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Role of Street-Level Bureaucracy and Project Implementation Process in India

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In this study, we apply the concept of street-level bureaucracy from public management to analyze the issues relating to the implementation of a mini hydel project in rural India, and draw important lessons for entrepreneurs as well as policy planners for the promotion of entrepreneurship in emerging markets in general. India's energy policy promotes "green energy" as a renewable and eco-friendly alternative to the fast depleting conventional energy sources with a variety of fiscal and other incentives to encourage private investment in mini hydel projects (India's 11th five-year Plan, 2002-07: Energy sector). In this paper, based on first-hand observation of one such power sector start-up in India over a three-year period, we carefully analyze the issues confronting entrepreneurs in dealing with street-level bureaucracy, and draw important lessons for entrepreneurs as well as policy planners for the promotion of entrepreneurship in emerging markets in general.

Field of Research: Entrepreneurship

1. Introduction

India is the 7th largest producer and the 5th largest consumer of energy in the world. However, a majority of India's 1 billion population does not have access to electricity (India's 11th five-year Plan, 2002-07: Energy sector). The Indian government is therefore making herculean efforts both in public and private sectors to increase its power supply and distribution. Success of this effort is critical to improving the quality of life of the rural poor and empowerment of the "bottom of the pyramid" (Prahalad & Lieberthal, 2003). Considering the adverse environmental impacts of generating electricity through conventional energy sources such as coal, hydro-electric power (Hydel) is clearly an attractive alternative to meet the energy needs of a rapidly growing economy. Small wonder, the Indian government in recent years has been encouraging private investment, both domestic and foreign, to harness Hydel power. Various tax benefits and preferential terms of institutional credit are being offered to entrepreneurs and small and medium-sized enterprises (SMEs) to invest in mini Hydel projects with a capacity of 25 MW or less. Bureaucratic procedures are being simplified and rates of tariff for Hydel-power rationalized (Energy India, April 2006, pp 21-22). While the reforms in policy are laudable, their implementation remains questionable. The key to understanding this gap between policy and implementation is the role of street-level bureaucracy.

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2. Literature Review

Street-level bureaucracy, a term coined by Lipsky (1980), refers to "public service workers who interact directly with citizens in the course of their jobs, and who have substantial discretion in the execution of their work". Since they account for a substantial proportion of the personnel in any bureaucracy and enjoy wide discretion in the execution of public policy, street-level bureaucracy determines how a policy is implemented in practice. The concept of street level bureaucracy and its role in policy implementation has evoked considerable interest among scholars of public administration and public policy over the years. Extant empirical research in this area offers significant insights into how private entrepreneurs could manage for successful implementation of their projects.

Based on a study of 11,544 cases to investigate the impact of street-level decision making and service rationing on the treatment of senior citizens managed by the Alabama Department of Human Resources, it was found that supply and demand for resources affected both compliance and substantive decisions. When the manner of decision making was adjusted for administrative constraints, the underclass hypothesis, wherein older African Americans had lower compliance rates and higher intervention rates, was confirmed. It was also found that this social service agency practiced cue taking, and more dependence cues were used in substantive situations than in compliance situations. This study confirms Lipsky's theoretical prediction about the service-rationing model being applicable to social service agencies (Clark-Daniels & Daniels, 1995).

Ellis and Rummery (1999) conducted a study on three types of social work teams that handled needs assessment practices where a newly implemented system allowed decision-making from the "bottom-up": generic teams responsible for elderly people and younger disabled people, specialist teams which handled with individuals who had physical and sensory impairments and hospital teams dealt with patients within a hospital. The methodology involved observing the assessment practice by the social workers and recording the analyses from the feedback sessions. The social workers of all the teams felt that the new assessment procedures threatened their professional identities, resulted in greater formalization, and increased the workload of frontline practitioners. The study also showed that while generic teams made their assessments in a criteria-driven manner that followed official guidance, hospital teams accomplished the same off-line due to the significant portion of the workload that screenings assumed. Even though the generic teams complained about de-professionalization, they complied with the system procedures that were designed to regulate labor time, resources, and even work flow. Along with the hospital team, they also understood and gained satisfaction from meeting the managerial objectives of the new system. Despite the rational thrust from authoritative guidelines, there was no common approach to the manner of determining the accessibility of the assessments that existed amongst the studied teams. The specialist teams,

protected from the barrage of rates that the generic and hospital teams had to handle, enjoyed a greater range of external resources. Because of these reasons, the specialist teams had the greatest level of professional autonomy and identity with their work.

A study that investigated referrals made by child welfare agencies to non-psychiatric mental health services revealed that the conduct of case managers, judges, and psychologists was consistent with Lipsky's formulation of street-level bureaucracy. The major force that drove child welfare to mental health providers was the court system wherein judges used their discretion to order the assessments and treatments. Although well intentioned, the judges lacked the necessary professional knowledge to make decisions regarding mental health. Court-appointed psychological evaluations were ordered mainly because of their perceived efficiency. This created a conflict when the opinion of child welfare professional differed from the evaluation results Case mangers sought high-quality therapists but the courts allegedly pushed their clients to unfocused therapy and unqualified therapists, presumably because of their need to adhere to unrealistic deadlines. The case managers' discretion was also hindered by the judges' referrals, which were mainly influenced by their own case agendas and beliefs (Fedoravicius, McMillen, Rowe, Kagotho, & Ware, 2008).

A study on the implementation of Social Security Disability (SSD) program in all the fifty states explored how state and local level economic, political, and other environmental factors could impact the discretion of street-level bureaucrats. The discretion of street-level bureaucrats was affected by the task environment, or the level of need, of each state. More SSD recipients were found in the states that had higher rates of manufacturing employment, more people between the ages of 54 and 64, and more families with lower income. Street-level bureaucrats had also to consider political factors while making decisions. Disability claims were more prevalent in Democrat ruled states than states with Republican governments. The study also found that an open systems view of bureaucracies was supported because the determination of disability was influenced by the prevailing environment. Contrary to Lipsky prediction that "discretion will disentitle claimants", street-level bureaucrats factored in the level of need of the claimants and exercised their discretion as a tool to achieve equity. The study however did not suggest that their professional values were compromised (Keiser, 1999).

A similar finding was reached by Scott (1997) in a study that assessed the determinants of bureaucratic discretion in street-level decision making in a simulated public assistance agency. Three categories of factors influenced bureaucratic discretion - characteristics of the organization (organizational control), client characteristics, and individual decision-maker's characteristics. The data collected from the experimental study were coded for organizational treatment level, client compassion, professional field, and gender of the subjects. The high-compassion clients received more in benefits than the low-compassion clients. The clients handled by a high treatment level organization received lower benefits than those handled by a low treatment level one. The subjects with backgrounds in social work recommended more

benefits than the public administration-type subjects. As regards client gender, decisions for the female clients were evenly influenced by organization and client characteristics, and they were three times as influential as the subjects' professional fields. With male clients, the organizational control was twice as influential as the client compassion and nearly three times as influential as the subjects' professional fields. The study showed that, while subjects were greatly influenced by high-level organizational control, there was not greater consistency between the clients of different compassion. This was surprising because the main purpose of organizational control was to use similar discretion with clients that had comparable needs.

Apparently, 'goals' and 'rationality' take a backseat to power within the scheme of a social-work organization. Using three case studies carried out in Stockholm, Sweden (Sunesson, 1985) demonstrated various methods in which organizational power is 'loosely coupled' within 'street-level bureaucracies." Impromptu means and methods of organization dictate the formality of power and control amongst the work force. It is important to understand these differences in order to properly evaluate an organization and its workers. The study also found that there were certain myths that impeded organizational change: that case assignments were evenly distributed amongst the social workers, that there were a large number of cases with 'informal clients' that were not officially documented and that additional services and treatment were given to the majority of clients who received financial aid. When each of these 'myths' was debunked, it was apparent that the organization used them as a means of detracting their critics. With the full support of the myths within the organization, the social workers could 'do other things' rather than what they were supposed to do as well as concealing these 'other things.' There was a 'loose coupling' with the upper-level decision-makers and the social workers involving the method of how the clients were handled during case work. With difficult cases, the social workers were apt to talk rather than act in an irrational manner with ineffective results. The upper-level management believed that their strict policy system was being followed, but their employees worked as they freely desired, as predicted by Lipsky's model of street-level bureaucracy.

Public sector reforms could impact the discretion exercised by public service workers and education professionals. Taylor and Kelly (2006) examined how Lipsky's theory of street-level bureaucracy fared in the face of public sector reforms that increased managerial control over the professionals. Three elements of street-level discretion were identified: rule discretion, value discretion, and task discretion. Lipsky's theory predicted less discretion at the street level when there were more rules. Fairness and justice were the determining factors for value discretion. The professionals were expected and trusted to follow their established professional practice and o use their training and experience when making decisions. Task discretion was the flexibility to perform a work assignment. It was sometimes affected by managers' oversight since full monitoring was difficult.

Pressure was applied from the top with inspections, targets, and oversight. Government policies from agencies, including the Audit Commission and Quality Assurance Agency and the Office for Standards in Education, constructed ratings systems, which forced professionals to make decisions to achieve certain ratings. Cost reduction and quality improvement were two target areas that professionals were also forced to use their discretion. There was also a conflict between knowledge and skills. Because of the emphasis on targets and goals, professionals' decision making shifted from a knowledge-base to a skill-base. Hands-on skills were used to achieve the desired ratings goals by management, and they could better monitor professionals when they used skills rather than knowledge in decision making. Greater focus on technical skills reduced the opportunities to use value discretion. User involvement, devolved governance, and discretion were pressures that arose from the bottom-up. For example, a Citizen's Charter increased user involvement because professionals needed to be aware of how their decisions affected their customers and clients. Value discretion became even more apparent with increased direct citizen participation in the service agencies. Professionals were required to act according to the different structures of governance, such as new forms of localism that by-pass local authority. Lipsky's theory was still somewhat relevant with schoolteachers and social workers, who were expected to make their own decisions when they encounter sudden and difficult situations that occur each day. However, their decisions were intensely scrutinized to the point that they were unable to effectively implement policy. This was a great change from 25 years ago when Lipsky coined the term "street-level bureaucracy."

All three elements of discretion were affected by the public sector reforms. The ability to make policy under the rule discretion was significantly reduced by the increase in rules and accountability that restricted the deviation of formal controls. In contrast, task discretion remained variable at the street level because there were multiple ways to complete difficult work assignments. However, the increase in rules dictated and constrained the work assignments. This interconnectedness was complete when the task constraints affected the values within the performances of the professionals. Values in the performance of tasks were replaced by the specific language of the rules, even though professional values were not easily influenced. The study concluded that there was no longer street-level "policy making" discretion as defined by Lipsky.

Many characteristics of Lipsky's street-level bureaucracy (SLB) could be found within the urban public hospitals and could affect the different categories of frontline workers in different ways. Based on a survey of the professionals and employees of a Midwestern urban public hospital, Thomas and Johnson (1991) found that the staff was divided regarding the principles of Lipsky's assertion. While the hospital workers are mostly pleased that their work tasks are commensurate to their educational preparation, there is still some frustration with the restrictions imposed at the workplace as well as the contempt that is generated from the public. Nonetheless, the results from the survey perhaps showed that the troubles of hospitals workers are slightly

exaggerated in terms of Lipsky's SLB theory. There is also the possibility that the hospitals could afford to make appropriate changes to enhance the value and work duties of the hospital workers.
Using a mailed questionnaire survey, it was found that while most of the employees agreed that there were "rules for everything," they do not seem to affect the outcome or the ownership of their work. A mere 14 percent were "dissatisfied" with the rules restricting their autonomy. However, Lipsky was supported when 31 percent of employees and professionals did not believe that they could make decisions to influence their work. Most professionals also felt their own standards clashed with the hospital's programs and policies. 71 percent of professionals felt that it was difficult to perform their jobs well because they were overworked. Lipsky argued that street-level bureaucrats feel their work is ineffective. Over half of the hospital's employees disagreed with this assertion. Nearly two-thirds of the surveyed also disagreed with Lipsky because they felt their work had a positively impacted people's lives. Even though the majority agreed that the public hospital did not have a positive image in the community, the survey results contradicted Lipsky's theory that their jobs were not properly respected.

The most important survey question focused on Lipsky's prediction that SLB workers were not committed to their jobs because they lacked pride. However, the employees overwhelmingly felt that a sense of pride from their jobs. The survey also showed that the employees were committed to their hospital because most of them would not leave for another similar job with a similar salary. Based on this study, it was inferred that that the pessimistic predictions of SLB could be overcome with recruitment; socialization programs; seminars, awards, and other special events; avoidance of conflicting messages; and the "empowerment" of professionals.

Integrating the principles of complexity theory, knowledge management and social network analysis to policy implementation, (Mischen & Jackson, 2008) demonstrated complexity theory as a language of understanding, social network analysis as a method of examining policy implementation, and knowledge management as an outcome from policy implementation.

What emerges from the foregoing review of empirical research on street level bureaucracy is vindication of the essential tenets of the theory proposed by Lipsky. There is no doubt that frontline workers enjoy considerable discretion in the implementation of policy. The values of the individuals and the environmental characteristics doubtless play a significant role in the exercise of this discretion. This could have both positive as well as negative implications. On the positive side, such discretion could result in a more humane and situation-specific adaptation of a general public policy. On the downside, it could lead to arbitrariness and lack of uniformity in policy implementation. Oversight, supervision and control could mitigate such deviations in exercise of discretion to certain extent. Socialization, recruitment and training, and a system of rewards and sanctions could be additional means to contain the downside. An equally important issue is that of accountability. How to promote accountability without undermining responsiveness and professional judgment of the frontline workers is a central

problem of managing street-level bureaucracy. Conventional solutions such as performance measurement may not be an adequate solution from the perspective of public management. Performance measurement based solutions might result in efficiency but in the process the interests of the clients/citizens might take a back seat. The conventional approach may also lead to goal displacement and selective attention to the goals that are measured. Thus, what is gained in terms of efficiency could be lost in terms of effectiveness. No less important is the emerging global efforts to advance transparency in management and delivery of public services. The insights gained from extant research would now be applied to the implementation of a mini-hydel project in rural India to understand the role of street level bureaucracy in project implementation and how it could be made more accountable, responsive and efficient.

3. Hydropower Development in Himachal Pradesh

The state of Himachal Pradesh, in the northwestern region of India, has vast potential for generation of hydro-power, part of which is reserved for exclusive exploitation by private individuals and small companies in the “Small Hydro Sector” i.e., projects with a capacity of less than 5 Megawatts. With a view to encourage private investment in small hydro power development, the provincial government in recent years, streamlined the procedures to reduce if not eliminate the bottlenecks and to conclude contractual agreements with private firms expeditiously. As a result of these efforts, Memoranda of Understanding were entered into by the government for a total of 299 projects, of which 206 projects with total capacity of 547.50 megawatts are presently in progress. Eight projects totaling 20.65 megawatts were already commissioned and 90 projects totaling 299.40 megawatts are in various stages of implementation. Power Purchase Agreements have been concluded for undertaking a further 38 projects (www.himurja.nic.in). One such project in the early implementation stage is the Chirchind-II Small hydroelectric project awarded to M/s Shivalik Energy Private Limited on “Build, Own, Operate and Maintain (BOOM)” basis.

The Chirchind-II Hydroelectric Project: An Overview

The Chirchind-II hydroelectric project is a run-of-the river type development located along Ghatohr and Kiunr -Khad tributaries of the Chirchind stream of the Ravi River. The project capacity is 9.90 megawatts at an annual plant load factor (PLF) of 48.08%.A DPR was presented to the nodal agency of the provincial government, the Himachal Pradesh State Electricity Board (HPSEB), which coordinates with the contracting firm and issues a techno-economic clearance (TEC). After assessing its techno-economic viability, the Chirchind-II hydroelectric project was approved by the Board in October 2008. The project is estimated to cost $4 millions including $2 millions for civil works, $1.6 millions for generator and other equipment and $0.4 million for transmission lines and network.

The socio-economic objectives of Chirchind-II Small Hydel Power Project are to provide hydropower and thereby discourage deforestation for conventional fuel (wood), create employment opportunities and thereby reduce migration to urban areas, support local small-scale industries, increase labor productivity, enhance the standard of living of local population, control green house gas emissions and global warming, achieve ecological balance and biological diversity and arrest the water pollution. Despite the laudable intentions, several challenges need to be managed in order to achieve the strategic objectives of the start-up. The dealings with public agencies in India are typically characterized by inordinate delays and bureaucratic red tape. The hydel project requires clearances and no-objection certificates (NOCs) from a multitude of government agencies before it could be started. These include the Village Panchayat, the Public Works Department (PWD), irrigation, public health, and fishery development agencies, the Explosives Licensing agency, the Forest department, the Pollution Control Board (PCB), and the Wild Life Sanctuary. Managing to secure the approvals from all these public agencies could be a herculean challenge for the successful implementation of the project.

We will now examine the process of securing approvals/NOCs to undertake a mini-hydel project by tracing the various stages in an illustrative three public agencies wherein street-level bureaucrats play a significant role. These are the Public Works Department (PWD), the Irrigation and Public Health department (IPH) and the Joint Chief Controller of Explosives. The different steps in the securing of approvals/NOCs/licenses from these agencies are captured in schematic diagrams presented in Figures 1, 2 and 3 below.

FIGURE 1

NOC Process in PWD

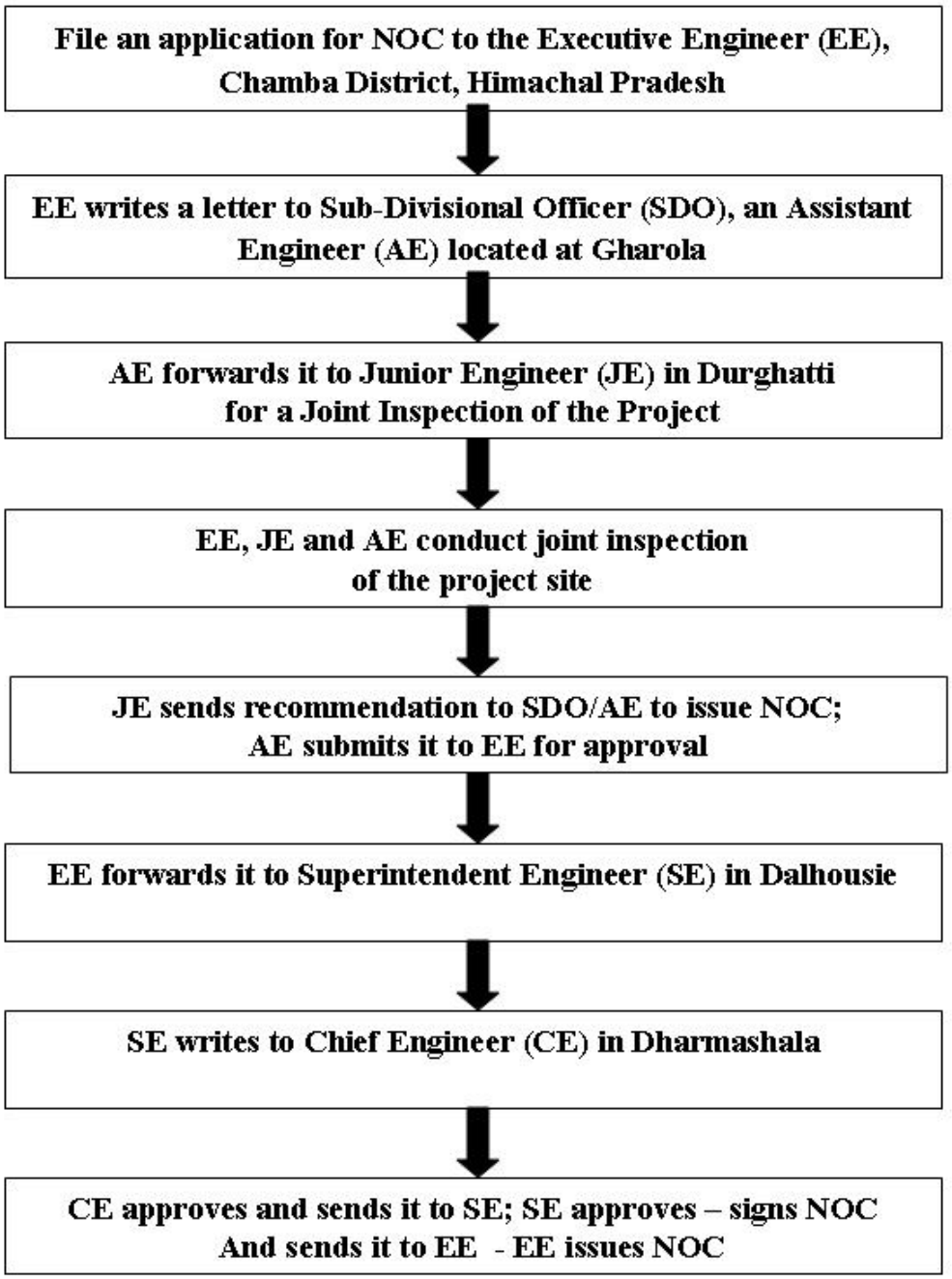


FIGURE 2
NOC Process in Irrigation and Public Health

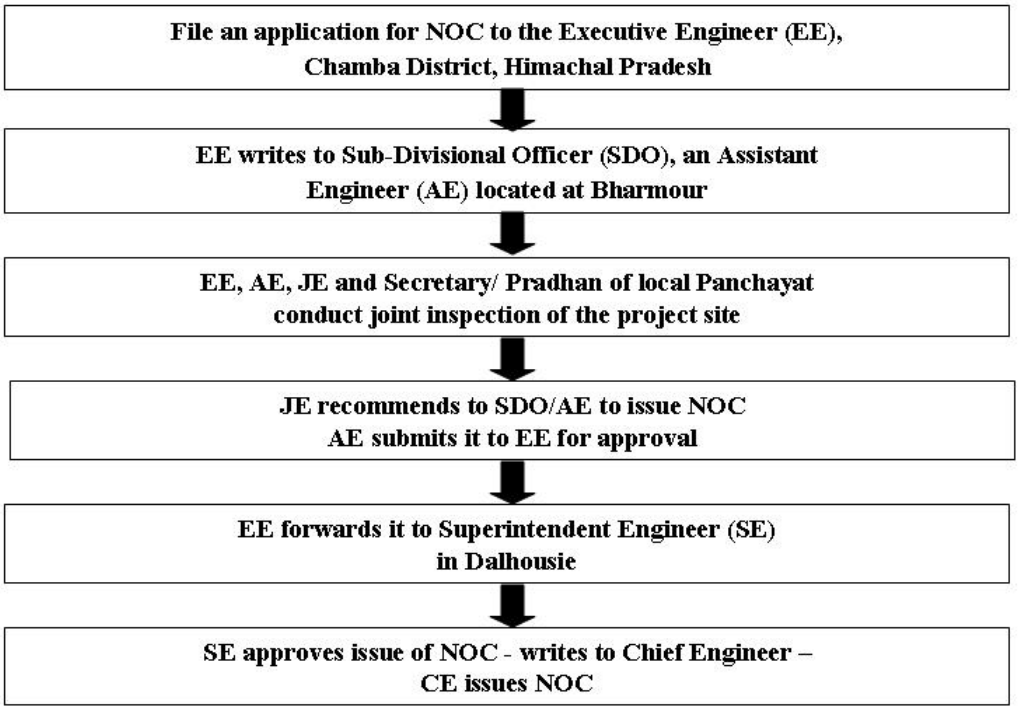
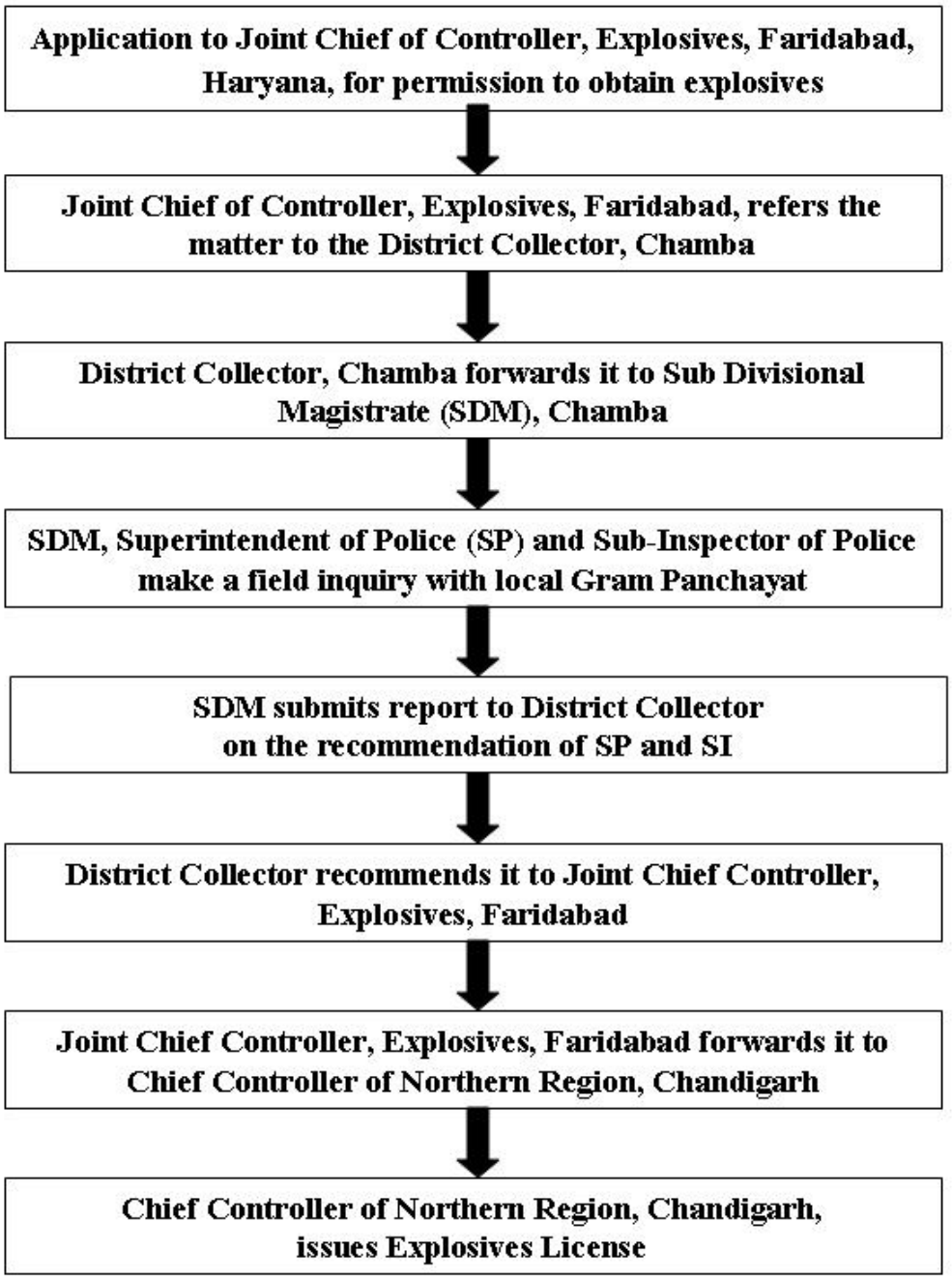


FIGURE 3

Explosive Licensing Process



4. Discussion

NOC from the Public Works Department: The key issue here is the lack of information. Due to the absence of information on what is required of an applicant while submitting an application for a NOC for a hydel project, the supporting documentation is often deficient or not in the right format. This could easily be addressed by providing an information brochure containing guidelines on what is expected of the applicant, what needs to be done, details of the procedures and the process to help the project executors in compiling the appropriate documentation in the right form. Lack of such standard guidelines leads to waste of effort, money, and other resources resources. Most important, it results in avoidable delay in execution of the project. For instance, in the case of Shivalik Energy, the NOC which normally should take 2-3 months at most for issue has in fact taken 9-10 months. Such an enormous delay could have been curtailed with better communication of expectations on the part of the street level bureaucracy in the PWD.

NOC from Irrigation and Public Health department: Here again, the main problem is lack of communication of the documentation requirements. Considering that this NOC is mandatory for all such projects, the street-level bureaucrats should have been provided with the requirements for the processing mandated by the policy makers. These requirements could be standardized and made available to the applicants when sanctioning the project so they might be better prepared with the necessary paperwork that should accompany the application for a NOC. Moreover, curiously many of the public agencies involved in the processing of the NOC from IPH are the same as those for the NOC from the PWD. It is not clear why the two NOCs could not be combined or allowed to be processed simultaneously so the issues could be resolved for both in a timely manner. The result of not having standard guidelines is avoidable and inordinate delay with consequent waste of resources. What could easily have been processed for issue of a NOC in about 1-2 months had in the case of Shivalik Energy had consumed all of one year. The long-term implications of such delays could be far reaching both for the implementation of the project as well as the achievement of the policy objectives.

Multiplicity of public agencies for issuing approvals, NOCs and licenses for a start-up project in the hydropower sector is a major problem in India. The conduct of the street-level bureaucracy in various agencies could discourage and de-motivate domestic as well as foreign based entrepreneurs from taking up such projects. Since the national power policy seeks to attract foreign direct investment and encourage domestic investment in the hydropower sector, the policy planners in India would be well advised to introduce a “single window” clearance for all such regulatory approvals and help eliminate an entrepreneur from the need to approach multiple street-level bureaucrats in various government agencies. This will not only save time and resources of the entrepreneurs but would also expedite project implementation. Such simplification and rationalization of regulatory procedures could then attract better educated and more qualified entrepreneurs to invest in the hydropower sector.

The findings of this study, we realize, are based on a single project in the hydrpower sector. One should therefore be cautious in generalizing the findings of the study to other sectors and elsewhere. Notwithstanding this limitation, insights gleaned from this longitudinal case study are helpful to further entrepreneurial investments in the hydropower sector in India. The findings of this study could be validated employing quantitative data collected from larger surveys of a subset of other hydropower projects in this region and elsewhere. It is hoped that this study will invite attention to this nascent but important area of research.

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