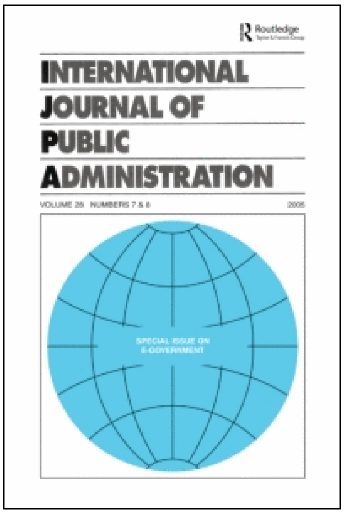

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RECENT TRANSITION IN GOVERNANCE IN SOUTH ASIA: CONTEXTS, DIMENSIONS, AND IMPLICATIONS

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ABSTRACT

There has been a paradigmatic shift in the mode of governance in capitalist nations, developing countries, and postcommunist states. Under the newly emerging neoliberal state, which has largely replaced other state formations, public governance has undergone significant transformation. In comparison with the earlier mode, the new mode of governance has the objective of narrow economic growth rather than overall development, the role to support rather than lead service delivery, the structure of managerial autonomy rather than accountability, and the standards based on business norms rather than public ethics. This mode of governance, which emerged in advanced industrial nations, has been extended to most developing countries, including those in South Asia. This paper explores the origins and trends of recent changes in governance in South Asian countries, and evaluates the critical implications of such changes for various dimensions of society in these countries.

INTRODUCTION

The current transition in the ideological foundation, theoretical basis, and practical orientation of governance is a worldwide phenomenon affecting almost all nations, including those in South Asia. This recent transformation—which is largely identified with neoliberal ideology, neoclassical theory, and neomanagerial practices—has taken place with a view to reinvent, reengineer, or revitalize overall governance in different countries.(1) In fact, the very idea of governance has recently been reconceptualized to encompass almost all domains, branches, sectors, and levels of government in favor of autonomy, participation, and transparency, and restructured to incorporate business-friendly ventures such as privatization, deregulation, and liberalization.(2)

Apparently, this indicates a significant departure from the postwar construction of a welfare state, planned development, and an expansive public sector in developed and developing nations.(3) As such, this basic shift in governance represents, and has been enhanced by an historical transition in the very formation of the state in line with the neoliberal assumptions of market superiority, anti-welfarism, nonintervention, and free trade and exchange.(4) These neoliberal tendencies of the state can be observed in South Asian countries such as Bangladesh, India, Nepal, Pakistan, and Sri Lanka.(5) Under such a newly emerging neoliberal state, the scope, objectives, structures, functions, and strategies of public governance have also undergone considerable changes guided by the businesslike neomanagerial ethos and principles resembling the so-called "new public management" in developed nations.

The traces of this new public management model and its principles, concepts, and techniques, can be found in the major reform initiatives undertaken recently by governments in different parts of the world. The globalization of such market-driven mode of governance through the advocacy, persuasion, and pressure of international forces, especially international financial agencies, has certainly affected the governance systems in South Asian countries that are heavily dependent on these agencies for external finance and technical assistance.(6) In most developing countries, including those in South Asia, the imposition of such market-led governance has been accomplished by these agencies through the so-called structural adjustment program, which now represents one of the most primary preconditions to receive external assistance from any donor agency or country.(7)

In this paper, the main objective is to examine the features of this newly emerging mode of governance in the context of South Asia comprised of countries such as Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan, and Sri Lanka. Another goal is to critically evaluate various economic, political, and administrative conditions created by, or at least coincided with, the adoption of this new governance system in these countries. This analysis may help demonstrate the effectiveness of new governance in relation to such societal conditions that exist in each of these countries. However, before exploring the features and implications of current governance, the paper briefly describes the context and genealogy of overall governance in South Asia.

CONTEXT AND GENEALOGY OF GOVERNANCE IN SOUTH ASIA

South Asia is a unique region with considerable cross-national diversities, similarities, and contradictions. It is composed of countries as small as the Maldives with an area of only 298 sq. km. and a population of about 200,000, and countries as big as India with an area of 3.3 million sq. km. and a population of nearly one billion. There are also variations among countries in terms of the levels of income and living standard—the highest in Sri Lanka and the Maldives and lowest in Bhutan and Nepal. The ethnic and religious compositions also differ among these countries. For instance, in terms of dominant groups, there are Bengali Muslims and Hindus in Bangladesh; Indo-Aryan and Dravidian Hindus and Muslims in India; Punjabi and Sindhi Muslims in Pakistan; Sinhalese and Tamil Buddhists and Hindus in Sri Lanka; and Brahmin, Chetri, and Vaishya Hindus and Buddhists in Nepal.(8)

These variations in the complex nexus of geographic and demographic size, ethnic and religious composition, economic condition, and political system in South Asia often transcend national borders, affect peoples in the neighboring countries, and lead to various forms of intraregional conflicts. Conversely, these countries have also similarities in terms of common historical roots, colonial experiences, cultural beliefs and lifestyles, cross-border ethnic and religious identities, and modes of governance.(9) With regard to modes of governance, despite the above contextual variations, South Asian countries have been quite similar in terms of the objectives, structures, functions, attitudes, and standards of governing bodies despite the variations in government typologies ranging from parliamentary democracy in India and Sri Lanka to monarchy in Nepal and Bhutan to occasional military rule in Bangladesh and Pakistan.(10)

These similarities in different dimensions of governance among South Asian countries can be found in the precolonial, colonial, postcolonial, and current periods. During the early precolonial phase, a systematic structure of governance emerged in the region—evolving from of the Vedic Era (2500-1500 B.C.) to the Mauryan period (321-185 B.C.)—with an emphasis on territorial division, law and order, revenue collection, external security, and judicial administration.(11) Beginning from 1206 A.D., the later precolonial phase under Muslim rulers (particularly under emperors Shershah and Akbar) saw the emergence of a more comprehensive territorial administration and a centralized structure in the executive, judicial, and military spheres of governance. In terms of the nature of relationship among various domains of governance, this precolonial tradition was characterized by the fusion of politics and administration, the absence of democratically elected governing bodies, the dominance of paternalistic state apparatus over economic production and trade and commerce, and the subordination of private capital and entrepreneurship to the state.

However, a modern system of governance in South Asia evolved mainly under the British colonial rule encompassing all countries in the region except Nepal. It was based on systematic classification, defined structure, merit-based recruitment, regular salary system, institutional training, and so on. The later stage of colonial rule witnessed more contestation and negotiation between the colonial power and the local elite for a greater national share of high-ranking positions, and for further indigenization of governing institutions and processes through legal and constitutional reforms. This discourse on sharing power in public governance—which was pursued predominantly under conceptual categories such as covenanted vs. uncovenanted public officials and provincial vs. imperial civil services—took place within the overall structure of colonial hegemony with the local elite as its subordinate constituent. As a result, like the other colonized regions of the world, South Asia hardly transcended the colonial legacy of governance characterized by elitism, secrecy, centralization, formalism, rigidity, and social isolation.(12)

A central feature of such colonial mode of governance was the modernization of the administrative system while overlooking, and often suppressing, development in political institutions, which resulted in an overdeveloped administrative apparatus at the expense of political development in most countries of the region. In addition, since the primary mission of such colonial governance was to enhance resource extraction through state control, the avenues for promoting local private capital and indigenous entrepreneurship remained limited. This colonial structure was reinforced further by the prevailing social structure based on the caste system that allowed minimal autonomy for and assigned a lower rank to the merchant class. Such external colonial and internal social structures represented the major obstacles to capitalist development in the region.

In fact, the rigidly hierarchical colonial structure and the unchangeable caste system served complementary purposes: both the colonial administration and the high-caste elite needed each other to perpetuate their hegemonic controls over the low-caste majority, to prohibit capital accumulation based on free competition irrespective of caste identity, and to suppress the potential of any public uprising.

The postcolonial period began with the promises of rapid socio-economic progress based on a development-oriented mode of governance, although in reality, the colonial legacy continued in South Asian administrative systems in terms of institutions, structures, norms, and attitudes. However, this developmental orientation in governance—which led to a considerable amount of academic discourse on the so-called "developmental state" and "development administration"—represented certain shift from the above colonial mode of governance.(13) This shift in governance became evident in its state-centered approach, expansive scope, decentralized structure, and development-oriented objectives like poverty eradication, income generation and redistribution, higher living standards, self-reliance, and nation-building. South Asian countries such as Bangladesh, India, Nepal, Pakistan, and Sri Lanka adopted this statist model of governance in favor of planned development to improve conditions in all major sectors, including agriculture, industry, commerce, education, health, and transport.

Although the later part of postcolonial period saw significant changes in the nature of regimes in South Asia—including the end of one-party dominance in India, rise and fall of one-party state (with socialist leanings) in Bangladesh, reemergence of military rule in Pakistan, weakening of monarchical power in Nepal, and increase in presidential power in Sri Lanka—there was always the priority of state-centered development agenda in these countries.(14) In each of these South Asian cases, the role of the private sector remained subservient to the state-led governance irrespective of such regime variations. In terms of outcomes, although the history of developmental governance is replete with negative images such as inefficiency, bureaucratism, corruption, and mismanagement, it made certain progress in providing basic services, generating employment, building infrastructure, maintaining law and order, and reducing foreign ownership and control. The effectiveness of such governance was often challenged by the constraining contextual factors ranging from interstate hostility to natural disaster, religious conflict to excessive population growth.

In most South Asian countries, however, the recent two decades have seen almost a reversal of the above historical legacy of state-led governance that dominated the precolonial, colonial, and postcolonial periods. This unprecedented historical shift in governance in the region reflects and resembles the current global trends of changes towards the dominance of market forces, weaker role of the state, erosion of the public sector, priority of microeconomic efficiency, and businesslike transformation of the public sector. The move toward such a market-driven governance in South Asia was not only caused by the failure of the previous state-centered approach, it has also coincided with the market-friendly changes in international political economy, including the collapse of socialist states, delegitimation of state planning, imposition of structural adjustment program by the donor agencies, worldwide expansion of large corporations, and stronger alliance between the state and private capital.

In line with such global trends, since the mid-1980s, Bangladesh has increasingly moved away from the planned-development approach and embraced market-led reforms irrespective of differences in the past ideological inclinations of the ruling parties. Based on the prescriptions of structural adjustment, the market model of governance was endorsed by the two consecutive military regimes (Zia and Ershad), and it became consolidated further under the elected civilian governments of Khaleda Zia (1991–96) and Sheikh Hasina (1996-present). The current ruling party (Awami League) under the leadership of Sheikh Hasina has decided to continue such promarket governance despite the party's past ideological bent toward socialism. The government has taken initiatives to divest more state enterprises, attract local and foreign private investors, and liberalize all economic ventures in favor of private entrepreneurs. Similar move toward market-led governance can be found in Bhutan where the government has encouraged participation of the private sector in various enterprises since the late 1980s.(15)

In the case of India, the government has been quite determined to debureaucratize or "degovernmentalize" the pubic sector by reducing the government's share holdings and maximizing private ownership and control.(16) The process of market-led governance initiated by the former Prime Minister Rajiv Gandhi in 1984, has gained momentum during subsequent governments that pursued liberalization, expanded capital markets, deregulated licensing system, reduced import restrictions, and encouraged the business sector.(17) A major emphasis of India's recent five year plans has been on the development of private sector, and its New Economic Policy aims to reduce the scope of public sector. In addition, in recent years, India has been aggressively pursuing policy measures to attract foreign investment in various sectors, especially through its Foreign Investment Promotion Board.(18)

Similarly, in Nepal, since the mid-1980s, the government has undertaken various measures to transform public governance into a market-friendly venture. It has moved to reduce state intervention, liberalize trade and industry, deregulate prices, relax administrative controls, divest public enterprises, and downsize the overall public sector. Such changes in governance can also be observed in Pakistan, which accepted the International Monetary Fund (IMF)—initiated structural adjustment program requiring the removal of trade barriers, reduction in restrictions on foreign investment, withdrawal of control over finance and exchange, and divestment of state enterprises.[19] In such a restructuring of governance, Sri Lanka has also been quite active, especially in terms of shifting the role of government from direct intervention to indirect facilitation, transferring state assets to the private sector, reducing the size of bureaucracy, minimizing import restrictions, and creating a conducive atmosphere for the private sector.[20]

The above description shows how in the current market-friendly global context, the legacy of state-centered governance has increasingly given way to a market-driven governance in South Asian countries. This shift in the mode of governance implies a considerable change in the configuration of relationship between the state, capital, and society. In addition, these changes have serious socioeconomic implications for each of these countries. However, it is necessary to explicate the specific nature of current changes in governance in greater detail.

A NEW MODE OF GOVERNANCE IN SOUTH ASIA: THE MAJOR DIMENSIONS

In the above section, the paper has delineated the major contexts and origins of various modes of governance and their changes in South Asian countries. It emphasized that during the recent two decades, in the region, there has been an unprecedented transition in governance in terms of recent historical departure from the traditional interventionist state, and the endorsement of a market-friendly approach to public sector management. Like other developing regions of the world, this recent transition in governance has taken place under the externally imposed or internally endorsed structural adjustment program representing the contemporary reform agenda of international agencies.[21] In this section, the specific dimensions of this transition in governance are explained in terms of the following: (a) changes in government initiatives and institutions, (b) reforms in public sector structures, (c) shifts in strategic or policy priorities, (d) adjustments in task orientations, and (e) changes in performance criteria and standards.

Changes in Initiatives and Institutions

In recent years, there has emerged a new genre of government initiatives and institutions in South Asian countries. In the past, these developing countries undertook varieties of development-related initiatives such as long term development plans, poverty eradication programs, rural development strategies, and affirmative action measures for low-caste citizens and women. In line with such initiatives, these countries also established certain institutions or organizations, including national planning agencies, public service commissions, local government authorities, and series of public corporations. Although many of these institutions have not disappeared, with new initiatives, their objectives and functions have changed, and certain new institutions have also emerged.

In Bangladesh, the government has endorsed the globally popular initiative known as "good governance"—especially under the auspices of the World Bank and the IMF—which recommends a smaller public sector and a stronger government-business relationship.[22] These recommendations are repeatedly echoed in the World Bank's recent publications on Bangladesh, including *Government That Works: Reforming the Public Sector* (1996) and *Bangladesh: An Agenda for Action* (1997).[23] This minimalist ethos is also visible in initiatives such as the recent Public Administration Sector Study (1993) and Public Administration Reform Commission (1997). Among the new institutions, the major examples include the Privatization Board, Board of Investment, and the proposed Deregulation Commission and National Commission for Reforming Government.[24] The main agenda of such institutions is to enhance the processes of privatization and private investment in Bangladesh.

In India, the government took various initiatives during the 1990s to enhance the efficiency of overall governance system: these include the appointment of an Administrative Reforms Commission by the central government, creation of Administrative Reforms Departments at the provincial level, classification of government activities into core and noncore activities with an objective to transfer the latter to private parties, and rationalization of various laws and rules.[25] The government has also introduced a series of new institutional measures in line with the new market-led governance. More specifically, the government has established the Disinvestment Commission and the Disinvestment Fund to accelerate the process of privatization, and the Investment and Project Monitoring Cell to provide information and guidance to private enterprises. With regard to foreign investment, there are certain relatively new institutions such as the Indian Investment Centre, the Foreign Investment Promotion Board, and the Foreign Investment Promotion Council. In addition, the government has created the Institute of Smart Governance to enhance the systems of service delivery.(26)

Similar to India, Nepal introduced an Administrative Reform Commission in 1991, which made recommendations to downsize the civil service, streamline public sector activities, and expand the scope of the private sector. Nepal also has the Privatisation Committee and the Industrial Promotion Board to implement some of the market-led initiatives and policies.(27) In Pakistan and Sri Lanka, there have emerged similar institutions—including the Privatization Commission and the Board of Investment in Pakistan, and the Privatization Commission and the Public Enterprises Reform Commission in Sri Lanka—to facilitate divestment and privatization transactions.(28) In Pakistan, moreover, the Economic Reforms Act of 1992 represented a concerted government effort to move toward a promarket governance.

The above market-driven changes in government initiatives and institutions in South Asia are quite unique not only in terms of the relative lack of similar examples in the history of governance in the region. These new initiatives and institutions are also unique in terms of the fact that although they have been introduced by, and constitute a part of, the state, they aim to diminish the scope and role of the state itself, and thus represent an antistate position. Therefore, such changes reinforce the argument that the current reform initiatives have more to do with the influence and pressure of external forces (such as international agencies and transnational corporations) than the choices of internal power blocs (the ruling party, the military, and bureaucracy) associated with the state.

Reforms in Scope and Structural Composition

In South Asian countries, as in other developing countries, the structure of governance has traditionally been based on expansive size and scope of the public sector on the one hand, and the principle of close supervision over such colossal state bureaucracy to ensure accountability on the other. The postindependence period, especially between the 1950s and 1970s, saw a rapid expansion of the size and scope of public sector in terms of its command over financial and human resources and its coverage of diverse socioeconomic sectors. Although there was a growing emphasis on structural decentralization at the local level, such a colossal and all-pervasive governance system required various means of control and accountability, although these mechanisms were not always effective.

Since the mid-1980s, however, the scope and structural pattern of governance have significantly changed in South Asian countries. This is quite evident in recent government reforms to downsize the public sector, streamline public expenditure, and restructure ministries and department into autonomous agencies. In fact, initiatives were already undertaken in the 1980s by certain South Asian government to reduce or freeze public employment in South Asian countries.[29] The World Bank reported that in the case of Bangladesh, various government departments and agencies were planned to be downsized; the redundant public sector employees were to be retrenched; and more than 7500 workers were already retrenched in state-owned textile mills.[30]

In India, in the name of debureaucratizing, demonopolizing, and rightsizing governance, strategies have been undertaken to reduce central government employment by 30 percent over a period of 10 years. It was found as early as 1995 that some 125,000 workers were retrenched in the industrial portion of the public sector. In the case of Nepal, the government considered privatisation as a means to downsize public bureaucracy, and introduced the strategy of freezing all vacant positions in public offices.[31] In its 1992 report, the abovementioned Administrative Reform Commission strongly recommended to downsize the civil service and streamline the public sector; and during 1992–94, the newly created Administrative Reform Monitoring Unit succeeded to considerably reduce the number of civil servants in Nepal. Similar scenario also exists in Sri Lanka where the government adopted the recruitment freeze and early retirement policies, and retrenched thousands of employees.[32]

In addition to the current downsizing exercise in South Asia, the remaining part of the public sector (after retrenchment) is being transformed into businesslike agencies based on unprecedented structural autonomy in finance and personnel matters. In the case of Bangladesh, the World Bank conducted a study of public sector management in 1996, and prescribed decentralization in decision making through the creation of autonomous agencies. However, it is suggested that the sustainability, jurisdiction, and financial viability of such autonomous agencies in Bangladesh require constitutional guarantee.[33] In India, the Divestment Commission recommended an increased level of autonomy for state enterprises, followed by the guaranteed financial and managerial autonomy of 11 major enterprises and 97 smaller enterprises.[34] The purpose is to enhance the operational freedom of these organizations. Nepal has also assigned autonomous status to organizations such as the Rural Energy Development Board.

Similar trend of structural autonomy can be found in certain sectors in Pakistan. For example, the Pakistan Railway has been converted into an autonomous agency and the Pakistan Telephone and Telegraph into an autonomous public company, with a view to providing an increased level of operational autonomy to these public sector organizations. Sri Lanka, on the other hand, has decided to move towards greater autonomy in personnel management by delegating the power of its national public service commission to the newly created provincial service commissions. Most South Asian countries, especially India and Pakistan with their federal structures, have decided to increase the autonomy of provincial governments in delivering services within their own jurisdictions.(35)

Shifts in the Strategic Priorities

South Asian countries have been traditionally known for their postindependence strategies of nationalization, protectionism, and strict regulation of the private sector in line with national objectives such as economic self-reliance, minimal foreign ownership and control, income redistribution, higher living standard, and nation-building. But since the early 1980s, the strategic priorities have increasingly shifted towards privatization, liberalization, and deregulation with a view to expanding the market forces, accelerating economic growth, encouraging foreign investment and ownership, and taking part in global competition. Such a strategic transition in governance is more visible in Bangladesh and India, which used to have certain socialist predispositions and believed in socioeconomic progress through planned development led by the interventionist state and its bureaucracy. The current market-led orientation represents almost a reversal of this earlier policy stance.(36)

More specifically, the privatization strategy has been adopted by all South Asian countries in their major economic sectors. In Bangladesh, privatization has affected sectors such as textile, steel, sugar, power, natural gas, oil exploration, port, telecommunication, transport, banking, insurance, and tourism. According to some figures, by 1990, Bangladesh privatized as many as 609 industrial enterprises; and in the early 1990s, it completed administrative formalities for privatizing another 28 major enterprises. In the case of India, the government has allegedly taken a more gradual approach to privatization. During the period 1991–98, it privatized 39 enterprises out of 240, and by March 1998, the total value of privatization transaction was Rs. 112.57 billion.(37) However, since 1998, the rate of proceeds from disinvestment has increased.

In Nepal, the privatization program expanded under the Nepali Congress Party, but slowed down under the Communist Party of Nepal that did not oppose privatization but questioned its methods. Of the total 60 state enterprises in Nepal, many have already been privatized while others are under consideration. The major sectors affected by such privatization ventures, include fertilizer, banking, salt, cement, power, textile, insurance, water, sugar, tobacco, bus, telecommunications, and airlines.[38] In Pakistan, the recent ruling parties have been strongly committed to the market-led policy of privatization irrespective of their previous differences in policy agenda. They consider privatization as a chosen option to enhance the country's economic progress. By 1991, privatization program was applied to 97 out of 118 state-owned industrial units in sectors such as automobiles, energy, fertilizer, cement, chemicals, food products, transport, and telecommunications.

Sri Lanka has also been active in pursuing the privatization strategy that began in the late 1970s. More than 50 state-owned companies have been sold, although the government has been more cautious to completely withdraw price controls from sectors like petroleum, railway, roads, telecommunications, airlines, and electricity. However, it sold significant portions of gas company in 1995, steel corporation in 1996, and the national airline and telecommunications in 1998 to various foreign investors. The government has also decided to raise more revenues by selling enterprises in sectors such as light manufacturing and tourism.[39]

Another recent major strategic change in governance in South Asia has been toward the liberalization of trade and investment. In the case of Bangladesh, the government has taken initiatives to liberalize foreign investment in most sectors, allow maximum foreign ownership and repatriation of profits, reduce import duties, provide tax holidays and tax exemptions, arrange one-stop shop for investors, guarantee protection to foreign investment against nationalization, and ensure unhindered access to local banks and financial institutions.[40] India has also moved toward similar directions in liberalization. It has reduced trade barriers and corporate tax rates, introduced tax exemptions on export earnings, permitted foreign equity investment of up to 51 percent in major industries (100 percent in some sectors), allowed foreign companies to use their brand names, and guaranteed export firms to have duty-free imports. The Nepalese government has also adopted this liberalization option related to trade and foreign investment with a view to supplement domestic private investment and enhance technology transfer.[41]

In the case of Pakistan, the government has introduced varieties of incentives for foreign investment, including the ownership and repatriation of capital, duty and tax free imports, exemption from foreign exchange control, and full protection of foreign investment. These incentives, however, are more attractive in Pakistan's newly created "export processing zones" where the foreign investors can enjoy complete exemptions from federal and provincial taxes, foreign exchange controls, insurance regulations, and import restrictions.[(42)] Almost similar position has been taken by the Sri Lankan government to allow total foreign ownership in most sectors, ensure maximum exemption of foreign investors from various regulations and restrictions, provide one-stop services and conducive infrastructures, and guarantee (constitutional) the safety of such investments.[(43)]

Adjustments in Task Orientation

In most South Asian countries, the traditional task of governance was its direct production and delivery of goods and services such as health care, education, transport, agricultural inputs, industrial infrastructure, and even basic food items. The state and bureaucracy assumed primary responsibilities to meet public needs and direct future socioeconomic development. But under the emerging market-led governance in South Asia, the primary task of government has changed from being the leading agent of production, distribution, and development to an indirect facilitator of such socioeconomic activities that are increasingly assigned to the private sector. In other words, the main task of public governance now is to assist the private sector in producing and delivering goods and services. Such a market-led reorientation in the task of governance is compatible with the abovementioned policy trends such as withdrawal of state intervention, reduction in public sector activities, and transfer of public assets to the private sector. This change in task orientation is becoming more evident in countries such as Bangladesh, India, and Pakistan.[(44)]

In the case of Bangladesh, the government has increasingly assumed the task of downsizing state agencies, promoting the private sector, supporting market forces, and facilitating market-led economic growth.[(45)] Various ministries in India have also undertaken measures to simplify rules and procedures in order to facilitate market-led policies like liberalisation and divestment that strengthen the role of the private sector. The emphasis is on making governance less bureaucratic and rule-bound and more businesslike and customer-friendly. Thus, beyond transferring public enterprises to the business sector and withdrawing controls from private enterprises, the government aims to create a conducive atmosphere within which market forces can flourish.[(46)] During 1994–96, India undertook a project known as "Government and Development" with an objective to educate state-level officials about the benefits of market-led policies, and encourage them to nurture an attitude of facilitating business sector activities.[(47)]

For this business-friendly orientation in public governance, the Nepalese government has also set the priority at the highest policymaking level to clearly define the role of the state vis-à-vis the private sector in pursuing economic development.[48] The agenda, of course, is to assign the leading role to the private sector, and render the task of the state to that of facilitating business enterprises. In the case of Sri Lanka, the examples of this move toward such a supportive role of the state include some recent projects—e.g., the Private Infrastructure Finance Project and the Public Enterprise Reform Technical Assistance Project—which aim to facilitate private investments in various services formerly provided by the public sector.[49]

This change in the task of governance to serve the private sector is also evident in the increasing alliance or partnership between the public and private sectors. In recent years, the Bangladesh government has openly expressed its intention to form partnership with the private sector, especially foreign investors.[50] In India, the scope of public-private partnership has expanded due to the growing frequency and intensity of alliances and linkages between the government and international firms.[51] There has also been an increasing number of policy dialogues between business executives and state officials in Uttar Pradesh, Punjab, Haryana, Rajasthan, and Himachal Pradesh—these dialogues aim to change the orientation of governance in favor of business entrepreneurs.[52]

Similar trends toward more public-private collaboration, consultation, and exchange can be found in other South Asian cases such as Nepal, Pakistan, and Sri Lanka, although it is not easy to transform the region's traditional bureaucratic attitude and culture dominated by secrecy, suspicion, and risk avoidance.[53] It should be mentioned, however, that the above task reorientation in governance in favor of the private sector may have negative implications in terms of conflict of interest between civil servants and business enterprises, compromise of general public interest, and marginalization of small businesses and disadvantaged groups.[54] In the case of India, the current administration seems to have stronger alliance with foreign investors than local businesses. As Bidwai mentions, the government has spent more time and energy in courting multinational corporations than promoting local firms and small industries.[55]

Changes in Performance Criteria and Standards

During the postcolonial period, as South Asian countries attempted to enhance socioeconomic progress based on planned development, the performance of government were to be assessed by the extent to which it could realize objectives such as poverty reduction, public welfare, income equality, self-reliance, and better living conditions. Although these performance criteria were hardly realized in practice, they were officially stipulated in all longterm development plans of these countries. In addition, performance standards were also implied in the formal public service norms like accountability, representation, neutrality, equality, and justice, although these standards were often violated by public institutions. Under the newly emerging mode of governance based on businesslike objectives and market values, these earlier criteria or indicators of performance have largely been sidelined by a new set of performance standards such as growth, efficiency, competition, entrepreneurship, value-for-money, and customer orientation.

In fact, the current state policies (privatization, deregulation, liberalization) in South Asia have largely been based on rationales or standards such as growth, efficiency, economy, and competition. These businesslike rationales have become common among most Asian countries pursuing such market-driven state policies. Within South Asia, Bangladesh, India, Nepal, Pakistan, and Sri Lanka have used these standards in justifying their recent reforms in governance.(56) For example, Bangladesh has pursued reforms in its government auditing (under the initiative known as Reforms in Government Audit) in order to enhance public sector performance in terms of economy, efficiency and effectiveness. India is putting greater emphasis on the in-service training of public employees to improve administrative efficiency and effectiveness. In Nepal, the current criteria or standards of delivering public services are speed, efficiency, and effectiveness.(57) In short, all these countries, under the framework often set by international agencies, have put increasing priority to these standards of efficiency, economy, and competition in public governance, although the earlier emphasis on welfare, equality, self-reliance, and representation has not been completely withdrawn.

In addition to this growing significance of market-based standards, another new standard of performance is the level of satisfaction expressed by the individual "customers" of public services, which is quite different from the performance of public sector as perceived by the public or the "citizens" in general. This shift in performance standard toward the satisfaction of customers or consumers, which began in advanced industrial nations, can be observed today in most developing nations, including those in South Asia. The term "customer" is now frequently used by the governments in Bangladesh, India, Nepal, and Pakistan while introducing new state policies, designing public sector reforms, implementing economic programs, recruiting new employees, and undertaking civil service training.(58)

In other words, one of the main indicators of public sector performance today is whether its customers are satisfied with its services. In this regard, some South Asian countries have adopted the so-called citizen's charter or client's charter resembling similar practices in developed nations. India has decided to introduce such a charter at the federal and state levels in sectors such as railway, telecommunications, postal service, hospital, electricity, and so on. In the case of Bangladesh, there was discussion on adopting a similar charter, so that customers could express their grievances.[(59)] However, the fact remains that the current concern for customers' satisfaction as an indicator of public sector performance is relevant mainly to the buyers or receivers of public sector services, it does not have much use for those who cannot afford to purchase such services.

CRITICAL IMPLICATIONS OF NEW GOVERNANCE SYSTEM IN SOUTH ASIA

In the above discussion it has been explained how the overall governance has changed and a new mode of governance has emerged in South Asia in terms of its initiatives and institutions, scope and structural composition, strategic priorities, task orientation, and performance criteria and standards. At this stage, it is necessary to examine the major implications of such newly emerging market-led governance system in the region. This section presents the scenarios of current economic, political, and administrative conditions under the new governance system in South Asian countries, in order to decipher the implications of such new governance. It is possible that these contemporary conditions in these countries may not necessarily be the direct results of the new governance system. However, the discussion will at least demonstrate whether the rationales and claims made by the advocates of this current market-led governance—such as better economic conditions, more political transparency, and higher administrative efficiency—have any validity in terms of real life societal conditions.

Economic Conditions

Although the period of new market-led governance in the 1990s saw some improvement in the rates of economic growth in South Asian countries, the fact remains that the region represents 22 percent of the world population but shares only 1.3 percent of the world income. In fact, during 1990–98, the number of people below the poverty line in the region increased from 495 million to 522 million.[(60)] In terms of specific country cases, the percentage of population below the poverty line is 42.7 percent in Bangladesh, 40.9 percent in India, 42 percent in Nepal, 34 percent in Pakistan, and 40.6 percent in Sri Lanka.[(61)] In terms of Human Poverty Index (HPI) published by the UNDP, the HPI ranking for Sri Lanka is 33, Maldives 43, India 59, Bhutan 70, Pakistan 71, Bangladesh 73, and Nepal 85.[(62)] These indicators of severe poverty in South Asia have often been alluded to recent market-driven reforms in the region.

In terms of living standards, South Asian countries have some of the worst records in the world. In terms of education, the overall adult literacy rate is only 26 percent in Nepal, 35 percent in Bangladesh and Pakistan, and 48 percent in India, although it is high in Sri Lanka (90 percent) and the Maldives (93 percent).[(63)] In terms of other dimensions of living standards, the situation is quite critical in some of these countries. For instance, in Bangladesh, about 66 percent of all deaths under the age of five is attributable to malnutrition and 50 percent infants are born underweight; in Pakistan, about 50 percent child deaths are caused by malnutrition; in India, nearly 226 million people have no access to safe drinking water and 640 million have no sanitation facilities; and in Nepal, more than 50 percent people have no access to potable water and 80 percent are without basic sanitation.[(64)]

In South Asia as a whole, about 260 million people have no access to health care, 337 million are without safe drinking water, 830 million lack sanitation facilities, and more than 400 million are without adequate food.[(65)] Thus, it is no wonder that the ranks of Human Development Index (HDI) are dismal in the region—Sri Lanka ranks 90, the Maldives 93, India 132, Pakistan 138, Nepal 144, Bhutan 145, and Bangladesh 150.[(66)] These indicators do not show much improvement in living standards under the current market-led governance, which prescribes even further reductions in government spending on subsidized basic services such as health and education that are desperately needed by the majority poor in South Asia.[(67)] Such a dismal scenario of living standards may even look more critical if one takes into consideration the extreme level of economic inequality in South Asia, which has worsened during the period of promarket governance.[(68)]

In terms of national-level economic indicators such as external debt and balance of trade, South Asian countries have performed negatively under the new mode of governance. The condition of external debt, which was already expansive during the 1980s, worsened further in the 1990s. Between 1990 and 1997, the total external debt increased from $12.8 billion to $15.1 billion in Bangladesh, $83.7 billion to $94.4 billion in India, $1.6 billion to $2.4 billion in Nepal, $26.7 billion to $29.7 billion in Pakistan, and $5.9 billion to $7.6 billion in Sri Lanka.[(69)] Similarly, the situation of the current account balance worsened between 1980 and 1997: from −\$844 million to −\$902 million in Bangladesh, −\$2.9 billion to −\$5.8 billion in India, −\$93 million to −\$460 million in Nepal, and −\$868 million to −\$3.7 billion in Pakistan.[(70)] These indicators imply the deepening external dependence of these South Asian countries. Thus, despite the current rhetoric of higher growth rates based on market-driven governance, the actual conditions of poverty, inequality, living standards, external debt, and trade balance have hardly improved in these countries.

Political Consequences

The contemporary changes in governance based on promarket assumptions, corporate structures, and businesslike functions and orientations, have considerable implications for various political issues in South Asia. First, although the articulation of such governance has often been associated with democratization, it may have created adverse impacts on democracy itself. For example, the political institutions in South Asia have traditionally known to be weak or fragile due to excessive bureaucratic power, military intervention, and factional conflicts based on race, religion, and caste.[(71)] Under the current market-led governance, such fragile political institutions, especially the members of legislature and cabinet, have become even more vulnerable to internal and external business interests often demanding politically unpopular policies, such as divestment, retrenchment, user charge, and subsidy cut, which usually lead to job losses and declines in subsidized services.[(72)] In other words, the elected political leaders may respond to the demands of narrow business interest at the expense broader public interest.

Second, the market model of governance has certain critical implications for the configuration of power structure involving the state, the market, and the public. More specifically, due to its redefinition of service recipients as customers (led by utilitarian individual desire) rather than citizens (guided by citizenship rights and collective public interest), this model of governance may lead to the individualization or fragmentation of the public, and thus, to the disempowerment of citizens in relation to the state and the market.[(73)] This is more probable today when there is a stronger partnership or alliance between the state and the private sector discussed above. It has been pointed out by Hildyard that in the case of India, the government has even taken measures to train the national police force by Western security experts to protect the property of foreign investors; and while the democratic space has expanded for the upper-class elite, it has shrunk for the lower-class majority who are also the victims of market-led governance.[74]

In addition, the people's power based on their citizenship rights to basic services, and to ethnic and gender representation, is likely to be compromised due to an overemphasis of the current governance on market-based competition and efficiency and on commercialized service provisions. According to a 1999 survey, the percentage of people perceiving the legal protection of their rights by government is only 30 percent in Pakistan and Sri Lanka, 36 percent in Bangladesh, 46 percent in India, and 51 percent in Nepal.[75] The survey also shows that the percentage of people believing that women and minorities are well represented in governance, is merely 13 percent in Nepal, 33 percent in Pakistan, 37 percent in Bangladesh, and 43 percent India and Sri Lanka.[76] In other words, there is strong skepticism among people with regard to the protection of their rights and representation under the current governance system in South Asian countries.

Third, the outward economic orientation of new governance—terms of greater openness to the world markets, emphasis on global competitiveness, and fetish for foreign investment—has made the state in South Asia less autonomous from external forces, especially international agencies and transnational corporations. The diminishing autonomy of the state in Bangladesh, India, Nepal, Pakistan, and Sri Lanka, is quite evident in its hesitant adoption of recent market-led reforms (deregulation, liberalization, privatization, devaluation) under the influence or pressure of international financial agencies such as the World Bank, the Asian Development Bank, the IMF, and so on.[77] Thus, although the contemporary state in South Asia appears to be relatively indifferent towards the adverse impacts of its market-led reforms on citizens' entitlements and living standards, it has become more responsive to international pressures or demands.

Administrative Outcomes

One of the major rationales for introducing the current market model of governance in South Asia has been that it would improve administrative performance, enhance public service transparency and integrity, and strengthen public confidence in governance. However, after two decades of reforms in governance, these rationales have hardly been realized in the region. First, in terms of public sector performance, there has not been any significant improvement in most South Asian countries. According to the above mentioned 1999 survey, the percentage of people unhappy with the quality of public education (primary level) is 31 percent in India, 37 percent in Nepal, 48 percent in Pakistan, 60 percent in Sri Lanka, and 63 percent in Bangladesh.(78) With regard to the quality of health care, the percentage of unhappy people is 46 percent in India, 54 percent in Nepal, 64 percent in Pakistan, 67 percent in Sri Lanka, and 73 percent in Bangladesh. A similar scenario of public unhappiness exists in the case of public infrastructure.(79) These examples imply that although the current market-led governance has been endorsed in the name of better performance, the general public may not have such a sense of improvement. In fact, the current trends of employment cut and budget cut may exacerbate financial and personnel constraints in the public sector, and thus worsen its performance in terms of quality and availability of its services.

Second, the claim of greater administrative integrity under market-driven governance is equality suspect, because the situation of bureaucratic corruption has hardly improved in South Asian countries. In fact, the major components of this new mode of governance—such as managerial freedom, financial autonomy, and public-private partnership—are likely to make corruption endemic in these countries. In the case of Bangladesh, some of the recent surveys show that the percentage of respondents perceiving various government services as highly corrupt, is 97 percent for the police service, 91 percent for customs, 90 percent for income tax, 89 percent for the judiciary, and 82 percent for the secretariat.(80) Similar scenario of extreme negative public perception regarding administrative corruption exists in India, Pakistan, Nepal, and Sri Lanka.(81) Even the elected political leaders are perceived to be highly corrupt by most people in these South Asian countries.(82) In fact, a significant percentage of people think that the situation of such administrative and political corruption in these countries has worsened during the last five years.(83) In other words, instead of overcoming corruption, for many people, the situation has deteriorated further during this age of market-led governance.

Finally, the negative perception regarding the performance and integrity of political and administrative institutions is likely to adversely affect people's trust in governance, and thus its public legitimacy. It is quite ironic that although the contemporary ruling parties in South Asia have often used the rhetoric of reducing and replacing bureaucratic power by expanding the scope of market forces, especially to strengthen their electoral support, these parties themselves now have problem of maintaining public trust in their political agenda. In Bangladesh, the government is often seen by the public as unaccountable and unresponsive.(84) In other South Asian cases, a considerable portion of the public—49 percent in India, 48 percent in Pakistan, and 82 percent in Sri Lanka—does not believe that political parties represent their interests.[85] In other words, the current mode of governance (including both the administrative and political realms) may face a serious problem of legitimation due to the growing negative public perception of its performance and integrity. The cynical public attitude towards this market-led governance may exacerbate further due to worsening economic conditions and growing sense of powerlessness among the poor constituting the majority in South Asian countries.

CONCLUDING OBSERVATIONS

The colonial and postcolonial formations of governance in South Asian countries have been imitative of foreign models rather than indigenous contexts. In this regard, the current market-led mode of governance is not an exception, its associated principles, objectives, functions, structures, and norms originated mostly in advanced capitalist nations. The adoption of such a market model of governance in South Asia involved both the external pressure (coercion) of various agencies and the internal choice (consent) made by governments, not to mention the fact that such coercion and consent themselves became reinforced and legitimized by the globalized market ideology during the past two decades.

One main justification of following such a market-led model is the failure of the earlier state-centered governance discredited by the international advocates of market ideology. There is no doubt that the state-centered approach in South Asia—although it made some contribution to overall socioeconomic progress—had serious limitations in terms of excessive intervention, unmanageability, inefficiency, aloofness, unaccountability, and cronyism. However, the current alternative model has its own set of problems discussed above. The market model of governance has the potential to reduce bureaucratic power, enhance administrative efficiency, and reinforce responsiveness, but it has been relatively ineffective to improve the situation in South Asia. In fact, the period of current governance has coincided with the abovementioned recent trends of economic, political, and administrative disorders in the region.

A relevant question then is with regard to the actual reasons behind embracing such a market model despite its minimal effectiveness and negative consequences. In this regard, a major dimension of analyzing reforms in governance–which is often overlooked by conservative intellectuals—is the vested interests of various local and international powers behind the official rhetoric of such reforms packaged in positive words and jargons. In South Asian countries, beyond the external pressure and influence discussed earlier, the current public sector reforms and policies were considerably motivated by tangible benefits reaped by certain internal power blocs.[(86)] For instance, in the case of Bangladesh, the investors in recently privatized industries made windfall profits by selling the industrial sites and buildings, and about 80 percent of the recent government loans to the private sector have been by influenced by the elected political leaders.[(87)]

In India, some of the sound and highly profitable public enterprises were heavily underpriced and sold at one-third to one-seventh of their market values,[(88)] and many of these enterprises were subsequently bought by the affluent business elite close to the government. It has been pointed out by Ghosh that the structural adjustment program adopted by the market-led governance in India, has benefited the affluent 10–15 percent of the population while marginalizing the rural poor.[(89)] In the case of Pakistan, some of the major beneficiaries of market-driven policies are business firms, top bureaucrats, and influential political leaders and their relatives involved in buying and selling the undervalued, privatized assets and shares.[(90)] A similar scenario can be observed in Sri Lanka where a significant percentage (ranging from 10 to 50 percent) of privatized state-enterprise shares has been offered to employees free of charge, and many high-ranking public officials have made fortunes by buying privatized assets at extremely low prices.[(91)]

These are just few examples of how certain vested interests, especially the political, administrative, and business elites, have gained from policies and reforms adopted under the current market-led governance in South Asian countries. Thus, beyond the official rhetoric and advocacy, there are private interests of various groups that might explain one of the most critical reasons for endorsing this governance. Such internal interests have been quite powerful and active in perpetuating a positive image of the market model of governance. The external factors—including the loan conditionalities attached to structural adjustment program imposed by donor agencies, the collapse of socialist states and discredit of state-centered models, and the worldwide expansion of private capital and triumph of neoliberal ideology—also played critical roles in instituting and reinforcing such market-led governance in South Asia. In this regard, a series of critical studies may be needed to examine further the actual causes and consequences of this new mode of governance in the region.

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