts the rich cultural and diversified life led by the rural folk of the polity. Let us hope that the state will take stern steps in the future to live up to the ideal of *swadeshi* of Gandhi and at least drive home its PPP's activities towards the villages in achieving a real sustainable development as an economic giant to wipe out the tears on the face of millions of the citizenry of the country who are not in a position to have a square meal a day.