

## Streamlining Governance and Accelerating Development - Private Sector

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**Governance** is the process of decision making and implementing of decisions. Good governance is a culture of consistency, responsibility, accountability, fairness, transparency and effectiveness that is deployed throughout the organization (**CRAFTED PRINCIPLE OF GOVERNANCE**). It can only work if it is part and parcel of the culture and climate of the organization.

Privatization can be categorized into three parts : delegation (government keeps responsibility and hands over the delivery of products or services to the private sector), divestment (where the government surrenders responsibility )and displacement (in which the private sector expands and displaces the government entity). Privatization is governed by **SMART** (simple, moral, accountable, responsible and transparent) principle.

For decades prior to 1980's government around the world increased the scope and magnitude of their activities, taking on a variety of tasks that the private sector had previously performed. In West Europe and Latin America, government nationalized companies, whole industries banks and healthcare system and in Eastern Europe, communist regimes strove to eliminate the private sector altogether. Then in 1980's, the tide of public sector expansion began to turn in many parts of the world. In the US, **the Reagan administration** issued new marching orders –“**don't just stand there, undo something** “. A central text of the undoing has been the privatization of government assets and services.

In a collaborative world, the private sector is the key to the success of an open government. It has resources, skilled human capital, relentless focus on customer care and a genuine desire to improve. Private sector answers to just one thing-profit motive to sustain self. They do not have government funding or patronage generally but survive on innovation and excellence. Private governance does not mean protecting the interests of the investors alone, it aims at achieving fairness and transparency in transactions with all stake-holders-employees, customers, vendors, society at large.

As **Garret Hardin** explained in his parable-'**The Tragedy of Commons** '-when a person is dealing with people's property, he does not have the same sense of ownership as he would with his own property. We tend to take care of what is our very own, at least to a greater degree than we care of what is owned by everyone.

A case in example is the privatization of **Power distribution in New Delhi** which has been a landmark success. It has been the crowning achievement of the Delhi government to restructure

the **Delhi Vidyut Board**. Earlier, transformer and equipment failure and electricity theft were rampant and load-shedding was frequent. The system looked financially unviable and unsustainable. There were power cuts of 4-5 hours daily in summers , but after privatization, there are only 4-5 interruptions in a year. The concept of customer care was unheard of. Earlier, during power cuts when we would call up the Electricity Department, they would inevitably put the phone off hook ,leaving the consumers to fret and fume. Now after privatization, we have the doorstep service ,wherein customer complaints are catered to at his doorstep itself. Also, the revenues and profits have shown a big rise. This shows the efficacy of private governance. This is the 15<sup>th</sup> year of successful privatization of Power Distribution in Delhi by two private players- **Reliance Infrastructure and Tata Power**.

Allowing private entry forces firms to improve the performances. In reforming the ports sector in Mumbai, the authorities opted to create a new private port rather than undertake controversial reform involving private participation in the existing state owned port trust **Jawaharlal Nehru Port Trust (JNPT)**. Its operational performance improved substantially as a result of competition and learning.

The threat of failure and exit forces state enterprises to restructure and become more disciplined. Another example of privatization which benefitted the consumer is the **Civil Aviation** Sector. The government owned **Air India and Indian airlines** held monopoly over Indian skies for several decades leading to deterioration in services, delay in flights and poor customer satisfaction. But the flyers had no other option. But once the private airlines entered in the market, they had innumerable options to choose from and the consumers got better value for their money. Previously the Indian markets were ruled by government but as soon as they were opened for investments, employment was generated and living conditions of a vast majority of population improved drastically.

India's rapidly expanding middle class has led to a growing demand for **passport services**. This put an undue strain on the limited infrastructure, obsolete system and human resources of the **Ministry of external affairs**. Citizens had to deal with inconvenient and cumbersome processes, limited number of passport offices and endless delay. Attempts to automate operations, decentralize collection of applications, open new passport offices and introduce new organizational reforms were unsuccessful. Traditional manual process led to inefficiency and made passport delivery prone to errors. Earlier, people had to stand in queue for long hours had to take a day off from work in order to get a passport made. Everyone tried to reach the passport office before 9 A.M.(opening time) but there would be a long line of people waiting there already. The whole day would be spent moving from one counter to another and it would be highly frustrating when you were called again the next day. Supporting India's **National e-Governance Plan**, **TCS** helped the ministry manage their existing system by opening 88 passport kendras. Operations have become transparent and citizens are benefitting from this new streamlined digital privatization. Forms can be filled and submitted online and you are

given a time slot in which to come to the passport office .It has become hassle-free and very organized. People don't have to look for touts or bribe the agents to get their work done any more.

The state development report of Jammu and Kashmir released by the Planning Commission a few years back had recommended privatization of the loss making public sector undertaking like **JKTDC** (J&K Tourism Development Corporation), **J & K Agro Industries Development Corporation** in order to help the state control, the revenue expenditure which has been a major drain on the limited resources. Similarly, **HPMC** (Himachal Pradesh Horticultural Produce Marketing and Processing Corporation) has been running in a grim financial condition. If these sick units are privatized, professionalism would come in and productivity would increase. Most of these PSU's are overstaffed in lower labour productivity.

In discussing one of her main achievements as British Prime minister, **Margaret Thatcher** said- "**privatization is at the centre of any programme of reclaiming territory for freedom**". One area where Britain reclaimed a lot of freedom is aviation. Since the 1980's, that nation has privatized airlines, airports, air traffic controllers etc. Thatcher's privatization revolution has spread around the world.

In 1990 alone, the world's government sold off \$ 25 billion in state owned enterprises with continents *trying* to see who would claim the privatization title. The largest single sale occurred in Britain where investors paid over \$ 10 billion for 12 regional electricity companies. New Zealand sold more than seven state owned companies, including the government telecommunication company and printing office of \$ 3 billion.

At his first independence Day speech, the prime minister Sh. Narendra Modi had declared that he wanted to put an end to the culture of *mera kya mujhe kya* (commonly seen in the public sector). Participative government and private sector involvement has become the **cornerstone** of his administration as is evident in his policies such as "**Make in India**" initiative. The most striking indication of progress is the unprecedented opening up of key sectors-Railways , Defence, Insurance and Medical devices to dramatically higher levels of **Foreign Direct Investment**. It is a powerful call to India's citizens, business leaders, potential companies like Samsung, Lenovo, Boeing, Xiomi agreed to invest in India to strengthen the manufacturing base here to provide employment to scores of Indians and improving their lifestyle and giving the economy a big boost.

The private sector can discover and develop new ways to unlock value from public sector. Good governance should be viewed in the public sector as a system that supports and monitors how the organization goals are achieved. Privatization is not inherently good or bad-the performance or effectiveness depends upon the implementation. There are examples of success and failure in both sectors-most of the research suggests that the key factor is whether there is clear accountability for results, clear criteria in contracts and clean public objectives. The real issue is not public vs private –it is **monopoly vs competition**

Thus it is clear that the market driven private sector is more efficient. Private sector competition is what powers our economy and gives us innovative products and services that we enjoy. In an ideal country, the public sector must set up a framework of governance which the private sector must implement in its own innovative ways and the public sector must monitor the progress, both the sectors complementing each other and providing good governance. As we all know, **Good Governance Day** is observed annually on **25<sup>th</sup> December**, birthday of former prime minister **Sh. Atal Bihari Vajpayee**, in order to provide an open and accountable administration in the country.

Thus, the private and public sector are the two sides of a coin and can fulfil the PM's dream of **Minimum government and Maximum governance**. This was best summarized by **Henry David Thoreau** who said- "**That government is best which governs least**".

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