

**The governance of public – private partnerships:
institutional voids in India and China**

Ank Michels and Cor van Montfort

Dr. Ank Michels

School of Governance, Utrecht University

Bijlhouwerstraat 6, 3511 ZC Utrecht, The Netherlands

E-mail: a.m.b.michels@uu.nl

Prof. dr. Cor van Montfort

Tilburg School for Politics and Policy, Tilburg University

Tilburg, The Netherlands

E-mail: c.j.vanmontfort@tilburguniversity.edu

Paper prepared for the seminar *Institutional Voids during State Re-Scaling*, organized by the Erasmus Centre for Emerging Markets in cooperation with the IIAS Centre for Regulation and Governance, on 13 May 2013 in Rotterdam

Abstract

To address issues of sustainable urban development, collaborative arrangements among governments, private sector companies, and (organizations of) citizens are increasingly applied. Against the background of changing relations among state, market, and civil society, this paper aims to picture major trends in partnerships in urban governance in India and China. The paper distinguishes two types of public private partnerships : partnerships between government and private sector, and partnerships between government and civil society organizations. In both countries, partnerships between government and private sector companies are mainly applied in investments in infrastructure whose main goal is to further support economic growth. Partnerships between government and civil society have been developing both in policy making and in service delivery in areas such as city management, waste management, and water projects in India, and public services and social welfare in China. The paper further argues that productive and legitimate partnerships will only sustain if they meet criteria of good governance, including effectiveness, efficiency, accountability, and responsiveness. The findings show that institutions for good governance need to be further developed. The main institutional voids relate to 1) the role of government, more in particular the fight against corruption, illiteracy, and poverty; 2) the rule of law, including issues of accountability, transparency, and citizen rights, and 3) regulation of processes of accountability and oversight on public private partnerships, and of the involvement of citizen involvement.

1. Introduction ⁰

Both India and China are countries in transition. Both are fast growing economies showing enormous growth rates. But this growth comes at a cost: the burgeoning population in the cities is putting pressure on water and energy resources, public health, education and infrastructure. Urban governments are not able to address these major challenges on their own. Private capital, investments and knowledge are needed as well as a strong civil society and active citizenship in order to create legitimate and economically sustainable public services.

The aim of this chapter is to assess whether and how partnerships are used in urban governance in India and China. We therefore identify major trends in public private governance arrangements. We focus on two types of partnerships: those between urban government(s) and private sector companies, and those between urban government(s) and (community-based organizations of) citizens. Partnerships could strengthen the capacity of governments to solve problems. However, partnerships can only sustain and contribute to a legitimate and sustainable public policy if supported by good governance both at the level of the urban government and at the level of the partnership itself. A second aim, therefore, is to assess whether these institutional arrangements meet the criteria for good governance and to indicate the main institutional voids that form barriers for fulfilling these criteria

The paper is structured as follows. In the first section, we present some context information about economic growth and urbanization in China and India. In the second section, we discuss relevant literature on partnerships and governance. In this section, we also present the conceptual framework that we use to analyze our findings. We then present the main patterns that we have found in the development of partnerships, illustrated by examples in Delhi (India), Beijing and Shanghai (both in China). The article concludes with a discussion of the implications for good governance in relation to the main institutional voids in the governance of partnerships.

2. Context: economic growth and urbanization

Both India and China are fast growing economies, still showing high growth rates, as is shown in table 1.

Table 1: Economic growth in China and India

	2007	2008	2009	2010	2011
India	9.8	3.9	8.2	9.6	6.9
China	14.2	9.6	9.2	10.4	9.3
World	3,9	1,3	-2,2	4,3	2,7

Source: <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG/countries/1W-IN-CN?display=default>

But despite this growth in both countries, there are considerable differences with respect to the impact of economic growth on people’s lives; more specifically, China performs much better than India. For example, government expenditure on health care is nearly five times that of India’s. Also, China’s adult literacy rate is 94 percent, compared with India’s 74 per cent. The mean years of schooling are 4.4 years in India, compared to 7.5 years in China (Sen 2011).

In both countries an increasing percentage of the population lives in the cities (see table 2). In China more people now are living in cities and towns than in the country side (The Telegraph, 2011). Compared with China, in India the urban population rate is relatively low but in absolute numbers we are talking about 388,524,909 people (2011) living in urban areas (China: 678,796,403 people).

Table 2: Urban population (% of total) in China and India

	2007	2008	2009	2010	2011
India	29.9	30.3	30.6	30.9	31.3
China	45.2	46.5	47.9	49.2	50.5
World	50.1	50.5	51	51.5	52

Source: <http://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS/countries/1W-CN-IN?display=default>

The figures of India show a slow, but steady urbanization. If the economic growth and modernization process will continue, the expectation is that the degree of urbanization will also increase. Goldman Sachs estimated in 2007 that in India “140 million people will move to cities by 2020 and a massive 700 million by 2050, leading to rapid growth in existing cities, and new towns emerging.” (Goldman Sachs 2007).

Economic growth and urbanization puts pressure on financial resources, but also on governance structures. The Indian High Powered Expert Committee (HPEC) for Estimating the Investment Requirements for Urban Infrastructure Services in 2011 concluded that cities must be empowered, financially strengthened, and efficiently governed to respond to the needs of their citizens and to contribute to the growth momentum.” (HPEC 2011)

3. Partnerships

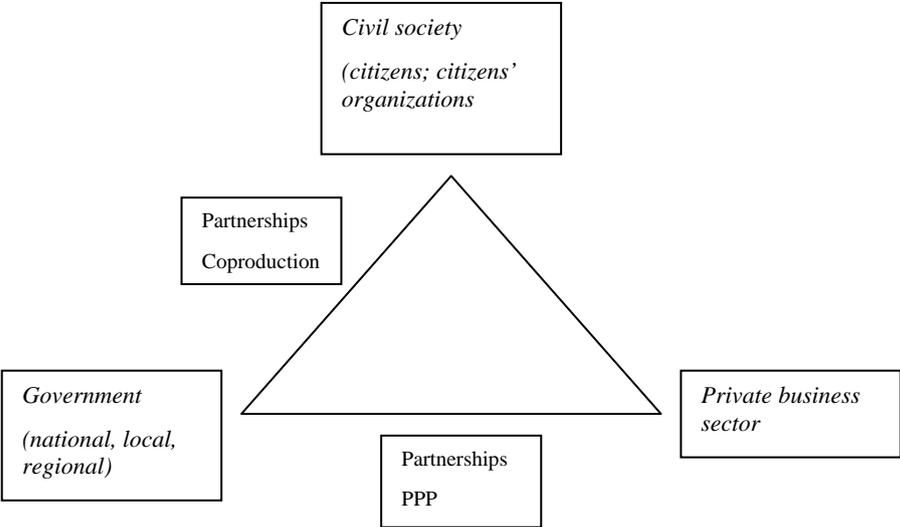
There are numerous definitions of partnerships. Mathur, for example, defines partnerships as new organizational arrangements that embody a commitment for joint action towards collective public policy goals (Mathur et al. 2003). Other definitions include a number of characteristics of partnerships. Baud and and Dhanalakshmi (2007: 135) define a partnership as follows:

- It involves two or more actors
- It refers to a long-term relationship between actors regarding public goods provision
- The relationship benefits all actors (without assuming equal benefits)
- It is expressed in concrete activities, in which actors invest materially or immaterially
- The bargaining process can include tension and conflict as well as co-operation
- The partnership concerns the provision of public goods.

What these definitions have in common is that they emphasize the public character of partnerships: joint action in partnerships concerns collective public policy goals or the provision of public goods. Apart from that, definitions of partnerships may allow for many interpretations. Partnerships come in various forms: some are based on legally binding rules or contracts, others are more loosely organized; some focus on just one activity, others are involved in many activities; sometimes one actor dominates, and tension and conflict is more prominent than cooperation. In this article, we proceed from this broad concept of partnership. Taking the relation between state, market, and civil society as a starting point, three different types of partnerships may be distinguished: those between government and private sector companies, those between government and community-based organizations, and those between the private sector and community-based organizations. In this paper, we focus on those partnerships in which government is involved.

The first aim is to map major trends in public private governance arrangements in India and China. To that end, the following conceptual framework is used:

Figure 1: A framework for analyzing public private governance arrangements



It is assumed that cooperation in networks and partnerships leads to better service provision, more efficiency, and better opportunities for citizen groups to promote their wishes. Often, partnerships are a necessity from the viewpoint of knowledge sharing, legitimacy and the access to financial resources. As Kooiman (1993:4) argues: “No single actor, public or private, has all the knowledge and information required to solve complex, dynamic, and diversified problems; no actor has sufficient overview to make the

application of needed instruments effective; no single actor has sufficient action potential to dominate unilaterally in a particular governing model”.

On the other hand, partnerships also raise questions with respect to issues of responsibility and accountability (who is responsible for policy decisions, and to whom are those responsible for these decisions accountable?), and issues of responsiveness and democratic legitimacy (are decisions supported by the public, and how are citizens involved?). These questions are part of a broader concern in all governance theory: how to govern, but also how this relates to issues of legitimacy, efficiency, responsiveness, and accountability (Kjaer 2004: 11). These are usually, and also in this book, considered to be aspects of ‘good governance’.

4. Good governance

There are various understandings of what good governance entails. The concept was promoted by various institutions, including the World Bank and the United Nations, as an answer to the corruption, administrative inefficiency, and lack of transparency in governing mechanisms in many developing countries. The United Nations' definition of good governance includes aspects such as public accountability, responsiveness, transparency, efficiency, and effectiveness. The Good Governance Values Catalogue that is used in this book builds on the governance concepts that are used by international organizations like the UN, World Bank or OECD.

Tensions may arise between the different aspects of good governance. For example, multi-stakeholder arrangements can (if certain conditions are met) lead to more effectiveness and efficiency, but less inclusiveness. Second, good governance is not only a matter of structures and procedures, but also of behaviour, culture and tradition, things that, while hard to measure and hard to change, are nevertheless essential. Aware of these possible tensions and conceptual difficulties, we have limited our analysis to the following criteria of good governance: responsiveness efficiency and efficacy and accountability. These criteria are considered core values for good urban governance. Responsiveness is a core input value, efficiency and effectiveness are key output values, and accountability is a process value that is related to the core value of reliability.

Our analysis of the governance of urban partnerships in India and China is based on a review of relevant academic literature, relevant reports and websites and on interviews with 22 representatives of key institutions and organizations in New Delhi (India) and in Beijing, Shanghai (China) held in September and October of 2011 and in November 2012.¹ The interviews provided clues for additional information, both in reports executed and published by research institutions, governments, and non-governmental organizations, and on websites of various institutions.

5. Public-private partnerships in India and China

5.1 India

5.1.1. Public private partnerships

Partnerships between government(s) and private sector companies in the form of public private partnerships are on the rise in the governing cities in India. This is mainly due to the current burgeoning economic growth rates, and the consequential need for infrastructure (Mahalingam 2008 and 2012). Indian cities need highways, roads, subways, and airports. Despite economic growth, government budgets are not sufficient to finance this growing need for infrastructure, which is one of the main reasons that the Indian government started to look for other sources of funding in the form of public private

partnerships. Another reason is the poor quality of public service delivery that stood in desperate need of innovative solutions. For more than forty years, the government has shown itself incapable of building highways that meet the criteria for quality and of organizing the railway system. The first public private partnerships have demonstrated good performances with respect to the quality of service delivery. As a result, federal, state and local governments have increasingly started to believe in public private partnerships as an instrument for bringing in more money, increasing the quality of public service delivery, and making use of private sector expertise (CAG Manual 2010).

Partnerships between governments at all levels and the private sector in the form of public private partnerships (PPPs) have become common practice during the last ten years. The vast majority of PPPs in India (more than 95%) can be found in infrastructure. It all started in 1998, with the Highway Developing project to connect the four large metropolitan centres in India through a network of highways of 15.000 kilometres (National Highways Authority for India: <http://www.nhai.org/index.asp>), and was followed by roads, ports, power plants, urban infrastructure, such as the subway to the Delhi airport, and airports, such as the maintenance of the Delhi airport.

Since then, public private partnerships have expanded to other sectors, such as in the water sector (National Institute of Urban Affairs 2011, see the website PPP in India from the Ministry of Finance, Government of India). Also in the education sector, public private partnerships have been introduced, for example through programmes that provide elementary education for out-of-school children living in slums and villages. In other models, the private partner builds, owns and operates the infrastructure facilities, while the government uses these facilities for running the school (World Bank 2011). In addition, many smaller PPPs have been initiated in the cities, including parks, bus terminals, small medical centres, and skills development programmes. In skills development programmes, private branch agencies and governments work together, for example by helping people to develop their skills for a job in the textile industry or for opening a small shop of their own.

The growth of the number of PPPs cannot conceal some negative aspects that are closely related to issues of good governance, as is illustrated in the following example.

Public private partnerships in Delhi: the examples of Delhi international airport and the airport express line

The aviation sector in India showed a rapid growth from 2000 up till now. Passenger traffic and cargo movements almost doubled in the period 2000 to 2006 and the growth still continues today (CAG, 2012). The airport infrastructure needed to be modernized to be able to cope with the huge increase in traffic and cargo. The modernization of airports was a matter of national importance and national policy. Delhi airport was one of the airports that had to be modernized. The Delhi Airport contract of 2006 is an example of a

long term joint venture between public authorities and private parties based on a revenue sharing model.

Recently the project was audited by the Comptroller and Auditor General of India (CAG, 2012). They concluded that there were significant improvements in services at the airport for the travelling public and that the airport has been adjusted as second best in the world in his category. But the report was devastating critical about the bad financial arrangements and the adverse long term obligations for the public airport authority. The contract that at a first glance seems to be very attractive appears to be a real 'camel's nose'. This seems to be more often the case with PPP's of this type: service quality and timeliness are good, but the price for the government or the end user is (too?) high.

After the new airport was completed the city of Delhi invested in a metro express line between the airport and the city centre, de Delhi Airport Express Line. This is also a public-private partnership. Until now (2013) the new express line hasn't yet become a success. Traffic numbers are much lower than expected, a large part of the real estate at the station has not been leased yet and construction problems in the physical infrastructure appeared. Delhi metro (the public partner) and Reliance Infra (the private joint venture) blamed each other about who is responsible for the construction problems and who has to pay for the lower than expected number of travellers. The line was closed for half a year and started again in January 2013.

The examples of Delhi international airport and the Delhi Airport Express Line are illustrative for the stage of development of public private partnerships in many Indian cities. In both cases the output (the public service delivery) is more than sufficient. But in the case of Delhi international airport the price for the public partners in the long run is much higher than expected (accountability is insufficient). And in the case of the Delhi Airport Express Line the contract lacks flexibility, because it was not designed to adapt fluctuations in traffic. Besides, responsibilities were not clear: who was to be held accountable for the consequences of the construction problems? Despite a good performance of PPPs, the debate continues about the desirability of the ppp-model in Indian cities, due to this lack of flexibility and accountability and the sometimes high prize consumers or local governments pay for service delivery.

5.1.2 Coproduction between governments and citizens

Local governments are the most direct interface between citizens and government. In 1993 and 1994, the 73rd and 74th Constitutional Amendment Acts were passed in India, which laid the basis for democratizing municipal bodies and for the Panchayati Raj Institutions and Municipalities as institutions of self-governance (Dasgupta 2010: 1; PRIA 2008). The legislation regulated the devolution of powers and resources to enable local bodies to function as vibrant institutions of local government (PRIA 2008: viii). It

became mandatory for all states in India to enact their own local self-governance acts. As a consequence, elections were held for many local self-governance units under the new laws, and about three million representatives had to be elected, many more than the dominant castes and families could provide. Also, according to the new laws, one third of the seats were to be reserved for women; and the lower castes were required to be represented in parliament according to the principle of proportional representation. In short, the Constitutional Amendment Acts triggered a paradigm shift towards democratic decentralization and citizen involvement. Another path-breaking reform was the Right to Information Act of 2005 (RTI). The RTI Act legitimized citizens' right to know how they are governed. In doing so, it created newer axes around which citizens have since been mobilizing action to demand accountability from the state. The states are now required to open up many of their operations for public scrutiny through citizen charters and RTI disclosures (Accountability Initiative 2009: 29).

This forms the background for the development of partnerships between local government(s) and (community-based organizations of) citizens in urban governance. Partnerships occur both in policymaking and in policy implementation. Three developments should be mentioned. First, the involvement of citizens in urban governance has been institutionalized by a government order providing for the establishment of ward committees in cities with a population of more than 300,000 inhabitants. In theory, ward committees have the right of veto in important city decisions. However, the order has not been implemented in the majority of the states, and for the most part has remained ineffective. To a large extent, the relation between civil society and municipal governance still depends on the good intentions of elected representatives and officials (PRIA 2009: 3).

Secondly, partnerships between government and community organizations can be found in service delivery. In service delivery, there are many examples of what could be called stakeholder partnerships in, for example, solid waste management, street cleaning, and water projects (Ghose 2007; Sekher 2002). Different models have emerged. According to one model, the state government can take the initiative to seek the help and cooperation of citizens in establishing, for example, a waste management system, by organizing citizen's collectives in close cooperation with the municipality and civil society organisations. Another model concerns the granting of participatory budgets, such as for water projects, where citizens decide how to spend the budget in addition to monitoring the project.

And thirdly, social audits have become a new form of partnerships between government and community. The first social audits were established under the National Rural Employment Guarantee Scheme. Since 2005, it has been mandatory for local governments to organise social audits as part of their policy (see Office of the CAG, 2010). Citizens and stakeholders are asked to evaluate and assess local policy. Experiences with social audits are still only patchy at best and more permanent forms of

monitoring have yet to be established; however, some best practices have been identified (in Andhra Pradesh, see Singh and Vutukuru 2009).

Although still sporadic, social audits in other areas that allow citizens to monitor public service delivery are also growing. Examples include the use of citizens' reports cards and ward watches to assess and improve the performance of water and sanitation services (PRIA 2010). Social audits are becoming more relevant because of the devolution of funds and functions to the local level.

Citizens' inspections in Delhi

An example in Delhi is provided by a recent order issued by the Central Information Commission (CIC) of the Delhi government that allows citizens to inspect government schools on the last day of any month. According to the order, all schools of the Delhi government will have to make available their records and documents on admission, attendance, budget allocation and expenditure, details of scholarship, and other registers for such inspections. How does this work in practice? Following this order for example, in September 2011, fifteen non-profit organizations that were part of the Delhi Right to Education Forum, visited 60 schools in the city. They found that shortage of books and staff, dirty toilets, no playground, and absenteeism are still the major issues in many Delhi government schools. Most of the schools recorded about 50% attendance of students on Friday, which, officials claimed, was a usual turnout. The Delhi RTE Forum decided to reach out to more schools on the last day of October (Pushkarna 2011).

One of the problems is that there is no official sanction system. However, social audits are an important instrument in the sense that they make corruption and poor service delivery visible and, in addition, they make people aware of the fact that they can do something about it and ask for better basic services. Seen from this perspective, social audits fit in the growing call for accountability on government service delivery.

5.2 China

5.2.1 Public private partnerships

Since the beginning of the eighties of the last century, China's economic model has combined capitalism and market with public institutional arrangements. As a consequence, it is often difficult to understand what is public and what private, and what these concepts mean in the Chinese context (Yang & Chang 2007; German Industry and Commerce Greater China 2010). There are still about 150 state-owned companies

(SOEs), which include some of the largest companies in the country, such as China Railway Corporation. In addition, there are about 5 million, mostly small, private companies that now earn about 60% of the GNP. Private usually means that ownership is private, although this says little about the management of the company. The management of these companies can be anyone, but often has close relations with the Communist Party. In between these two categories, there are companies that are either half state-owned (can be national or provincial government) and half private companies - the state remains a majority or influential shareholder-, or joint ventures in which private and public companies work together. According to Xue and Zhong a major reform strategy in China over the last 30 years has been to give local governments more autonomy to experiment with new forms of problem-solving. (Xue and Zhong 2012: 298).

Public private partnerships are relatively new in China, and limited to the lower tiers of government. In urban governance, public private partnerships have become more common since 1990 in a number of sectors, including water supply, waste management, roads, and subways (De Jong et al. 2010). One of the main reasons for the increasing number of PPPs is the problem of limited sources for government funding at the local level. Local governments have a high degree of autonomous power, but lack the financial resources to finance large projects in infrastructure and utility services; at the same time, they are not allowed to borrow money from banks. Other reasons are the slow rate of reform of state-owned companies, the poor provision of public facilities and services, and the need for expertise about technology and management (Beh 2010).

It should be emphasized that PPP's in China differ from PPPs in other countries, because of the (semi)-public character of the private actors that are involved. This also has repercussions for the transparency of the process, as is shown in the example below.

Public private partnerships in waste water treatment in Shanghai and public transport in Beijing

The Asian development Bank (ADB) describes two examples of public private partnerships in Shanghai (a wastewater treatment plant) and Beijing (public transport) (www.adb.org/urbandev). Both the Shanghai and Beijing governments launched a PPP-procurement process and a special purpose vehicle in which the city governments and the private parties cooperate to implement the projects. But, when we take a closer look at the organizational structure and the funding flows of these ppp-projects, they show that in these examples the 'private' parties are in fact state owned companies, or at least companies that heavily rely on public finance. Nevertheless some kind of market is created on which different possible suppliers compete, which may lead to cost reduction or quality improvement. In fact, at least according to the Asian Development Bank, in case of the Shanghai project, the PPP led to a service fee that was 40% below the government's own projected cost. However, the ADB also points at constraints, due to the

unclear structure of PPPs, that hinder the success and further dissemination of PPPs in China. In both examples one of these constraints is the lack of transparency in the bidding process: *“Most PPP projects in the People’s Republic of China remain hampered by a lack of transparency in the bidding and project supervision processes.”*(Asian Development Bank).

Over the past 10 or so years, the BOT-model (Build, Operate, Transfer) has grown to become more common practice. Often, a foreign company is involved. The subway in Shanghai, for example, is a partnership between a German company, a Chinese company, and the Shanghai government. Risks and profits are shared; operation is partly in the hands of a body in which the German and Chinese company work together. Other examples can be found in the water sector. In 2003, the French company Veolia Water signed a 15-year outsourcing contract to manage the entire water system at Michelin’s Shanghai plant. The BOOT (Build, Own, Operate, Transfer) contract covers operations & maintenance of all water assets within the facility according to pre-determined operating performance criteria, including the management of raw water, process water, wastewater treatment and solid waste (China Business Council for Sustainable development, Veolia Water in China). Veolia is also involved in 13 projects and has signed a 50-year management contract in the Pudong New District of Shanghai (Liu and Yamamoto 2009: 226). PPPs are also set up on a smaller scale: the Shanghai Jiao Tong University, for example, has made land available to a private company, which started a hotel on the site. Each year, the hotel owner pays part of the profit to the university. After 30 years, the hotel will become university property.

5.2.2 Coproduction between governments and citizens

After the economic reforms of the beginning of the 1980s, and the subsequent disintegration of communes and working units that had structured working and social life, the institutional social structure radically changed. In various areas, new social organizations and movements emerged, including environmental organizations, community organizations (sports clubs, citizen mediation groups), organizations of house owners, social service organizations, and charity foundations. Especially many environmental organizations, such as the Green Earth Volunteers and Friends of Nature became active. Some of these organizations are registered; others are not.² Furthermore, there are millions of other non-registered non-governmental organizations, which include religious groups and groups that are active on the Internet. Although non-registered groups are formally illegal, they are sometimes influential. For example, the tearing down of houses and expropriation of owners has led to actions by grassroots organizations that have sometimes succeeded in negotiating higher compensations for the loss of land.

The role of citizens in policy is partly institutionalized: there are hearings, arrangements for citizens to make complaints against government, and elections for village committees (Leonard 2008; Saich and Yang 2003).³ The official line now is that there should be more room for citizen participation, but that participation should be organized in a more orderly fashion. The 2007 *Government Information Transparency Regulation* in theory also gives citizens the opportunity to ask governments for information about budget, expenses, and policy, but the implementation is poor and citizens' requests for information are often refused. An aspect worth mentioning is also that the Internet and the media are important in giving a voice to citizens. Journalists have a relatively independent position, particularly in the south of China (South-Media Group), and together with academics they often function as opinion leaders. Internet and micro-blogs (*Weibo*) give them and other citizens a forum to express opinions and to put pressure on government. For example, after the train accident with the high-speed train in 2011, microblogs immediately disseminated information about the accident, which forced government to take action.⁴

This forms the background for the development of partnerships between local government(s) and (community-based organizations of) citizens in city governance, both in policymaking and policy implementation. Two developments should be discussed here. discussion about the necessity of the dam.

First, in *policymaking*, public hearings at which citizens are consulted have become common practice and a way of involving the public in government decisions. The Chinese Price Law, which came into effect in 1998, provided that increases in the prices of goods and services such as heating, water and electricity, and public transport should be decided by a panel of representatives from relevant organizations and ordinary citizens after a public hearing. Today, price hearings have now become almost commonplace. The Price Law was followed in 2000 by the Law on Legislature, which required public hearings before passing any legal regulations or law. More than fifty cities have now held public hearings where experts and citizens can comment on draft laws (He and Thørgensen, 2010; Fishkin et al, 2010). Public hearings have been held, for example, on the relocation of farmers, the development of historic sites, and on suggestions for how the authorities could facilitate job seeking (He and Thørgensen, 2010).

A public hearing in Beijing

An example of a public hearing in Beijing concerns the environmental impacts of the Yuanmingyuan Water Retaining Project (the Old Summer Palaces Lake). Local stakeholders were informed and invited to give their opinions and to express their concerns with respect to works that had been undertaken to diminish the water losses from the Old Summer Palaces Lake. What makes this case special is that the hearings were held after civil protests. People were concerned about the environmental impacts of putting an impermeable membrane on the bottom of the lake (Enserink and Koppenjan,

2007: 466-467). The hearing finally forced the authorities to hold the works and to reopen the discussion about the necessity of the dam.

Although public hearings have become common practice, hearings seldom have an impact on policymaking. Both among academics and opinion leaders, there has been an ongoing debate about the use and practice of hearings (China Daily 2011 July 26th 2011; Hess 2009; Zhong & Mol 2008; Enserink & Koppenjan 2007). Participants do not have any decisive influence, and often, formal changes reported in policy documents fail to be followed by actual policy change. Some argue that citizens may choose only among options that governments select. Another criticism is that public hearings are not representative and do not really involve ordinary people. After all, the government selects the participants. There is no clearly defined selection procedure and there are no rules for holding hearings. This has led to several scandals: in public hearings, for example in Chengdu, Sichuan province, participants agreed several times to suggestions to raise the prices of products and services. The problem in these cases is that so-called ‘professional participants’ were selected to take part in the hearings. These ‘professional participants’ should have played the role of ordinary consumers, but instead were ‘talking machines, that only could say yes’ (China Daily July 26th 2011).

Secondly, in policy *implementation*, partnerships between government and community organizations can be found in service delivery. Governments cooperate with organizations that provide social services, mainly services in the social welfare sector to elderly, handicapped people and families. Through procurement, the government outsources public tasks to social service organizations that often have started as voluntary organizations in communities. Examples are home care organizations, community centres, and elderly care. Community level units were created in the late 1980s to take over some of the social welfare responsibilities. Soon, they spread throughout China and also became active in other areas, such as youth centres, environmental programmes, and health services (Derleth & Koldyk 2004).

Another example of a partnership in policy implementation is a project aimed at reducing and preventing crime in the Pudong New District in Shanghai. The project is government led and carried out by social organizations with participation of multiple stakeholders. The input of these social organizations is integrated in a non state and non commercial area-wide service agency. The local (district) government signed a contract with this agency and regulated and paid for services provided by the agency. According to the 2009-2010 report of the *Program of Chinese local governance and innovations*, the main innovation of this project was “the creation of a social organization with the capacity to undertake a component of government’s work, and the creation of a partnership between government and society”. (IECLG 2011: 83).⁵

6. Implications for good governance: opportunities and institutional voids

Urban authorities are forced to work together with private companies and citizens' (organizations) to meet the immense challenges that arise in almost every sector (infrastructure, water, waste, public services delivery etc.) as a result of the fast economic growth and the urbanization. As a consequence, partnerships between the government, private companies and civil society organizations have become more important in urban government in India and China. However, partnerships can only sustain and contribute to a legitimate and sustainable public policy if they meet criteria for good governance such as efficiency, effectiveness, accountability and responsiveness. These are considered to be core values for good urban governance. In both China and India, opportunities and voids are apparent with respect to the development of partnerships in relation to good governance.

India

It goes without saying that without public private partnerships, a great many highways, roads and other infrastructural works would not have been realized in India. Hence, PPPs in India contribute to a more *efficient and effective* service delivery compared with a traditional public approach. However, several of our interviewees noted that the criteria for effective public private partnerships are not always met in full: local governments often lack expertise, the use of various definitions of the concept of PPP sometimes causes confusion about responsibilities, and often clear procurement procedures, good project management and standard contracts are missing. The World Bank has pointed out various weaknesses in the PPP framework in this country: the tendency for the policy rationale for PPPs to be limited to their use as a source of investment capital when the public sector lacks funds; little systematic compilation and dissemination of information, even within the public sector; and not much use of rigorous ex-ante or ex-post assessments of the performance of PPPs versus traditional public options (World Bank 2006).

With respect to another criterion of good governance, i.e., *accountability*, serious problems arise. Often, responsibilities and expected performances seem clearly settled in contracts, but monitoring of what really takes place is poor. If a party violates the agreement, the government often is reluctant to intervene and to impose sanctions. The focus in monitoring is still more on the throughput (how), and less on the output and outcome. The lack of transparency makes it difficult for stakeholders and supervisory agencies to enforce more accountability and better monitoring. In addition to this, there are some serious gaps in the audit and oversight structure. The government of India announced in the draft consultation version of the National Public Private Partnership Policy document that: "To maintain transparency, equity and fairness in developing and

implementing projects, the Government would continue to strengthen the governance processes and institutions that are accountable to the stakeholders.” (Government of India, 2011: 24). Also, the Office of the Comptroller and Auditor General of India has sought the right to audit the books of the private companies or the special purpose vehicles involved in the PPPs. ⁶ Private companies or special purpose vehicles are not subject to the Right of Information Act, which makes it extremely difficult to audit the efficiency of PPPs.

Opportunities and voids also arise with respect to the development of partnerships between local governments and civil society. The 73rd and 74th Constitutional Amendment Acts and the subsequent movement towards public participation in decision making, service delivery, and monitoring, have encouraged citizens to organize themselves and to let their voices be heard. Also, the Right to Information Act serves as an important instrument for more government accountability. Although corruption is still one of the major problems in India, people are beginning to understand how corruption affects their lives, and it is becoming more normal practice for citizens to ask for *accountability*; as a consequence, government officials are having to account for their decisions in a growing number of instances.

On the other hand, there is a big gap between the theory of accountability and its practice. A report that appeared on the state of accountability revealed that all possible schemes and mechanisms of accountability are known in India (Accountability Initiative 2009:15-20). However, in practice, one of the main barriers is the lack of knowledge and skills among large parts of the population. This sometimes leads to hilarious situations; citizens have been appointed members of some public monitoring committee without their even being aware of this (Accountability Initiative 2009).

Likewise, one could easily draw the conclusion that *responsiveness* is increasing, since more citizens are involved in decision-making, notably women and people from the oppressed castes. Also, citizens take part in city decision-making through ‘wards’. But again, in practice citizens and civil organizations often lack the knowledge and skills, and thus there is still a long way to go in capacity building (Tandon & Mohanty 2005). In addition to this, a number of other institutional failures (bureaucracy, corruption, state as a sum of individual interests instead of collective interest etc.) and socio-economic problems (poverty, illiteracy) have to be resolved (Accountability Initiative 2009).

China

Although in China, relations between the public and private domain are complex and the political system is only very slowly opening up, some first observations concerning public private partnerships and good governance can nonetheless be made. Just as in India, PPPs might contribute to a more *effective* service provision, particularly in infrastructure. However, even more than in India, there is a serious lack of transparency and *accountability*. China has legislation controlling the process of public private

partnerships, but local authorities know how to manipulate the process. The bidding process is often not transparent, and no effective way has yet been found to exclude unreliable contractors. Personal networks (*Guanxi*) are still important in policymaking in China. Also, local authorities lack the instruments and capacities to oversee public private projects (De Jong et al. 2010). More in general, numerous problems remain in applying the PPPs model in China with respect to the policy environment (investment and financing system), the legal environment, governmental credibility, role changing of the government, capability-building and the prevention of corruption (Liu and Yamamoto 2009). As a consequence, Mu et al (2011) even seem to notice in transport infrastructure and service a tendency of rolling back private participation due to various forms of opportunistic behavior on the part of some private players and malpractices among some governmental officials in their interaction with private players.

Voids also emerge with respect to the audit and oversight structure. Local and regional audit offices are not particularly interested and pay little attention to public private partnerships. In addition to this, the oversight of the National Audit Office of the People's Republic of China (CNAO) has so far remained limited to the building phase, and does not extend to the operational phase.

With respect to the development of forms of coproduction between government and citizens, China offers both opportunities and challenges. On the one hand, developments in partnerships between citizens and government may possibly lead to more *responsiveness* and more *accountability* of the political system. The Internet and the new social media create an unpredictable interaction between state and civil society in which civil society sometimes challenges the state. In other cases, the Internet and the new social media also lead to new forms of cooperation between state and civil society (e.g. in the case of corruption or abuse of power by government officials). Hence, Internet and micro blogs can function as instruments for a more effective countervailing power against government and thus to more accountability, but also as a catalyst for new forms of partnerships that increase transparency, accountability, and responsiveness. On the other hand, it is hard to tell if and in what direction the political situation in China will develop, and therefore also difficult to predict how developments towards good governance will develop in the near future. Until now, Chinese governments have developed a pragmatic attitude and react, rather than take a position and act accordingly.

7. Conclusion

Urban governance is gaining importance because of the growing social and economic importance of cities all over the world. This is particularly true in the Indian and Chinese context, where economic growth and a fast growing population in the cities is putting pressure on water and energy resources, public health, education and infrastructure. To

meet the huge challenges caused by urbanization and fast economic growth, local governments, private companies and citizens and their organizations are condemned to each other. As a consequence, in both India and China, the relations between state, market and civil society are radically changing.

In urban areas public private partnerships are used for investments in infrastructure, as an instrument to create and further stimulate economic growth and as a means to solve the arising problems with infrastructure, waste, water, housing and so on. Furthermore, country specific factors play a role: in China, local governments are relatively autonomous, which forces them to seek their own financial resources; private capital is only one of possible resources. In India, the failure of public investment policy has created a new window of opportunity for public private partnerships. However, in order to sustain public private partnerships for the future, transparency, accountability and oversight on public private projects are issues of concern that need to be addressed in both countries. In addition to that, the conditions under which the PPP starts should be taken into account: what is the public price in the long term for the good deal in the short term. This complicates somewhat the answer on the question whether there is good governance or not: is good performance here and now in combination with high long term costs and high risk taking an example of good governance or not?

The development of forms of coproduction between government and civil society in policy in India must be understood against the background of further democratization. In China, the government is also permitting more citizen participation, although it emphasizes that this must be organized in an 'orderly' fashion. Moreover, another driving force in China is the development of the Internet and social media, which have become instruments for holding the government accountable, and regularly force the government to react. Yet the main challenges for the future development of partnerships between governments and citizens are first and foremost the fight against illiteracy, poverty and the lack of skills among a large part of the population in India, and, albeit to a somewhat lesser extent, in China. A second challenge is to overcome the problems of a state that is either too weak, or too strong.

In sum, partnerships with the private sector and civil society can only sustain and contribute to sustainable and stable development of urban areas if the requirements for good governance, including core values such as responsiveness, efficiency, effectiveness, and accountability, are better met and if they are accompanied by institutions that support good governance. The main existing institutional voids relate first of all, to the role of government, and more in particular the fight against corruption, illiteracy, and poverty. Corruption and increasing social and economical inequalities could be a destabilizing factor undermining a common idea of a collective interest in sustainable and productive partnerships between state, market and civil society. And thus a state that is not corrupt and provides basic services, such as education and welfare, is needed. Second, good governance demands stable institutions with respect to the rule of law, including issues of

accountability, transparency, and citizen rights. A state that does not accept the rule of law can undermine the future development of effective and legitimate partnerships and governance. And finally, institutions are needed for the regulation of processes within partnerships. That is, rules and responsibilities with respect to accountability and oversight on public private partnerships and with respect to the involvement of citizens in policy, need to be clear and transparent.

Endnotes

- (0) This chapter is a revised and updated version of Ank Michels and Cor van Montfort, Partnerships as a contribution to urban governance in India and China, in: *Journal of US – China Public Administration*, Vol. 10(1): 26-38.
- (1) Interviews were held in September and October 2011 with the following institutions: Indian Institute of Technology Madras (IITM Chennai), World Bank (New Delhi), Society for Participatory Research in Asia (PRIA New Delhi), Deloitte (New Delhi), Office of the Comptroller and Auditor General of India (CAG New Delhi), School of Public Policy and Management, Tsinghua University (Beijing), Stern Ingredients (Shanghai), School of International and Public Affairs, Jiao Tong University (Shanghai), Center for the Third Sector, Jiao Tong University (Shanghai), School of Government, Peking University (Beijing), National Audit Office of the P.R. China (CNAO Beijing), Central Compilation and Translation Bureau (CCTB Beijing), China International Economic Cooperation Society, Ministry of Commerce (Beijing).
Interviews in November 2012 were held in Delhi with Veolia Water, The Energy and Resources Institute (TERI), Accountability Initiative, and the Comptroller and Auditor General of India.
- (2) Registration of NGOs takes place according to Chinese law. The regulation is not public, nor are reasons given for why the registration of a particular NGO may or may not be made.
- (3) There is a large amount of literature about this subject. See for example: He and Thøgersen 2010; Fishkin et al. 2010; Taylor et al. 2010; Leonard 2008; Leib and He 2006.
- (4) Concerning the openness of the system, it is important to notice that the differences within China are huge. Whereas in Central China government control is strict and aimed at securing social stability, in the South, and more particular, in the South East (Shanghai and Shenzhen), grassroots organizations and social movements are more active and citizens have more freedom to make their voice be heard.
- (5) The relation between government and citizens is a 'work in progress'. Since 2000 the Central Compilation and Translation Bureau (CCTB, an organ of the Communist Party and think-tank for government reform), has awarded prizes for the best innovations in governance. Each year, there are more than 1000 applicants. In the last years, prizes were given for political reforms (township elections; party democracy), administrative reforms (government efficiency), and public service reforms (efficiency and quality). (IECLG 2011).
- (6) This request was rejected by the Plan Panel of the Indian Parliament (Business standard, 13 September 2011).

References

- Accountability Initiative (2009): *The State of Accountability: Evolution, Practice and Emerging Questions in Public Accountability in India*. working paper no. 2 by B. Posani and Y. Aiyar. New Delhi.
- Asian Development Bank (2010): *Wastewater Treatment: Case Study of Public–Private Partnerships (PPPs) in Shanghai*. Retrieved from: <http://www.adb.org/themes/urban-development/main>
- Asian Development Bank (2010): *Urban Public Transport—A Case Study of Public–Private Partnerships (PPPs) in Beijing*. Retrieved from: <http://www.adb.org/themes/urban-development/main>
- Baud, Isa and R. Dhanalakshmi (2007): 'Governance in urban environmental management: Comparing accountability and performance in multi-stakeholder arrangements in South India'. *Cities*, 2(2): 133-147.
- Beh, Loo See (2010): 'Public-private partnerships in China: A responsive participation'. *Journal of US-China Administration*, 7(9): 30-35.
- China Business Council for Sustainable development. Veolia Water in China. Retrieved from: <http://english.cbcsd.org.cn/cbcsd/members/5095.shtml>.
- Comptroller and Auditor General of India (CAG) (2010): *Manual*, New Delhi.
- Comptroller and Auditor General of India (CAG) (2012): *Report of the CAG on implementation of public private partnership Indira Gandhi Airport*. New Delhi.
- China Daily (2011): 'Make public hearings real'. July 26th, 2011.
- Dasgupta, Sumona (2010): *Citizen initiatives and democratic engagement. Experiences from India*. New Delhi: Routledge.
- Derleth, James and Daniel R. Koldyk (2004): 'The Shequ Experiment: grassroots political reform in urban China'. *Journal of Contemporary China*, 13(41): 747-777.
- Enserink, Bert and Joop Koppenjan (2007): 'Public participation in China: sustainable urbanization and governance'. *Management of Environmental Quality*, 18(4): 459-474.
- Fishkin, James S., Baogang He, Robert C. Luskin, and Alice Siu (2010): 'Deliberative Democracy in an Unlikely Place: Deliberative Polling in China'. *British Journal of Political Science*, 40: 333-347.
- German Industry and Commerce Greater China. presentation May 21th, 2010.
- Ghose, Nilanjan (2007): 'Municipal solid waste management through civic engagement', in: Tandon, Rajesh and Mohini Kak (eds.) *Citizen participation and democratic governance in our hands*. New Delhi: Concept Publishing Company.
- Goldman Sachs (2007): *Asia Economics analyst*, Issue no. 07/13, July 6, 2007. Retrieved from: <http://www.goldmansachs.com/our-thinking/topics/brics/brics-reports-pdfs/india-urbanization.pdf>
- Government of India (2011): *National Public Private Partnership Policy, Draft for consultation*, September 2011.
- He, Boagong and Stig Thøgersen (2010): 'Giving the People a Voice? Experiments with

- consultative authoritarian institutions in China'. *Journal of Contemporary China*, 19(66): 675-692.
- Hess, Steve (2009): 'Deliberative institutions as mechanisms for managing social unrest. The case of the 2008 Chongqing taxi strike'. *China: An International Journal*, 7(2): 336-352.
- The High Powered Expert Committee (HPEC) for Estimating the Investment Requirements for Urban Infrastructure Services (2011): Report on Indian urban infrastructure and Services, march 2011.
- IECLG (2011): Innovations and Excellence in Chinese Local Governance 2009-2010. Beijing.
- Jong, Martin de, Mu Rui, Dominic Stead, Ma Yongchi and Xi Bao (2010): 'Introducing public-private partnerships for subways in China; What's the evidence?'. *Journal of Transport Geography* 18: 301-313.
- Kjaer, Anne Mette (2004): Governance. Cambridge: Polity Press.
- Kooiman, Jan (1993): Modern Governance. London: Sage.
- Leib, Ethan and Baogang He (2006): The search for deliberative democracy in China. New York: Palgrave Macmillan.
- Leonard, M. (2008): What does China think? London: Fourth Estate.
- Liu, Zhiyong and Hiraku Yamamoto (2009): 'Public-private partnerships (PPPs) in China: present conditions, trends, and future challenges'. *Interdisciplinary Information Sciences*, 15(2): 223-230.
- Mahalingam, Ashwin (2008): PPP experiences in Indian states: bottlenecks, enablers and key issues, retrieved from <http://www.epossociety.org/LEAD2008/Ashwin.pdf>.
- Mahalingam, Ashwin (2012): Collaborating to construct India. The role of public-private partnerships in infrastructure development, Q&A with Ashwin Mahalingam. The National Bureau of Asian Research for the Senate India Caucus, may 2012.
- Mathur, Navdeep, Chris Skelcher, and Mike Smith (2003): 'Towards a discursive evaluation of partnership governance.' Paper presented at the European Consortium for Political Research, Joint Sessions, March 2003, Edinburgh, Scotland.
- Michels, Ank and Cor van Montfort (2013): 'Partnerships as a contribution to urban governance in India and China'. *Journal of US – China Public Administration*, Vol 10(1): 26-38.
- Ministry of Finance, Government of India. PPP in India. Retrieved from: <http://164.100.52.24/index.php>.
- Mu, Rui, Martin de Jong and Joop Koppenjan (2011): 'The rise and fall of Public-Private Partnerships in China: a path-dependent approach'. *Journal of Transport Geography*, 19(4): 794-806.
- National Highways Authority for India. Retrieved from: <http://www.nhai.org/index.asp>.

- National Institute of Urban Affairs (2011), Urban initiatives in transport. Best practices in PPP, New Delhi.
- Office of the Comptroller and Auditor General of India (2010): Report of the Taskgroup on Social Audits, New Delhi.
- PRIA (Society for Participatory Research in Asia) (2008): Democratic Decentralization of Urban Governance. A Study of Four States in India. New Delhi: PRIA.
- PRIA (Society for Participatory Research in Asia) (2009): Citizen Engagement in Urban Governance. Lessons from Small and Medium Towns in India. New Delhi: PRIA.
- PRIA (Society for Participatory Research in Asia) (2010): Citizens in action: Gaining Voice and Exacting Accountability for Better Services. Ward Watsan Watch (W3). New Delhi: PRIA.
- Pushkarna, Neha (2011), 'True lies of RTE: Schools of shame'. *The Times of India*, New Delhi, Monday, October 3, 2011.
- Saich, Tony and Xuedong Yang (2003): 'Innovation in China's local governance: 'Open recommendation and selection''. *Pacific Affairs* 76(2): 185-208.
- Sekher, Madhushree (2002): 'Tackling Society's "Detritus": Stakeholder partnerships and urban service delivery in India'. *Asian Journal of Political Science*, 9(2): 54-77.
- Sen, Amartya (2011): 'Quality of life: India vs. China'. *Global* (July and August).
- Singh, Rithesh & Vinay Vutukuru (2009): Enhancing accountability in public service delivery through social audits. Accountability Initiative, New Delhi.
- Tandon, Rajesh and Ranjita Mohanty (2005): Civil society and governance. New Delhi: Samskriti.
- Taylor, Jon R. and Carolina E. Calvillo (2010): 'Crossing the River by Feeling the Stones: Grassroots Democracy with Chinese Characteristics'. *Journal of Chinese Political Science*, 15: 135-151.
- The Telegraph (2011): China's urban population exceeds rural for first time ever, Peter Simpson, January 17. Retrieved from: <http://www.telegraph.co.uk/news/worldnews/asia/china/9020486/Chinas-urban-population-exceeds-rural-for-first-time-ever.html>
- Xue, Lan and Kaibin Zhong (2012): 'Domestic reform and global integration: public administration reform in China over the last 30 years'. *International Review of Administrative Sciences* 78 (2): 284-304.
- Yang, Daniel You-Ren and Chih-hui Chang (2007): 'An Urban Regeneration Regime in China: A Case Study of Urban Redevelopment in Shanghai's Taipingqiao Area'. *Urban Studies*, 44(9): 1809-1826.
- World Bank (2006): India. Building capacities for public-private partnerships. New Delhi
- World Bank (2011): PPP in Secondary School Education in India. New Delhi.
- Zhong, Li-Jin and Arthur P.J. Mol (2008): 'Participatory environmental governance in China: Public hearings on urban water tariff setting'. *Journal of Environmental*

Management., 88: 899-913.