

Real Governance

Change and Continuity in India's Authority and Power Structures

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1. Introduction

Governance has reached India. The country that for a long time was governed by the idea of planned economic development and the necessity of a powerful and omnipresent *government* has been reinvented, as Corbridge and Harriss (2000) described the process. These authors have used this term to indicate that the previous model, which has never been fully implemented but functioned nevertheless as a powerful idea, has been replaced (partially) by a new model: market-led development, with a much smaller role for the state in development processes, and a much larger role for other actors. In other words, a shift from government to governance.

The idea of governance, as Gopal Jayal and Pai (2001: 14-5) rightly stated, has different historical legacies. In the developed economies, it referred primarily to a changing political reality. New economic policies, cutbacks in the welfare state and critiques of bureaucratization led to new forms of public management. From a 'command-and-control' organization, the state became an enabling regulator. Out-contracting and agentification are just two of the main processes that can be witnessed. The discursive shift from government to governance can be seen as a response to these developments.

In developing countries, however, the situation was different. The discourse "first landed on Southern shores as medicine prescribed by the good doctors of the Bretton Woods institutions, to remedy the laggard and inefficient development performance of these states" (Gopal Jayal and Pai, 2000: 14-15). As has been described already in the introduction to this book, for the World Bank and other international donors, governance became a convenient discursive mechanism to deal with issues of public management without giving a major role and responsibility to (often allegedly corrupt and inefficient) government institutions, and, moreover, to do so in a seemingly a-political fashion.

India, however, is not a 'Southern shore' like any other. As compared to many other developing countries, the reform process started late, and once it started, it was not only or primarily a process set in motion by outside actors. As is well documented, India faced an acute balance of payment crisis in 1991. The 'Bretton Woods doctors' were indeed ready to prescribe their stabilization and adjustment programmes in exchange for loans. But apart from these external agencies, there were also powerful domestic actors and forces that lobbied and pushed for a reform agenda and a different role of the government in economic development.

Almost two decades later, India has, indeed, been 'reinvented'. Instead of being associated with rural poverty, India is now associated with a booming Information Technology sector and an increasingly expanding middle class that consumes and behaves like elites and middle classes elsewhere in the world. The so-called 'Hindu rate of growth' (Krishna Raj, 1973) has given way to growth figures approaching those of China. Instead of a 'licence Raj' regulating most economic activities and transactions, India is now a major player in the global economy, with

Indian companies buying up European steel industries or car factories. India is 'unbound', as one of the supporters has described the process.¹

This paper tries to describe and explain this transition from a state-led development ideology to a market-led model, from an idea that the state is the main actor in economic development to an idea of the state as facilitator, from government as a central regulatory authority to new forms of public management that include different actors in public-private partnerships, decentralized forms of governance and out-sourcing arrangements. The paper will argue that this transition has to be understood against the background of changes in class relations that had happened already before 1991 and that were further reinforced in the reform era. The opposition against the new economic policies has been weak, partly because some powerful groups could benefit but also because large categories of people who did not immediately benefit could consider themselves as potential beneficiaries in the long run. Initially, there was also opposition against some of the governance reforms from within political circles and the bureaucracy itself, but this has subsided. This, I will argue, has to do with the fact that despite many rhetorical changes, there were several important features of the Indian polity that have remained basically intact. The argument will, hence, be that the mode of governance that has replaced the earlier state-led model is a hybrid one (as the earlier one, in fact also was). It is based on a new ideology and contains new elements, but, in actual practice, less has changed than what is claimed. Ironically, it is this mixture of continuity and change that has diffused opposition and paved the way for some of the governance reforms that have, indeed, taken place.

This chapter starts with a short interpretation of the Nehruvian model of the state and how this was replaced by a new concept. The third section explains this shift against the background of India's changing political economy. The fourth section discusses what has really happened 'on the ground'. This section focuses on one south Indian state, Andhra Pradesh, which has been at the forefront of the reform process between 1995 and 2004. The paper ends with a short conclusion.

2. From Planning to Governance

In order to understand the Nehruvian model of development, it is important to go back to the origins of India's democracy. As we know now, India became a constitutional parliamentary democracy after achieving Independence in 1947. In the course of time, this feature has become self-evident, natural, as if it could not have been otherwise. But this, as Khilnani (1997) reminds us, was not true. In fact, India was not particularly well-prepared for democracy. "Huge, impoverished, crowded with cultural and religious distinctions, with a hierarchical social order almost deliberately designed to resist the idea of political equality, India had little prospective reason to expect it could operate as a democracy" (Khilnani, 1997: 16).

Moreover, in the years preceding Independence, different competing visions co-existed and were debated. Mahatma Gandhi's ideal was that the village would be the main political unit, with only a very small role for a central state. Sardar Patel preferred a more hierarchical authoritarian state, reflecting existing social relations within Indian society, while Jawaharlal Nehru favoured a centralized parliamentary democracy comparable to the Westminster model. Eventually Nehru won, but the

¹ G. Das (2000).

victory was “precarious and partial...it persuaded few outside intellectuals and English-speaking circles, and it could never rely on the support of any powerful group” (Khilnani, 1997: 34).²

What is important in the context of this chapter is that democracy in India was not the result of a mass demand of the people; it was not the product of an emerging bourgeoisie demanding democratic rights (Barrington Moore, 1966). Rather, it was the political choice of an intellectual elite (Khilnani, 1997: 34) that won the ideological battle, partly helped by historical coincidence.³

The contradictions that were the result of this history, were at the time clearly expressed by Ambedkar, the main author of the Indian Constitution and leader of the ‘untouchable’ castes, when he said that

On the 26th January 1950, we are going to enter a life of contradictions. In politics, we will have equality, and in social and economic life we will have inequality. In politics we will be recognising the principle of one man, one vote, one value. In our social and economic life we shall, by reason of our social and economic structure, continue to deny the principle of one man, one value. How long shall we continue to live this life of contradictions? How long shall we continue to deny equality in our social and economic life? If we continue to deny it for long, we do so only by putting our political democracy in peril. (quoted from Khilnani, 1997: 35).

Given the huge social and economic inequalities, how could political equality be achieved? In the absence of a broad-based reform movement, where could the push for social and economic change come from? There was almost no other alternative then that the state would have to play a major role in the required development. Using Gramsci’s work, the Indian political scientists Sudipta Kaviraj and Partha Chatterjee have referred to this process as a ‘passive revolution’. In the absence of a bourgeois hegemony, social transformation was sought “through bureaucratic rather than mobilizational form” (Kaviraj, 1994: 60). Or, in other words, “It is by means of an interventionist state, directly entering the domain of production as mobilizer and manager of investable ‘national’ resources that the foundations are laid for industrialization and the expansion of capital” (Chatterjee, 1993: 212). The state became the main actor entrusted with the responsibility to lead and guarantee economic development and social transformation. The result was a huge state-controlled sector and a powerful planning apparatus.

The ideology of state-led development as well as the practice of an enormous public sector responsible for growth and welfare can thus be understood against the background of an emerging democracy with reformist aspirations but without a bourgeois movement or other forms of social mobilisation that could lead or push this development.

The first three Plan periods (1950-1965) were relatively successful, but then the Indian economy started to stagnate. Poverty was also still a major problem. From the mid-sixties onwards, the Green Revolution resulted in agrarian growth in certain regions and the rise a class of capitalist farmers who became a politically powerful category of people in several Indian states. The result, as Bardhan (1984) described, was a coalition of three dominant proprietary classes (the industrial capitalists, rich farmers and white-collar workers), engaged in several conflicts with each other about subsidies and (illegal) rents, resulting in economic stagnation and policy deadlocks.

² See also Corbridge and Harriss (2000: 26-7), Guha (2007: 127-150).

³ Gandhi was murdered in 1948; Patel died in 1950.

From the 1970s onwards, some economists started to question the idea of planned development, pointing out the inefficiencies emerging from controls and protection.⁴

There have been several initiatives in the seventies and eighties to move away somewhat from planning, and to reduce the role of the public sector. When Rajiv Gandhi came to power in 1984, there was a short-lived 'half-hearted' (Harriss, 1987) attempt to liberalize the economy. Several political analysts at that time concluded that given the democratic set-up that allowed opposition to mobilize fairly easily, it was apparently very difficult to reform the Indian economy and to redefine the role of the state (Harriss, 1987; Kohli, 1989; Manor, 1987).

As the events after 1991 have shown, these analyses were mistaken. Although more gradual than in some African or Latin American countries, the Indian economy has undergone a major reform process in the nineties, and the role of the state in economic and social development has significantly altered. Banks have been liberalized; industries previously reserved for the public sector (electricity, telecommunications) have been opened up; agricultural trade has been liberalized; there has been a liberalization of imports and exports; there has been privatisation or disinvestments in some public sector enterprises; the insurance sector has been reformed; planning as an economic instrument has lost much of its importance; massive private initiative in health and education has diminished the role of the state.

These reforms have contributed to high rates of economic growth. They have also contributed to an expansion and increasing importance of an urban middle class and to a new concept of development. Large dams or steel factories are no longer the symbols of progress; they have been replaced by cars, mobile phones and shopping malls. Probably most noteworthy in the context of this book, the reforms have transformed the very idea of the role of the state. The normative model that has acquired dominance since 1991 is one of a slimmed down, effective and efficient, partly decentralised⁵ state that is no longer involved in economic activities that can be undertaken by the private sector, but that takes responsibility for regulating the private sector, enabling and facilitating private initiatives, that relies and collaborates with private and non-governmental parties, and that protects the weaker sections in society. In other words, responsible governance that allows the private sector to flourish has replaced command and control.

3. Processes behind the 'Reinvention'

It is an intriguing question why this shift could take place in the nineties, especially since earlier efforts failed. There is an extensive body of literature on the politics of the reform process, which I have reviewed elsewhere (Mooij, 2004). Here, I will only highlight some of the contributions to the debate.

According to Rob Jenkins (1999), the introduction of the reforms are an example of clever political management, facilitated by helpful features of some political institutions. Reforms, he argued, were introduced by stealth. Indian politicians used several underhand and often non-transparent tactics. They were confident that the reform would not fundamentally alter either the political arena or their privileged position. Interest groups would continue to remain malleable, and new coalitions would emerge. Two types of institutions were particularly highlighted by

⁴ Bhagwati and Desai (1970) is one of these early critiques.

⁵ In 1993, two Constitutional Amendments have introduced decentralization of several government functions to local-level elected bodies.

Jenkins: namely, federal and political party institutions. The effect of the federal system has been the diffusion of opposition, while political parties functioned as networks of influence that could be used by politicians when negotiating policies and accommodating interests. In short, India's democracy did not create a hurdle; on the contrary, the actual functioning of the main 'democratic' institutions enabled reformers to develop their clandestine tactics to introduce the reforms without encountering much opposition.

This explanation focuses particularly on issues of implementation, but does not address the reform agenda itself. Where does the new concept of the role of the state come from; why could it become a powerful idea; why did the communist parties not oppose the liberalisation agenda?

The latter question can perhaps be explained by Varshney's distinction between mass and elite politics (Varshney, 1999). In the 1990s, mass politics in India centered around identity issues. Following the 1991 elections, the Hindu nationalist Bharatiya Janata Party (BJP) had become the second largest political party in the country after Congress (I). It had played a key role in the movement for the demolition of the Babri mosque in Ayodhya and in the Hindu-Muslim riots that subsequently broke out in several parts of the country. Along with the issue of job reservation for lower castes, this had led to mass politics centering around social and communal identities. This, according to Varshney, had consequences for the way political parties realigned in parliament. "Coalitions were increasingly formed against Hindu nationalists, not against the Congress. To begin with, the left – the Communists and the lower caste Janata Dal and its allies – disliked the reforms, but *they disliked Hindu nationalism even more*" (ibid.: 247; italics in original). Subsequent budget proposals could get passed by Parliament – not because the opposition parties were in favour, but because Hindu-Muslim relations and caste animosities had become the prime determinants of political coalitions (ibid.: 248).

Moreover, according to Shastri (1997), the reconceptualisation of the role of government did not start in 1991, but much earlier in the late 1970s and early 1980s when various committees headed by senior administrators who were more market-friendly than their predecessors wrote their policy reports. These ideas were further developed during the Rajiv Gandhi regime. Although many of the policy ideas could not be implemented, the ideological orientation of the key decision-makers and economic advisors continued to change. This process was helped by the entry of the so-called 'laterals' within the bureaucracy, who are usually relatively young, trained outside India (often in the United States), and possibly with prior professional experience in the World Bank or in the academic world. When faced with the hierarchy and rigidity of the Indian bureaucracy, these laterals became reformers almost by default. Thus, the reform discourse grew in strength, and when the 'windows of opportunity' opened in 1991, the plans were ready for implementation.

The limitation of these explanations is that they focus primarily on processes within the state itself, while, as S.K. Das (2005) showed, there was also considerable opposition within the state. Das, himself a member of the Indian Administrative Service, describes how initially, the Indian Administrative Service (IAS) was against the reform process. The reforms seemed to initiate the end of the licence raj; discretionary powers would diminish and there would be a higher degree of insulation between IAS personnel and market participants. While a small number of senior IAS supported the reform ideology, a much larger number, according to Das, feared that the reforms would erode their position of command and control versus the private sector. It was only from 1997–98 onwards that they became reform-minded, i.e., after

it had become clear that the process could be manipulated in such a way that it posed no threat at all.

A more comprehensive account has to take wider social and class relations, and changes therein into account. There were, of course, important geo-political developments: the late 1980s had witnessed the end of the Cold War and the break-up of the Soviet Union. There was also international pressure of the International Monetary Fund and the World Bank to introduce structural adjustment policies. But more importantly, structural transformations had taken place within India's political economy.

First of all, Indian industry and business have undergone a 'quiet revolution' in the 1980s (Pedersen, 2000). The modern sections within business (engineering, electronics, software, computers, etc.) have grown and become more prominent. In contrast to some of the older business groups, these modern sections favour de-regulation, de-control and de-licensing. They have organized themselves in the Confederation of Indian Industry (CII). This confederation has been fairly successful in developing close ties with the Finance Ministry and other policy makers. It participates actively in public debates around the economic reform, and has been able to influence the economic policy agenda. So, Pedersen's argument is that the rise of this new group of industrial entrepreneurs, in economic as well as in political terms, "constituted the key social change that was necessary for the reforms to be carried through" (Pedersen, 2000: 276).⁶

Secondly, over time, there have been important shifts in the overall class structure of India. At the time of Independence, there was a very small elite, and a huge mass of poor people. Partly as a result of the various Nehruvian policies as well as the Green Revolution, this has changed and a considerable middle class has emerged. This, as Sridharan (2004: 405) stated, has political implications. "The elite-mass class cleavage tended to support a broadly socialistic ideology, while the elite-middle-mass differentiation has created a broader base for capitalism – hence the increased support for economic liberalization". Reality is, of course, more complex than this quote suggests, but there is no doubt that the middle class has been a staunch, and perhaps increasingly staunch supporter of the liberalisation process. Diverse and internally fragmented as it may be, and even though it is still by all accounts a minority (and elite part) of the population, it has become 'the moral majority' (Deshpande 2006). It occupies a hegemonic position insofar as it represents what India wants to be in the twenty first century: educated, upwardly mobile, modern.

Even though there are fractions within the middle class that do not benefit from liberalisation (for instance public sector workers who are faced with retrenchments), the middle class as a whole has identified with the liberalisation process. In fact, there is also surprisingly little opposition from lower classes, who are often excluded from the new consumption patterns and life styles that have become normal among the middle class. Fernandes (2006) explains this in terms of 'intertemporal interpretation'. In her view, "an anticipation of future benefits mediates the immediacy of political opposition" (Fernandes, 2006: xx). The promise of liberalisation is that it will benefit eventually everybody. This process is very visible, indeed. *En masse*, poor people have started to see themselves as the potential middle class of the future. This is evident, for instance, in the enormous popularity of English-medium private education, in which poor people are willing to invest a lot,

⁶ See also Mooij (2007) for a more detailed analysis and similar argument about Andhra Pradesh.

assuming that it might be a major gateway towards upward social mobility (Mooij and Tawa Lama-Rewal, forthcoming).

4. Governance Reforms in Andhra Pradesh

The next question to be addressed relates to changes that are taking place in actual practices. The model may have changed from planning to governance, but to what extent have new modes of governance been realized? Given the size of India, this section focuses on just one State within India, Andhra Pradesh, in which I have done fieldwork on governance reforms between 2000 and 2004.⁷

Andhra Pradesh (AP), a south Indian State with approximately 80 million inhabitants, is an interesting state to study governance reforms. When India started to liberalize its economy after 1991, Andhra Pradesh followed suit, but in a slow and modest way. However, since the mid-nineties, the AP State government has become one of the main advocates of the Indian reform process. Between 1995 and 2004, AP was ruled by a dynamic and reform-oriented Chief Minister, Chandrababu Naidu. AP became the first State that negotiated an independent loan from the World Bank.⁸ While in several other States reforms were implemented by stealth (Jenkins, 1999), the AP State government under Naidu made a point of advertising itself as reformist. It is probably partly for that reason that Andhra Pradesh became almost a darling State of several international donors – they liked the unconcealed commitment to the reform process that was almost daily expressed by the political leadership.

Among the many claims of the AP government between 1995 and 2004, there were a few important ones that referred to governance. The AP leadership claimed it wanted to improve the performance of the administration, to enhance accountability and transparency, and to keep politics away from policy implementation. It coined the term SMART governance to refer to these objectives, where SMART stands for simple, moral, accountable, responsive and transparent. A taskforce on Good Governance was set up and a White Paper on ‘Governance and Public Management’ was brought out which discussed many goals and initiatives. In 2000, Naidu published a book in which he wrote that “both old-style politics and old-style governance have to change At the heart of the administrative reform we are attempting is the change in the role for the government from being an actor, to enabler and facilitator” (Naidu and Ninan: 10-12). According to Naidu, there were major problems with the administration. “The machinery which attempts to run the state needs and urgent overhaul itself. It is huge and self-perpetuating. It is slow and accountable to nobody. Above all, it is obstructive. It essentially exists for itself, not for the public” (p. 45). Corruption was seen as an enormous problem. In his view, there was “too much politicking and too little governance” (p. 17).

The most prominent governance reform efforts were the following. First, there was a strategic effort to create an economic climate favourable to private investments. The government established two industrial parks around the capital city of AP (one for software and computer industries; the other for pharmaceutical and biotechnology

⁷ See Mooij (2003; 2007)

⁸ “India-Andhra Pradesh Economic Restructuring Project”, Project ID INPE49385, project document downloadable from www.worldbank.org. This loan was meant to finance expenditure in neglected social sector areas, but also to support the government in its economic reform policies, including cuts in subsidies, reduction of employment in civil service, improvement of expenditure management, strengthening revenue mobilization and public enterprise reform.

industry). It provided specialised infrastructure, offered provisions for capital subsidy, tax rebates and exemptions from certain types of legislations. Furthermore, the power sector was de-bundled and partly privatised. In the social sector, there was a massive expansion of private health and education facilities, also stimulated by the government.

Second, there was an effort to increase stakeholder participation in development efforts. 'Make a stakeholder of every citizen' became a slogan of the AP government. Self-help groups (such as women thrift societies) and local-level user groups and committees were established in many areas. Stakeholder participation was also an important characteristic of the flagship rural development programme (*Janmabhoomi*, literally land of one's birth) introduced by Naidu.

A third set of governance reforms was related to the introduction of e-governance. The chief minister himself strongly believed that information technology could help in improving service delivery, accountability and transparency and in reducing corruption.⁹ E-service centres were created in urban areas. These were multi-purpose centres where citizens can pay telephone and electricity bills, get licences and pay municipal taxes. The Registration Department was computerized, enabling electronic registration of property transfers and other transactions.

A fourth governance reform effort was the introduction of performance targets for individuals and institutions, 'governing for result', as it was coined. Naidu introduced monthly performance assessments of the bureaucracy, at individual and institutional level. Long schedules with numerous indicators had to be filled in at all levels in order to monitor progress and inform the higher officials and Chief Minister. The popularity and progress of the government was further assessed occasionally by independent agents and through ongoing public perceptions studies.

Some of these efforts have been quite successful. For instance, many industrial companies have set up their offices and industries in Hyderabad. These include some major international companies. Microsoft, for instance, has a campus in Hyderabad, which was the company's first campus in India and its biggest outside the US. Software exports from AP have increased from Rs. 0.6 billion in 1995-96 to Rs. 185 billion in 2007-08.¹⁰ AP accounts for 10 per cent of the software exports in India, and Hyderabad is a major player. The e-service centres are also examples of successful initiatives. They are very much appreciated by the urban citizens, who can now settle bills and do other routine jobs at just one counter.

Other governance reforms, however, did not achieve the official objectives or had some unfavourable side effects. The computerization of the Registration Department, for instance, did not lead to a decrease in corruption, as Caseley (2003) has documented. 'Governing for Results' went overboard with its targets and the necessity to report progress at monthly intervals. There was widespread manipulation with figures, stimulated by higher officials who wanted to show that their district performed well.¹¹ The involvement of stakeholder groups in policy making shows a mixed picture. There was a massive expansion of women self-help groups, but many

⁹ See Naidu and Ninan (2000: 14).

¹⁰ The first figure comes from Kennedy (2004:39). The latter from *the Hindu*, 20 March 2008.

¹¹ See Mooij (forthcoming) for some examples in the education sector. Out-of-school children were underreported; school enrolment was over-reported. In fact, several local government officials (such as teachers and health workers) were very fed up with the situation of 'wasting time' filling in forms and showing progress. After Naidu's electoral defeat in 2004, several told me that this defeat was partly related to the fact that their cadre had strategically 'helped' people in the ballot box. This may not explain the electoral outcome, but there is no doubt that the level of discontent about Naidu's managerial style was considerable among these street-level bureaucrats.

of them did not function very well. User groups were formed in multiple areas such as irrigation, forestry, watershed development, education, health, but in most sectors the influence of stakeholders on management decisions remained marginal.¹²

As with all (successful or unsuccessful) policy interventions, it is important to assess the reforms not only against their official objectives and intentions, but also more broadly: what is it that these reforms actually do; what kind of developments do they allow to happen? The first thing to mention here is that the governance reforms were used by the political leadership to develop a political image and identity. Naidu's predecessor was a populist and charismatic film star-cum-politician. When Naidu took over in 1995, he had to find a way to come out of the shadow of his predecessor and to become a leader in his own right. He found this image in computers, technology and modern management. He orchestrated a considerable amount of publicity around his person, stressing especially his commitment to reform, good governance, hard work, his modern outlook, etc. He succeeded in attracting international attention, both from industrialists (Bill Gates), as well as donor organizations. In other words, governance rhetoric and reforms helped Naidu to build an image within the State and to create legitimacy in the international arena.

A second point worth mentioning is that, in actual practice, many of the governance reforms contributed to a further centralization of power in the person of Naidu himself. In a sense, such centralization was not new. The Telugu Desam Party (TDP, Naidu's party) has always been dominated by one leader. Naidu gave, however, a new twist to this centralization. According to one observer, Naidu "is not a 'commandist', since he sees plenty of scope for the private sector and does not wish the government to dominate everything. But he seeks personal dominance of nearly everything within the reach of the government. So, he offers not 'commandism' but 'control freakery'" (Manor, 2004: 273-4). He had surrounded himself with a small number of like-minded often hand-picked people within the bureaucracy. Ministers, barring a few, were fairly marginalized. The establishments of targets and frequent performance assessments functioned as an instrument in this centralization. Regular videoconferences were held, during which senior district officials had to report to the Chief Minister. Districts that had achieved their targets were praised; others were publicly reprimanded. At the district level, many financial powers were shifted from sectoral departments to the district commissioners – to whom the Chief Minister had direct access.¹³

A third effect of the governance reforms was the further development of the Telugu Desam Party at the local level. According to Powis (2003), Naidu's efforts to involve stakeholders should be understood first and foremost as a political strategy: the stakeholder groups functioned as arrangements in which new rural leaders could emerge and be accommodated. In addition, the establishment of stakeholder groups has contributed to the further development of a 'contractor-raj' at the local level. Since stakeholder groups were often dominated by (aspirant) local TDP leaders, and since they were often made responsible for the selection of contractors who could do the work (e.g. build an additional classroom in a school), funds were often used to maintain coalitions of political support and favouring TDP-affiliated contractors (Nayak et al., 2002). There were "tremendous personal benefits to those who are part of the implementing machinery ... [and in] return these people have acted as mobilisers during election time and generated party interests at other times" (Nayak et al., 2002: 40). While previously

¹² See Mooij (2003) for several examples and references to some of the literature.

¹³ See Mooij and Prasad (2006) for an elaborate example from the health sector.

contractors and middlemen could be independent of political parties, the fact that new TDP dominated bodies were made responsible for the distribution of funds made the 'contractor class' enter into politics, often as TDP associates.

A fourth point to make is that the governance reforms did not lead to a reduction in populism. Despite the change in policy rhetoric (from welfare to development; from hand-outs to self-help), the regime continued to be populist. The *Janmabhoomi* (rural development) scheme differed in its concept from some of the earlier development schemes in the sense that it is based on empowerment, self-help and stakeholders, while some earlier schemes draw upon a 'donative discourse'.¹⁴ Nevertheless, it is populist in nature and partly meant to secure vote banks. Moreover, apart from these 'modern' stakeholder-based schemes, there continued to be a plethora of more traditional populist schemes meant for specific target groups (rural women people of traditional occupations, religious minorities, scheduled castes). Especially during election time, Naidu was, as Suri (2005:147) put it, '[I]like a political wizard, (...) [pulling] out one welfare scheme after another from his hat'. In actual practice, many of these schemes suffered from lack of funds or poor implementation. They did, however, have a function in diffusing opposition to the regime and in reproducing a support base at the local level (although the trick did no longer seem to work in the 2004 elections).

To conclude this section, it is clear that governance modalities have changed in Andhra Pradesh. As the governance agenda prescribes, the AP government has, indeed, become more of a facilitator and less of a central actor in economic development. It has started to play, and is still playing, a major role in enabling and stimulating private initiatives in various sectors. At the same time, however, the system of 'old-style politics' did not change, or was even reinforced. The regime continued to be populist, and party building remained a prime concern. In fact, perhaps the main reason behind the introduction of stakeholder groups was exactly that it provided a way to strengthen the ruling party at the local level. Party building in India requires money and usually involves the (illegal) diversion of development funds. This, indeed, continued to happen in AP during Naidu's regime on a massive scale.¹⁵ So, yes, certain parts of the governance agenda have, indeed, been rather successfully implemented, but in other areas, what happened under the label of 'governance reforms' has helped to reproduce a regime characterized by a powerful populist leader, party brokerage in implementation and corruption.

5. By Way of Conclusion

To conclude, this paper has discussed changes that have taken place in India with regard to public management. The earlier model, of a planned economy with a large role for the state has been replaced by a post-Washington-model: governance instead of government; facilitation instead of command and control. The paper has analyzed how this change could happen. It argued that the shift has to be understood against the background of larger transformations in India's political economy, in particular shifts within the class of industrial capitalists, and the expansion of a middle class. Although the reforms are biased in favour of particular categories of people, there has been surprisingly little opposition. This, I have argued was partly because the main political

¹⁴ See Schaffer (1984) about donative versions of reality.

¹⁵ See, for instance, Deshingkar et al (2005) for an analysis of mass diversion of funds in the Food-for-Work programme in 2001-2.

parties in the 1990s had some other major concerns (the rise of identity politics) and partly because many people who are so far excluded have started to see themselves (or their children) as potential beneficiaries in the future.

The paper continued to discuss the practice of governance reforms in one Indian State, Andhra Pradesh between 1995 and 2004. Ideas about governance reforms were used by a reform-oriented political leader to strengthen his image within Andhra Pradesh and outside. The role of the state has, indeed, become much more that of a facilitator of private initiative, rather than that of an economic actor in its own right. At the same time, some of the governance reforms have also helped to reproduce or even reinforce some characteristics of the polity that they were meant to redress. They offered new avenues for aspirant local leaders; they provided ways for distributing development funds and for keeping these under the control of the ruling party; they did not diminish illegal diversion of funds. This is what the governance reforms – also – really entailed.

There was, hence, no real break with the past. New forms of governance have been introduced, but ‘old forms’ of public management have not ceased to exist. It is this combination of old and new that made that also powerful ‘vested interests’ that could have felt threatened by the reforms did not feel the need to oppose them. After all, in the end, ‘politics as usual’ could continue (Jenkins, 1999; S.K. Das, 2005).

Nevertheless, ‘real governance’ is characterized by important contradictions. This was the case in Andhra Pradesh, but perhaps this is equally true in other contexts. As is already mentioned in the introduction of this book, the concept of governance de-politicizes; it is assumed that governance is an a-political form of public management. Political leaders like Naidu have even presented governance as a strategy against politics. The politics of this anti-politics is, however, evident. In its most basic form, governance is a form of public management that gives ample scope for the private sector to develop and even co-govern. In concrete cases, like the one discussed in this paper, governance is even a straightforward political instrument to further empower an already autocratic political leader and strengthen the ruling party. At some point, one might expect, this contradiction becomes hard to sustain, and regimes claiming to pursue a governance agenda might be judged by the standards they have introduced themselves.¹⁶ Perhaps that could be the welcome start of a new discussion about desirable forms of public management – a discussion that would confront the political choices and dilemmas more explicitly.

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¹⁶ It could be argued that this happened in Andhra Pradesh in 2004, when Naidu lost the elections. As I have argued elsewhere, there are, however, good reasons to be cautious to ascribe this defeat to the regime’s reform orientation (Mooij, 2007).

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