Organizational Field Configurations for State Level Public Private Partnership Programs in India

Authored by

Venkata S. K. Delhi and Ashwin Mahalingam

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ORGANIZATIONAL FIELD CONFIGURATIONS FOR STATE LEVEL PUBLIC PRIVATE PARTNERSHIP PROGRAMS IN INDIA

Venkata S. K. Delhi¹ and Ashwin Mahalingam²

Abstract

India will develop at a rapid pace over the next decade. Lack of infrastructure poses a serious constraint to achieving its developmental objectives. To overcome this, India plans to invest substantially in infrastructure over the forthcoming years. Private participation in Indian infrastructure in the form of Public Private Partnerships (PPP) has gained momentum in the last decade, both in terms of public policies as well as visible participation in infrastructure service delivery. PPPs in infrastructure projects are complex long term contractual arrangements with a multitude of stakeholders. The institutional contexts in which these projects are executed have a significant impact on the sustainability and the success of these projects. In this paper, we bring in empirical evidence to look at the diffusion of institutions surrounding PPP programs. We take the context of three Indian states and show that even under coercive isomorphic pressures, local contexts and the cultural biases may lead to adoption of institutions in different forms. The emergent organizational fields are highly contingent on local conditions and institutional adoption is tailored based on the existing fields and the cultural cognitive biases. We make use of Strategic Action Fields to explain this phenomenon and in the process provide empirical evidence and extend this conceptual theory.

Keywords: Public Private Partnerships, Strategic Action Fields, PPP programs, PPP enabling fields, Institutional Diffusion.

Introduction

India will develop at a rapid pace over the next decade. Lack of infrastructure poses a serious constraint to achieving its developmental objectives. To overcome this, India plans to invest substantially in infrastructure over the forthcoming years. The eleventh Five Year Plan estimates an investment requirement of Rs. 2,056,150 Crore ($514 Billion) over the next five years, and some estimates are even higher. Such huge investments come with their own challenges and it is unlikely that the government can mobilize financial and, more importantly, human resources to achieve these targets on

¹ PhD Research Scholar, BTCM Division, Department of Civil Engineering, IIT Madras, Chennai – 600036. Email: venkatasantosh@gmail.com

² Asst. Professor, BTCM Division, Department of Civil Engineering, IIT Madras, Chennai - 600036
their own. Private involvement in infrastructure construction, management, and finance is therefore imperative.

PPPs are variously defined as the contractual arrangements between a public sector entity and a private sector entity to provide a public asset or service for public benefit where some investment is made by the private sector and there is substantial risk sharing between the public and private sectors. The private sector is compensated with a performance linked payment (Govt of India 2010, Bult-Spiering and Dewulf 2008). PPPs have been in use all over the world with mixed results. For instance, around 75% of the PPP concession agreements in Latin America that were awarded between 1982 and 2000 were renegotiated (Gomez-Ibanez et. al. 2004). The renegotiation and cancellation of concessions in Latin America and in various other parts of the world provides a glimpse on the complexity in execution of these contracts. On the other hand, Partnerships UK which was set up by the Treasury Taskforce in 2000 has been successful in delivering projects through public private partnerships. The PUK model has been adopted by various other countries since then for delivering PPP projects.

Private participation in Indian infrastructure has gained momentum in the last decade, both in terms of public policies as well as visible participation in infrastructure service delivery (Wallack and Singh, 2009; Wallack, 2009). More and more projects are being delivered with the help of the private sector: private investment is expected to have increased to 36% of infrastructure investment in the 11th Plan period (2007-2012), up from 25% in the previous plan. (CII, 2010). The level of private participation is being extended to various sectors of infrastructure. The Government of India also recognizes that achieving a large scale expansion of PPPs on a sustainable basis would require mainstreaming of PPP arrangements as an integral part of the service delivery strategies at the central, state and municipal government levels.

Several measures have been initiated by the Government of India to encourage private participation in Infrastructure. The Department of Economic Affairs (DEA) and the Ministry of Finance has mandated the creation of PPP cells in each state to act as coordinating agencies that provide capacity support for PPPs. There is strong regulatory pressure on the various state governments to conform with such rules laid out by the federal government. The Government has initiated several measures for states to take up projects on a PPP basis. The Viability Gap Funding (VGF) Scheme is one such measure. Under this scheme infrastructure projects which are economically justifiable but fall short in financial viability will be given a grant by the government. These projects should be competitively bid for and the grant cannot exceed forty percent of the projects cost. This scheme aims at encouraging PPPs by removing financial hurdles for the projects. The Government started a scheme called the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) to improve the urban governance in India. This scheme specifically aims at improving the PPPs at the urban level. The government of India has also set up a PPP Approval Committee (PPPAC) to standardize the procedure for the approval of PPP projects at the federal level. The committee also looks into the approval of VGF for projects. Such measures by the central government have created strong pressures at the state government level to comply with and take up projects on a PPP basis. However, rather than evolving isomorphically in response to centralized pressures, states have
demonstrated a variety of responses and institutional arrangements. In this paper we try to look at why this is the case. Our primary focus is to understand how existing institutional arrangements react to external pressures in the context of the introduction of PPPs as a mode of asset creation and service delivery. We thereby expect to contribute to understanding on how local governments are likely to react to pressures to undertake PPPs, and therefore how PPP movements can best be organized so that the likelihood of appropriate adoption is maximized. We do this by first reviewing the literature on institutional change and institutional responses to external pressures. Then we look at the empirical evidence from 3 different states in India – Karnataka, Tamil Nadu and Gujarat who have responded in three different ways to the ideology of PPPs put forth by the central government. Following this, we build our arguments about how these states mediated the regulatory and normative forces that they were confronted with. Finally we end this paper with conclusions and directions for future research in this area.

**Theoretical Underpinnings**

PPPs in infrastructure projects are complex long term contractual arrangements with a multitude of stakeholders. These projects are normally high value projects and significantly impact people’s lives. The institutional contexts in which these projects are executed have a significant impact on the sustainability and the success of these projects (Delhi et. al. 2010). Institutions and their impacts on organizational forms have captured scholarly attention for some time now. From being defined as humanly devised constraints that structure political, economic and social interaction (North, 1991), institutions are now understood to be highly resilient social structures which are composed of regulative, normative and cultural cognitive elements that give stability and meaning to social life (Scott, 2001). The level of analysis of the implication of institutions on organizations has shifted from individual organizations to the fields containing these organizations. *Organizational fields are defined as the organizations in aggregate that constitute a recognized area of institutional life* (DiMaggio and Powell, 1983). These fields constitute of variety of organizations which are connected to each other by virtue of influencing a key area of society (Scott 2001). PPPs have multitudes of stakeholders belonging to different organizations. These organizations form an organizational field surrounding these projects.

Dimaggio and Powell (1983) in their famous article suggested the means by which the institutional patterns are diffused and adopted by organizations. The main focus of their work was the isomorphic changes to organizations from institutional forces in their domain. They describe the coercive, normative and mimetic pressures exerted by these institutions on organizational forms. The studies on institutional diffusion that followed (Dimaggio, 1991) focused mainly on isomorphic or convergent (Scott, 2001) change. Divergent change has only recently been subjected to scholarly attention. Further the agency of actors was largely ignored in early institutional work, as was the active interaction between the existing set of institutions and new institutions which are competing for attention. Recent work in institutional theory however brings back the concept of agency into institutional change and diffusion studies (Halet and Ventresca 2006, Oliver 1991, Eisenhardt 1989, Dacin et al. 2002). For example, the power of agency and the actors inhabiting the institutions has been emphasized by Halet and
Ventresca (2006) in their paper on inhabited institutions where, as an extension of the work done by Giddens (1979) and others, institutions are said to provide guidelines for social interactions, while the meanings of the institutions are populated by actors.

In terms of analyzing the diffusion of PPPs as an institutional form, Jooste, (2010) makes a systematic study of organizational fields surrounding PPP programs which he calls PPP-enabling fields. Jooste looks at the evolution of PPP enabling fields in three different arenas – British Columbia, Victoria and South Africa. The diffusion of institutional patterns in these countries and the adoption of PPP practices are examined in detail. This work focuses on how the institutional environment for PPPs in the three selected areas was influenced by PPP movements elsewhere, and how some degree of isomorphism is exhibited, despite variances in local conditions.

The Indian case represents a contrast to this study along two dimensions. First, strong coercive pressures are applied by the central government in terms of encouraging state governments to set up PPP programs. Second, the central government has attempted to ‘force’ isomorphism by creating identical institutional forms (such as the PPP cells) in each state. Yet – the results are anything but isomorphic. States with very similar formal institutional and demographic characteristics have exhibited a variety of responses – from embracing PPPs and strengthening their institutions, to circumventing or rejecting the notion of PPPs.

In order to extend Jooste’s (2010) work on the diffusion of PPP enabling fields, and to explain our observations on institutional diffusion in India, we acknowledge the role of agency and turn to social movement theory as an analytical framework. Recent studies have tried to wed social movement theory with institutional theory to understand institutional and organizational change. Lounsbury, Ventresca and Hirsch (2001) for instance use the concept of field frames to study how organizational fields are shaped by the meanings and resources that underpin social movements.

Fligstein and McAdam (2011) propose an operational framework to analyze institutional diffusion by bringing in elements of organizational fields, social movement theory and institutional theory in their conceptual paper on Strategic Action Fields. “A Strategic Action Field (SAF) is a meso-level social order where actors interact with knowledge of one another under a set of common understandings about the purposes of the field, the relationships in the field and the field’s rules” (Fligstein and McAdam, 2011). An organizational field consists of many collective actors whose collective actions shape the field. These actors are in turn influenced by other SAF’s that they may be a part of. Hence the SAF concept can be applied at any level of analysis. SAFs bring in the dynamism and the affects of different institutional elements influencing the collective actors in a field. Action takes place at the intermediate level social orders created by these fields. There are several connections with the idea of Structuration (Giddens 1979). SAFs can be used to explain the dynamics of a field and the structure which the field takes up. These fields are not static in nature. They are constructed on a situational basis. Various actors in the field influence the shaping up of the field. Close to the social movement approach, Fligstein and McAdam (2011) suggest the presence of incumbent actors in the field who are challenged by the challengers. There are governance units in the field who
try to influence one kind of structure over other. These actors are made up of a variety of SAFs. An organizational field can consist of various SAFs which directly conflict or are in conformance with each other. Strategic tension exists among various SAFs in an organizational field. The social skill and the power of the actors play an important role in shaping up the various institutions and thus the organizational field configuration in a given environment.

Using SAF’s as a theoretical lens, we attempt to explain the creation of PPP enabling fields in the Indian context. Thereby we also attempt to provide a nuanced view of field creation and the evolution of SAFs, which is embedded in empirical data. The next section describes case studies of the creation of PPP enabling fields in three separate states in India. We develop a historical cultural sketch of developments in these states and then try to explain our observations and develop propositions from these findings.

**Research Methodology**

We adopted an empirical case-based research methodology (Yin 2003) to answer our research questions. For this we chose to conduct detailed studies of the organizational fields surrounding the PPP programs in three Indian states. The states chosen for our research purpose are Gujarat, Karnataka and Tamil Nadu. The reason for choosing these states is discussed below. In particular, we studied the PPP environment as pertaining to the roads and water and sanitation sectors in these three states. We first used secondary data in the form of archival reports, newspaper reports and other publicly available data to map the history and culture of each state with respect to private provision of infrastructure. Project related agreements were studied where available. Following this, semi structured interviews were conducted with various stakeholders in the PPP enabling fields of the three states, in order to ascertain the current configuration of the PPP enabling field in each state. Interviewees included representatives from project sponsors, financiers, local community representatives, transaction advisors, local NGOs, and government officials. The interviews with various stakeholders were intended to help us to remove particular biases in the data collected. An average of 20 hours of interviews was conducted per state. The interviews were recorded and transcribed. The interviews were compared with each other and the secondary data sources to ensure the internal validity of the data. Detailed case studies of approximately 10,000 words on the evolution and the current state of the environment for PPPs in the state were then prepared. The compiled case studies were shared for review with key informants and their concurrence was taken. The cases were then coded using open coding techniques (Strauss and Corbin, 1998). Dominant constructs that contributed to issues of project governance were identified using axial coding techniques (Strauss and Corbin, 1998). This enabled us to formalize the structure of the PPP enabling fields in the respective states and understand the interplay between agency, institutional forces and form. The next section discusses the three cases. We then proceed to discuss the implications of the case histories and lessons on the creation of organizational fields.
Background

Private sector participation in infrastructure delivery in India has been influenced by principles of New Public Management (NPM). The key features of this philosophy are decentralization, separating of responsibilities of strategic planning and implementation, and output oriented performance measurements (Schroder 2004, Yescombe 2007). Widespread criticism of the public sector’s ability to provide services to the public along with pressure from multilateral agencies has helped propagate NPM to some extent in the Indian context. The public sector in India, at the level of the federal government, first attempted to ‘get out of the way’ by privatizing services (Wallack 2009). However, this strategy was soon revised and PPPs were touted as a preferred model for infrastructure development. The roads and the telecom sectors were the first to progress with their new reforms. The successes of programs in these sectors and the acute scarcity of budgetary resources forced the central government to advocate PPPs at the state level. Consequently, the creation of PPP cells as mentioned earlier was mandated in every state in India.

Karnataka, Tamil Nadu (TN) and Gujarat are three states that are comparable in terms of many demographic and development indicators. Although Gujarat is smaller geographically than the other two states, it suffers no disadvantage on this count since it has traditionally been a leader in industry and infrastructure. They fall under the same bracket of per capita income. All three candidate states have a good amount of industrial development. They also have a mix of urban and rural populations. All three states have huge needs in terms of provision of basic infrastructure services, making them somewhat comparable across these parameters. However, the PPP story has been very different in each of these states. The output in terms of the PPP programs has varied substantially in terms of the number of projects executed and the number of projects in the pipeline for each of these states. The quality of the PPP process also varies substantially across these states in terms of the ease of project development and delivery. For instance, Karnataka has been particularly vibrant with regards to PPPs in roads, while Gujarat, given its size, has seen a fair bit of activity in this sector. Tamil Nadu on the other hand has very few instances of PPPs in roads. It is clear that the PPP enabling field differs across these states. We now describe these fields in detail.

Gujarat

Gujarat is one of the most developed states in India and is one of the fastest growing economies in the country. The state is highly industrialized and has attracted significant foreign investments in a variety of sectors. The state has thriving industries in crude oil, petrochemicals, textiles, pharmaceuticals, auto ancillaries, etc. It has a long coastline with many ports developed or being developed.

Incumbent Actors

Infrastructure was traditionally delivered through public agencies. They contracted out the construction in these infrastructure projects to private contractors. The public departments are ultimately responsible for the provision of the infrastructure services to
the public at large. The private sector companies in Gujarat are very active. The public sector has also maintained good rapport with the private sector.

The government of Gujarat realized the importance of infrastructure as an engine of economic growth and wanted to create a situation of infrastructure surplus in the state. While the government can support the ‘normal’ infrastructure requirements of the state, creating infrastructure that will enable them to realize their vision of competing with the top 50 highest per capita income nations, requires resources that cannot be completely met by the government, given their fiscal consciousness. The state has thus voluntarily looked at PPP’s to augment public resources for investments in infrastructure.

**Governance Unit**

The Gujarat Infrastructure Development Act (GID Act popularly known as the BOT Act) was enacted by the state in 1999, 12 years ago when PPP’s were still in their infancy. The act created the grounds for the formation of a dedicated institution with a mandate to promote and develop PPPs in various sectors of infrastructure, to accelerate development in the state. Under the premise of this act, the Gujarat Infrastructure Development Board (GIDB) was setup as a dedicated institution in 1995. The organization was instrumental in enacting various interventions and frameworks that defined the process of enacting PPPs which they felt were needed to bring about legitimacy for PPPs.

**SAFs at the state level**

**SAF related to functional need**

Gujarat has given a significant thrust towards private sector investment in infrastructure. As indicated by the Chief Minister in a speech given in 2011,

“*We want to make Gujarat ‘A globally preferred place to live in and to do business’... We are aware that this will not happen without world class infrastructure in all sectors including the amenities for social life. Therefore, we are committed to benchmark our infrastructure with Best of the World.”* (IBN live, 2011)

The state has framed the development of infrastructure as a key priority. Creating world class infrastructure which will rank among the top 50 nations in the world mandated private participation in infrastructure. The state’s views are therefore aligned towards the creation of a good PPP enabling field.

**SAF related to political will in the state**

The GIDB is chaired by the chief minister and acts as a coordination agency that is responsible for the approval of projects. The political and bureaucratic will to undertake PPPs seems to be a persistent feature in the state of Gujarat from the top political leadership to the line agencies implementing projects. The state also boasts of long tenure and stability of bureaucrats in their positions which is crucial to allowing
them to take up projects on a PPP basis. The field related to the political and bureaucratic will in the state is totally aligned for PPPs in infrastructure.

**SAF related to the culture and history of the state**

A general historical perception of Gujarat being an investor friendly state has also helped increase perceived private sector comfort in doing business in Gujarat. The state has a thriving industry. It has an entrepreneurial culture where the people are enterprising. Some of the biggest business houses in India are from the state. The government is treated to be investor friendly. The private sector perception of doing business is very positive. The culture and history of the state point towards a very active SAF aligned to PPP enabling field.

**SAF relating to external funding agencies**

Various infrastructure projects in the state like the Gujarat State Highways Project were launched with the aid of World Bank. The Asian Development Bank (ADB) also funded various projects in the state. The public agencies and the state government came under increasing influence of these agencies to invite private participation in infrastructure projects. This SAF related to these actors is also aligned towards the creation of a good PPP enabling field.

**Challenger actors**

The Central Government push towards PPPs took place in the context described above. The Central government put forward various guidelines for the state to comply with for infrastructure projects. The government pushed for the creation of PPP cells in the states. Various schemes like Viability Gap Fund (VGF) scheme (discussed earlier) and the JNNURM schemes were created to encourage PPPs. The government created a list of transaction advisors who could advise governments on awarding PPPs. These new sets of regulations and rules created various institutions at the central and the state level challenging the existing way of carrying out infrastructure projects.

**Social Skill**

Existing institutions were geared up to introduce PPP programs in Gujarat, when the exogenous shock in form of central government mandated rules came into the picture. The GIDB as an institution played a major role in promoting the PPP concept across various sectors. This organization helped in creating awareness among various public agencies. GIDB conducts various training programs for professionals in these agencies. The organization as a collective actor has skillfully framed the PPP debate in a very positive manner in the state and helped PPPs to proliferate.

**Episodes of Contention and Settlement**

In the case of Gujarat, the state was already gearing up for PPPs when the newly imposed central government rules and regulations came into place. The existing SAFs for infrastructure delivery were already PPP-enabling and were well aligned in this state to the incoming challenging institutions. Therefore, when the challenging institutions came
entered, the institutional diffusion in the state was very quick. GIDB became the new PPP cell in the state, complying with the central norms. The GIDB then adopted several of the toolkits created by the central government and the planning commission such as the Model Concession Agreements (MCA), RFP and RFQ documents and so on. Second, a vision document for infrastructure (Vision 2020) was developed with the help of private consultants. This also guided the government bodies in setting their mandate and chalking out plans with respect to PPPs. Overall, Gujarat has progressed well as far as institutionalizing PPPs are concerned. The roads sector is an example of the successful diffusion of the PPP enabling field. A separate organization called the Gujarat State Road Development Corporation (GSRDC) has been created with a mandate to promote PPPs. GSRDC works in tandem with the Public Works Department (the public agency responsible for roads in Gujarat) and the GIDB to take up projects on PPP basis. The success of PPP programs at the federal level for roads sector also had a huge influence on the diffusion of the field in this sector.

The water sector presents an interesting contrast to this. The culture and history of the state creates an SAF which does not align with the PPP enabling field. Water has been a contentious issue in Gujarat for a long time. A dam built on the river Narmada has given rise to many social movements in the state. The people of the state are very sensitive to water and consider it as a fundamental right. Hence there is contention between the existing SAFs and the challenging institutions. The existing SAFs have created strong negative cognitive bias in this field, and the presence of PPPs in this sector is minimal.

Karnataka

The south Indian state of Karnataka’s economy is predominantly agriculture-based. The state embarked on a journey to development riding the wave of information technology in the late 1980s. Many software and electronic industries are set up in the state. The IT outsourcing wave also contributed to the development of the state. This led to a huge influx of population into the state which placed great stress on the infrastructure, which continued to lag behind.

Incumbent Actors

As in the case of Gujarat, infrastructure was traditionally delivered through public agencies. They contracted out the construction in these infrastructure projects to private contractors. The public departments are ultimately responsible for the provision of the infrastructure services to the public at large. Though the state is keen on development of infrastructure, the major difference between Karnataka and Gujarat is that Karnataka had not actively geared up for PPPs when the centrally mandated regulations about PPPs came into picture. This state presents a case where the existing fields are neutral but open to the diffusion of a challenging institution.
**Challenger actors and Governance Unit**

In 2006, as a result of a meeting of the chief secretaries of various states, a program was launched in partnership with the Asian Development Bank (ADB) to set up PPP cells in various Indian states. Government of Karnataka created a separate department in the government for infrastructure development in the state at this time. This department is called Infrastructure Development Department (IDD). A PPP Cell was set up in the IDD, Government of Karnataka.

**SAFs at the state level**

**SAF related to functional need**

The roads in the city could not hold traffic. The problems were compounded with inadequate water supply. The government found these challenges mounting and the lack of funds added to their woes. Karnataka’s state polity had framed themselves as pro-development and this dearth of infrastructure was a serious problem. The state government started looking at venues where it could channel resources to develop infrastructure in the state. Though this SAF is not fully aligned towards a PPP enabling field, it had a positive influence on making the state government open to the notion of PPPs.

**SAF related to political will in the state**

Our interviews indicate that the spread of willingness towards PPPs on the part of policy makers is still relatively minimal within the government of Karnataka. Policy makers within the infrastructure development department show a high willingness to undertake PPPs. However, across other departments within the state, this willingness is much reduced. While there are pockets of support for PPPs in sectors such as road transportation, other sectors demonstrate distrust towards or ambivalence around the use of PPPs. This SAF related to this field was not very well developed when the challenger institutions emerged and did not offer support or resistance to the diffusing institution.

**SAF related to the culture and history of the state**

Land acquisition continues to be an issue for sectors such as road transportation. Political corruption, collusion and deliberate undercutting of prices cannot necessarily be prevented by this framework and are often prevalent in the state. Private developers are often unsure of the terms of engagement. Furthermore, the current political turmoil in the state serves to further increase the perceived risks of the private sector with regards to infrastructure investments in Karnataka. Most practitioners aver however, that given a viable project, the interest levels in participating in PPPs in Karnataka would be quite high. The SAF related to this field is not aligned towards the diffusion of PPP enabling field in the state. This SAF discourages private sector participation in the state.

**SAF relating to external funding agencies**
The ADB and the World Bank played a critical role in shaping the infrastructure scenario in the state. The Karnataka State Highways Improvement Program (KSHIP) was financed through a Technical Assistance Loan of USD 3.2 Million, extended by the World Bank. The World Bank had an influence in promoting the PPP model in the state. The ADB was directly involved in the creation of the PPP cell in the state. The cell is staffed with experts from the government of Karnataka as well as professional experts primarily seconded from the ADB. Hence this SAF is a strong promoter of the diffusion of PPP enabling fields in the state.

**Social Skill**

The major actors whose skill mattered in the diffusion of a PPP enabling field in the state are the IDD and the PPP cell. The department has made available model documents for Requests for Qualification and Requests for Proposals for selection of private operators, private consultants, and legal advisors and so on. Karnataka’s PPP cell is also tasked with documenting PPP projects for future learning, developing a database of PPP projects, and developing evaluation guidelines to evaluate the PPP-ability of a project. This cell is directly responsible for the development of a PPP enabling field in the state. The other major actors whose skill became very important in the diffusion of the field are the private consultants who were hired to help the public agencies after the government interventions to take up projects on PPP basis. These consultants created normative pressures for the public agencies to take up projects on a PPP basis.

**Episodes of Contention and Settlement**

The SAFs in the state are open to the diffusion of a PPP enabling field. However, they are not very aligned to the challenging institutions as was the case in Gujarat. Hence we see a good diffusion of the PPP enabling field in the state. Nevertheless, the diffusion is not as prevalent as is the case in Gujarat. The Infrastructure Development Department has adopted several templates or model documents from the central government that can be used by line agencies to award projects. Prior to the creation of the PPP Cell, very few PPP projects were undertaken by the Government of Karnataka. Currently, the Private-Public Partnerships in India Database lists over 106 projects that have been undertaken in Karnataka across sectors.

A case in point is the road sector in Karnataka. The line agencies now take up PPP as a default method to deliver projects. They follow the model concession agreements to the letter. However, our interviews indicate that these agencies take this up because it is mandated by the PPP cell at the state level. They fear to change or customize the model concession agreements. The PPP enabling field is yet to diffuse to the cultural-cognitive pillar (Scott 2001) in the state. The water sector in Karnataka also presents an interesting contrast. PPPs in this sector are generally limited. However, the absence of strong negative cognitive SAFs as the case is in Gujarat means that there are a limited number of projects which have been taken up on a pilot basis in the state. The field in this sector is diffusing at a very slow pace but is not severely opposed as in Gujarat.

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**Tamil Nadu**

Tamil Nadu is one of the most developed states in the country as well as a fast-growing economy. It draws high levels of foreign direct investments in part because of its literacy levels, maturity of the manufacturing sector (automobiles and textiles, in particular), and excellence in terms of human resources and infrastructure. The Government of Tamil Nadu has undertaken several policy measures and has provided a variety of incentives to attract investments to spearhead various sectors of its economy. However, its apparent advantages and a largely investor friendly government notwithstanding, the state appears to have lagged behind in its use of PPPs for infrastructure development.

**Incumbent Actors**

Like the states of Karnataka and Gujarat; Tamil Nadu also relied on the public departments for the development of the infrastructure. Historically the state enjoyed good infrastructure. The public agencies and the bureaucrats yield strong influence over policy making. Historically, governments in this state have portrayed themselves as pro-poor and the concept of a welfare state is prevalent in the mind sets of the people as well as representatives of public agencies (Lakshman 2011). There also exists a deep mistrust between the public and the private sector in this state.

**Challenger actors and Governance Unit**

In Tamil Nadu, the PPP cell was been formed on the directions of the central government as in other states. The PPP cell has a stated goal of developing PPP policy and model documents, assisting line departments to develop projects, approving projects and so on. However the cell in this state is up against strong SAFs (discussed later) which are against the diffusion of the challenger institutions.

**SAFs at the state level**

**SAF related to functional need**

Historically the state has had good infrastructure, delivered primarily through public procurement. The present day political parties intend to maintain status quo. The main drive for the government is to maintain the present status of infrastructure in the state and invest in infrastructure where absolutely required.

**SAF related to political will in the state**

The history of PPP undertakings in Tamil Nadu brings to light the fact that individual bureaucrats or government officials have been the project champions or torch-bearers for private participation. There is, however an absence of systematic top-level political or bureaucratic commitment towards PPPs nor are private players treated as equals by the various rungs of the political system. The absence of political consensus or commitment appears to be mainly due to fear of political and public outcry in case projects fail to yield
favorable outcomes. This SAF is totally aligned against the diffusion of the PPP enabling field.

**SAF related to the culture and history of the state**

Historically Tamil Nadu has had a series of pro-poor governments who have espoused the idea of the welfare state. This has resulted in huge subsidies to the electorate. The culture of paying for services or delivering services through non-state actors is not present in the state. The political and the entire bureaucratic system in the state are thus not very pro-PPP. Furthermore, the culture of charging the voting public for services they receive is yet to take off in many sectors in Tamil Nadu. Consequently, politicians and bureaucrats are reluctant to introduce fees for public services. Hence the welfare state culture in the state is aligned against the diffusion of the PPP related field in the state. The history of state governments expropriating assets mid-way in some of the early PPP projects has also created a strong negative SAF among the private sector players.

**Social Skill**

The interesting skill which comes to fore in case of Tamil Nadu is the social skill of the project champions who tend to align the SAFs in favor of the project. This is visible in all the PPP projects executed in the state. Though the PPP enabling field is not present or very weak in the state, various project champions have created very favorable conditions for the execution of their projects. For example, a sewerage project in the state was led by the city mayor who took personal interest in campaigning for the project. He made all the transactions transparent and canvassed door to door for the project. This increased stakeholder trust and led to a successful project. However this has not scaled to a programmatic level due to the strong negative SAFs against the PPP enabling field in the state.

**Episodes of Contention and Settlement**

The PPP cell and the other set of regulations mandated by the central government in a drive to encourage PPPs came into direct conflict with the existing SAFs. The result was interesting as the state adopted all the institutions in a ceremonial manner (Meyer and Rowan 1977). The PPP Cell in the state is poorly staffed and poorly empowered. They are preparing a draft policy and draft agreements, and are attempting to spur development within line departments, but do not have the support to do so. The state has a number of ambiguities in the functioning of its institutional mechanisms that are responsible for project selection, approval and monitoring. The PPP cell in the state falls short on its mandates, with poor staffing and technical expertise and consequently, limited executing powers.

There are ad hoc references to PPPs in the policy documents of specific state departments, and some members of the government appear to evince interest in involving PPPs in select sectors, but in general our research and interviews found a general political and bureaucratic diffidence toward partnering with the private sector as well as the lack of a strong political consensus in matters regarding infrastructure. This has led to a situation in which only few projects emerge and those that do are undertaken for a variety
of reasons, managed with varying degrees of clarity, and ultimately have varied outcomes. Tamil Nadu had seen some successes in PPP projects. However, these are not institutionalized due to the prevailing political and cultural conditions in the state. Most PPPs in the state are one-off projects led by project champions.

The water sector presents an interesting case in point in this state. Though the overall PPP enabling field is very weak in the state, the state has seen some very successful PPP projects undertaken. The lack of strong negative SAFs in water sector as compared to Gujarat seems to work in favor of this sector here. All of these projects were led by project champions where the functional need for the project is very high. Tamil Nadu being a water starved state, the SAF relating to the functional need has contributed heavily for the success of these projects when led by a project champion.

**Discussion**

The cases describe how three different states have responded differently to institutional pressures from the central government to create PPP enabling fields. The existing SAFs in the state have played a significant role in the diffusion or thwarting of the challenging PPP enabling field in the states. The local institutions which already exist, the normative pressures and the cognitive biases of these institutions made the states respond to regulative pressures in different ways.

Figure 1 shows the alignment of SAFs in Karnataka. The arrows pointing towards the central PPP enabling field mean that the SAFs strengthen field diffusion and vice versa. As shown in Figure 1, in the case of Karnataka’s road sector, the existing fields (SAFs) in the line agencies have a strong development agenda. This along with the success stories at the central government level in the form of the National Highway authorities of India (NHAI) which was very successful in pursuing road projects through PPPs gave a good thrust to the diffusion of the enabling fields. Normative pressures were applied by multi lateral agencies which funded the implementation of PPP projects. The coercive central government mandated challenger field, now found a way to get diffused as it aligned with the already existing cognitive and normative frames.
As shown in Figure 2, in case of Gujarat, the normative and cognitive pressures aligned as well. Further the framing of the development agenda in the state where the state wants world class infrastructure and the positive cognitive mindset towards private participation historically, further fuelled the adoption of PPPs. When the central government mandated the creation of a PPP cell, the state already had an organization in place (GIDB) doing the same job as the PPP cell and had to just assign the role formally to this organization. The existing SAFs thus strengthened the field in a very strong manner and helped in its rapid diffusion to regulative, normative and cognitive levels in the state.

As shown in Figure 3, in Tamil Nadu, there is a strong negative cognitive frame towards private participation in infrastructure. Further there is no functional need to create infrastructure on a state wide basis. Therefore we do not see much work being done on a programmatic manner here. The success stories of the NHAI did not find a bearing against the strong anti-PPP cognitive frame in this case.

As shown in Figure 4, the water sector provides a contrasting view here. Gujarat is a water starved state. The strong commercial culture in the state helps the PPP enabling field to diffuse. However, historically the water sector is very sensitive politically. The
people also hold the view that water is a fundamental right of every citizen and should be given free of cost. These strong negative cultural cognitive frames contest with the challenger field and hence we see that the field exists only as formal ceremony. The political will is completely absent even in such a highly investor friendly commercial state. Hence no activity is visible here.

As shown in Figure 5, the water sector in Karnataka is also political sensitive. However, the cognitive frames are not as negative as that of Gujarat. The push towards PPPs is absent in the water sector because of the absence of a success story like that of NHAI in the roads sector. However the state is not so negatively placed to reject the challenger field. So we see some pilot projects being taken up in the state. Here the normative and cognitive frames played a major role in the protests against these projects. Much of the protesting communities were NGOs and teachers who had the normative and cognitive frames from the Narmada project in Gujarat and international experiences of water PPPs. These played a role in further impeding the diffusion of this field.

As shown in figure 6, the strong negative cognitive frames in Tamil Nadu against private participation impeded the diffusion of field in the state. However, there is a strong functional need in the state as there was huge water scarcity. As discussed earlier when presenting the case of Tamil Nadu, this prompted projects to be taken on a one off basis wherever there is a strong leader who was pro-PPP and could see the project go through. Thus Tamil Nadu has seen a few projects in this sector even though there is no mature field for PPPs.
From the above discussion we develop the following propositions regarding the diffusion of fields.

**Proposition 1.** In case of strong cognitive and normative alignment of the incumbent and the challenger institutions, the challenger institutions get readily adopted by the field. In the case of Gujarat where the strong commercial culture in the state and the normative pressure from the multilateral agencies aligned with the PPP fields, the PPP enabling fields as proposed by the center were readily adopted by the state. The field percolated down to the line agencies and PPP has become a “way of life” in the state in many sectors.

**Proposition 2.** In case of cognitive bias against, but strong normative pressures to comply with the challenger institutions, loose coupling occurs. In the case of the Karnataka road sector, there is strong normative pressure to comply with the creation of a PPP enabling field from the multilateral institutions. The cultural frames of the state and the central government/multilaterals are not really aligned. This has led to the adoption of the field in this sector. However the percolation is not complete as seen in the line agencies. The line agencies all adopted and follow the Model Concession Agreement as prescribed by the PPP Cell. However, this document is not internalized or modified according to the situation, but followed verbatim as a matter of practice. Compliance is compelled externally, not realized internally.

**Proposition 3.** In case of negative cognitive and normative supports for the challenger institutions, the institutions are adopted only formally as ceremony. This is the case with Tamil Nadu. Though the strong PPP success stories from NHAI and the coercive pressure from central government are present, the presence of a strong anti-private sector frame in the state has resulted in the adoption of the field only as a ceremony.

**Proposition 4.** In cases where the PPP enabling fields are not developed but there is a strong need for the projects, project champions may emerge and PPP projects can happen on an ad-hoc basis. This is the case for the water sector in Tamil Nadu. There is a
strong need for PPP projects in the water sector due to acute shortage of water infrastructure in the state and scarcity of funds. This has led to the creation of non-programmatic, champion-led projects. The Alandur sewerage project and the Tirupur water supply project provide striking examples of this kind. The champions mobilized local cognitive frames towards PPP and gathered momentum towards their projects. These projects are quite successful in delivering their objectives even though there is no mature PPP enabling field in the state.

Conclusions and Future research

In this paper, we bring in empirical evidence to look at the diffusion of institutions. We take the context of three Indian states and show that even under coercive isomorphic pressures, local contexts and the cultural biases may lead to adoption of institutions in different forms. The emergent organizational fields are highly contingent on local conditions and institutional adoption is tailored based on the existing fields and the cultural cognitive biases. We make use of Strategic Action Fields to explain this phenomenon and in the process provide empirical evidence and extend this conceptual theory. In doing so we also extend Jooste’s (2010) framework by presenting a nuanced view of the evolution of PPP enabling fields which looks at the importance of the existing institutions at the time when the fields start evolving. The empirical evidence points out that the starting point of the institutions in a state and its mindset towards PPPs are crucial to the evolution of a PPP enabling field. This also indicates that the political transaction costs are very important in shaping up a PPP enabling field. The path dependency of the evolution of a PPP enabling field is an important conclusion from the evidence we present here. This means that the policy makers in the PPP arena should take care of local conditions in designing the policies. The one size fits all approach will not work in complex environments. Further, the PPP policy should concentrate on aligning the existing SAFs towards PPPs before formally introducing PPPs in the environment.

There is a need for further research in this field. The organizational field evolution in other scenarios can be studied. The study can be extended further to states with varying cultural and historical contexts to provide further evidence for our propositions. PPPs are complex contracts which are executed within organizational fields. The relationship between the fields and the projects is not very straightforward. An exploration of how the organizational fields influence the projects is also needed. How organizational fields constrain/enable the governance of PPP projects needs to be explored. The PPP projects are again inhabited by various actors who bring with them their own cognitive biases and normative rules. The way in which these actors make sense of the fields and the governance mechanisms enabled by these fields and the way they use these constraints/enablers to steer the projects can also be studied. This may provide further insights into successful governance of PPP projects. Such a research agenda will further our understanding on how institutions diffuse and the role of actor/agency in diffusion and persistence of institutions, as well as the institutional influence on performance of project organizations.
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