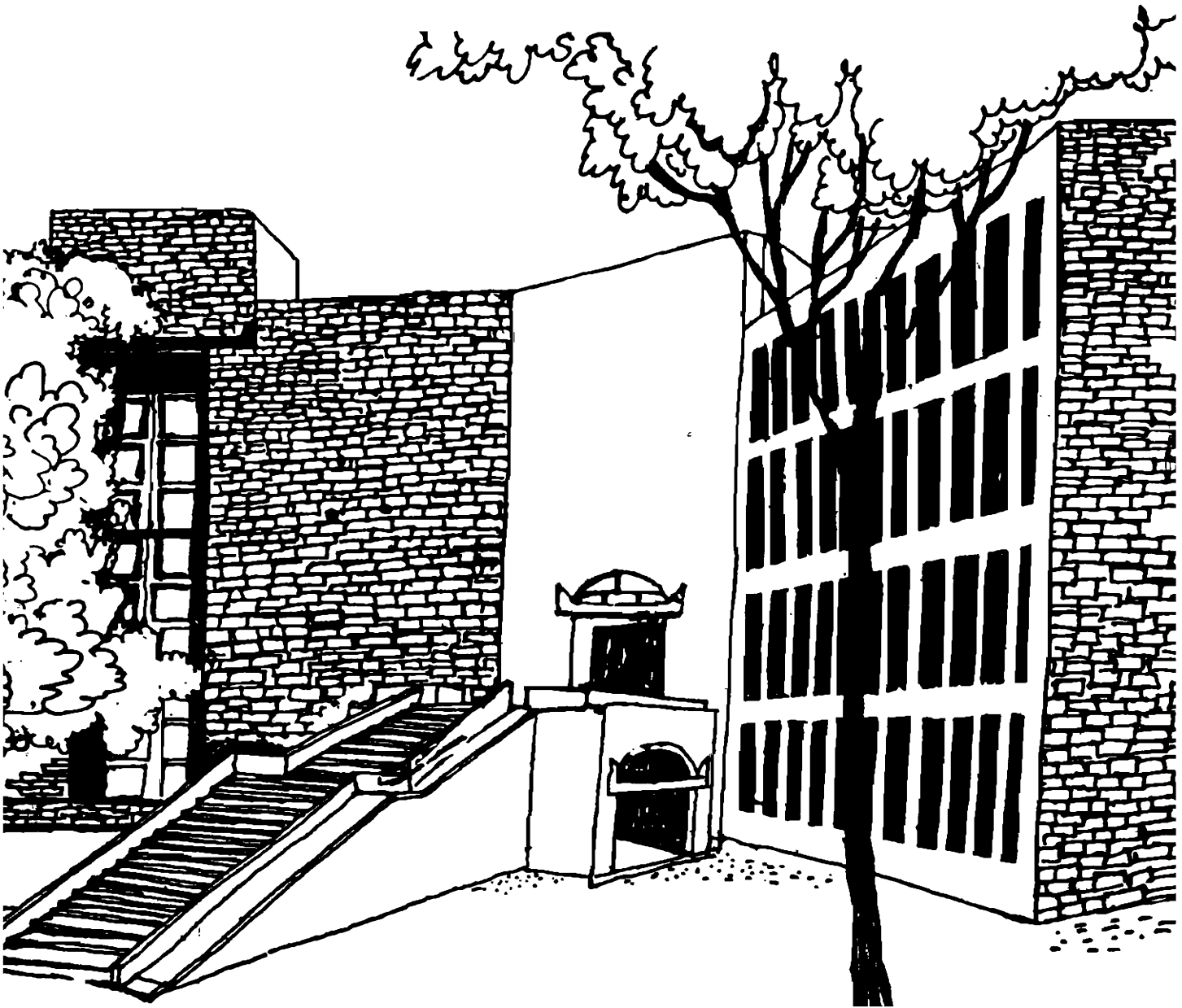




Working Paper



RECHARGING INDIAN BUREAUCRACY

By

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RECHARGING INDIAN BUREAUCRACY*

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Abstract

Failure of bureaucracy has prompted many efforts at reforming it. But administrative reform has failed in many developing countries, including India, for a variety of reasons. The costs of the bureaucracy's malfunctioning are huge. Any attempt to recharge the Indian bureaucracy would need an examination of its design flaws. The first design flaw is a merit system that does not select for needed administrative capabilities. Second, short, uncertain terms of members of the elite services. Third, overloading and centralization. Fourth, a monolithic state. Successful recharging of administration in Britain, Canada, Malaysia, Singapore, New Zealand, etc. indicate that a large part of the state needs to be broken up into semi-autonomous executive agencies. These need to have competitively selected heads on fixed tenures who operate autonomously within the constraints of an MoU with the government. The process adopted in Britain to set up and run executive agencies is described, and the example of Passport Agency is given to illustrate how a government body may get transformed after its conversion into an executive agency. The contrasting performance after liberalization of India's central government public enterprises, whose management structure resembles executive agencies, and the state-owned public enterprises with politician chairpersons and IAS managing directors on short, uncertain tenures supports fragmentation of the bulk of the Indian state into executive agencies for revitalizing administration.

* Based on the book *Revitalizing the State: A Menu of Options* (New Delhi, etc.: Sage Publications, 1999).

Bureaucracy As a Reform-resisting Weed

India has a huge bureaucracy. Its estimated size, when employees of the central, state, and local governments and their agencies are added up, is 20 million. One in 3 or 4 Indian non-farm families is supported by government service. This huge bureaucracy operates a bewildering variety of public services like post, railway transportation, and various municipal services, and projects ranging from irrigation and power projects to JNY, TRYSEM, IRDP, and DWCRA. It also discharges routine administrative functions like law and order, security, and revenue collection. This bureaucracy is headed by some 50-odd elite services with a membership to some 40000, the IAS being the highest caste amongst these.

Governmental bureaucracies apparently do not work well all over the world, especially in developing countries with soft states and poor work ethic. Nor are they easily reformable. Despite numerous reform attempts in India, including the massive work of the Administrative Reforms Commission, Indian bureaucracy's performance has not significantly improved. Brazil's National Debureaucratization Programme, which promised so much, also apparently fizzled out.

Gerald Caiden has identified several reasons why public administration reforms fail in developing countries:¹

1. Imposed implementation. Seldom are the affected staff involved in the reform process.
2. Borrowed reforms. Reforms imported wholesale seldom work because of special circumstances and cultural differences.
3. Incorrect diagnosis due to ideological or other blinkers of international funding agencies or the party in power. There is no platform of expert and credible, data-based diagnostic effort to erect reforms on.
4. Unattainable, non-operationalised objectives.
5. An obstructive structure such as an entrenched hierarchy.

6. Vagueness in expected performance, so that the staff do not know what is expected from them.
7. Hidden agendas, such as a camouflaged purge of those opposed to the ruling clique.
8. Indecisiveness and conflicting prescription because of confusion and conflict among the reformers.
9. Faulty planning, especially inadequate provision for contingencies, or poor phasing.
10. Too narrow instrumentalities for reform, such as an over-reliance on legislation or executive orders.
11. Insufficient resources for implementing reforms.
12. Insufficient delegation of authority for implementing reforms.
13. Poor monitoring of the progress of reforms, a poor MIS and poor review mechanisms.

With so many potholes along the way, it is no wonder that the reform cart hardly clears the village!

Bureaucracy is apparently a hardy weed. The costs of its malfunctioning are enormous. In India irrigation, power, and other construction projects almost regularly have time and cost overruns of 100% or more. Delays in sanctioning projects and tardy implementation are major reasons. Corruption is rampant. As a recent report concluded, "It is not an exaggeration to talk about corruption in terms of a crisis or a cancer endangering India's society, polity and economy."² The vast sums allocated for rural development and poverty alleviation only fractionally reach the poor--Rajiv Gandhi estimated that no more than 15% reached the poor. Studies of development bureaucracy paint a grim picture.³ The attitudes and values of the lords of our bureaucracy, especially the IAS officers, have been found in studies to be uncongenial to participation-centred development. As Prayag Mehta concluded in his study of senior and middle level bureaucrats, "Senior bureaucrats interviewed emphasised the need for people's participation but were at the same time highly sceptical of it They apprehended that organization of the rural workers, if promoted, would lead to law and order problems Similarly, they were quite hostile to

the idea of promoting staff participation in decision-making and management in government.⁴

Administration Design Flaws

How then do we recharge the Indian bureaucracy? We cannot, unless we understand well its design flaws, and unless we familiarize ourselves with how some countries have succeeded in recharging their bureaucracies.

There are several design flaws of Indian administration that depress the performance of the Indian state.⁵ Let us note some of them, especially those of the 50-odd all-India elite services whose 40000-odd members occupy most of the posts that really matter.

Flaw number 1: a merit system that does not select for needed administrative capabilities: Members of the all-India elite services are selected on the basis of examinations devised by the Union Public Service Commission. The system is meritocratic. But the question is whether the merit assessed is the right merit. There are no tests for character, integrity, social concern or commitment to social justice, empathy for the disadvantaged, standing up for the right. There are no tests of ability to communicate with the poor, and to elicit their participation in decisions that affect them. There are no tests of the ability to build consensus among stakeholders for constructive change. There are no tests for resourcefulness, creativity, proactivity, or achievement drive. There are no tests for the ability to stand up to those political masters and administrative bosses who make illegal demands. What kind of people get into these elite services? Studies indicate that the members of these services tend to be predominantly from the urban upper and middle classes and therefore have little understanding of the ways of the poor, especially the rural poor, or empathy with their plight.⁶ Also, their managerial style tends to be authoritarian and manipulative rather than participative, not very effective in getting people mobilized for developmental tasks.⁷ A direct consequence is gross underachievement of state-sponsored development and poor quality of work.

Flaw number 2: short, uncertain tenures: Huge tasks are entrusted to the members of the elite services but their tenures in these tasks are usually quite short and uncertain. Transfers are frequent and in some states the average stay in a posting is just about a year. In a study of two backward districts of Rajasthan, over a 20 year period, the average term of the district collector was found to be 14 months; the same was true of the block development officer.⁸ How can any officer, however capable he or she might be, get to understand local problems, and mobilize people for change if the tenure is likely to be just a year or two? Each district averages around 3000 square miles, with an average population of perhaps 2.5 million. How can any official make any impact when there is so much to do--so much illiteracy, such inadequate health facilities, so much poverty, such poor infrastructure--specially when that official is a stranger to the area, and has just a year or two available? The direct consequence of short, uncertain tenures is neglect of grassroots, people-intensive developmental work, achievement on paper of some targets but a very different ground reality.

Flaw number 3: overloading: There is so much centralization of authority in the hands of members of the elite services that even if they are diligent they would simply not be able to finish their work even if they worked 24 hours a day 365 days a year. In a study of a district magistrate in UP, it was found that 52 of some 66 departmental committees were chaired by the district magistrate. 42 of these committees related to rural development, and 30 of these were chaired by the district magistrate.⁹ These committees would usually not meet in the absence of the chairperson. Decisions would keep on getting postponed since there would be no human way a district magistrate can attend fifty-odd committees a week or even a month, in addition to attending to his or her other administrative work. Here again, the direct consequences of overloading and centralization is poor quality, brave targets but little real achievement, poor coordination, and demotivation.

Flaw number 4: monolithic state: On the face of it the Indian state is highly fragmented. There are federal, state, and local governments. The central government alone has 60-odd ministries, 70 attached special offices like the Archaeological Survey of India, and 200

subordinate offices like the National Archives. Then there are departmental undertakings like the railways, and various projects and programmes like the Integrated Rural Development Programme and Nehru Rozgar Yojana. The problem is that all of these bodies are administered in a similar way despite vast differences in tasks, missions, and contexts. Few of these have professional heads who are selected on the basis of open competition. Most are headed by members of elite services and appointed with varying degrees of political interference. The government's rules of business rule the roost. Personnel administration is mostly standardized across these ministries, departments, and programmes. There is very little lateral entry and very little autonomy to department heads in hiring, firing, paying, or rewarding. Twenty million government servants stoutly defend the status quo of guaranteed job security and unearned increments, and their 40000 bosses from elite services equally stoutly defend the status quo of power, status, perks, and privileges. The threat of CAG audit hangs like a Damocles' sword, driving out whatever little initiative an officer may possess. Conformity with rules becomes the general norm rather than meeting the objectives of public policy. Exceptions to rules can be made, but at a price, so that, as Robert Wade discovered in a South Indian state, a market in under-the-table cash payments quickly develops for out-of-turn transfers or awards of contracts to shady parties.¹⁰ And, of course, controls are used to seek "rents," speed money is demanded to speed up provision of services like power or gas or telephone connections, and haptas are demanded by the police and the vast inspectorate to provide respite from harassment.¹¹ Here again the direct consequences are poor work quality, inflexibility and lack of responsiveness to local situation or particular groups, lethargy, corruption, inequity, and crawling progress."

To summarise: we tend to blame the members of IAS and other elite services for the mess in our administration. They are painted as monsters which they are not. They are like the rest of us, but they are lodged in a bad system that makes their collective behaviour monstrous. Unless we attack the design flaws of our administrative system we will remain stuck with gross underachievement of developmental tasks, gross delays, corruption, poor

work quality, poor coordination, rigidity, an unresponsive, unfeeling administration, and growing alienation of citizens.

Twenty-one or more commissions of enquiry, numerous other enquiries and consultancies have failed to make much of an impression on Indian administration. As the Central Fifth Pay Commission concluded, “Organizational reforms have tended to be more in form than in real substance, leaving little impact on the efficiency of the system.”¹² Administration gets along merrily in its corrupt, lethargic, and incompetent way. But there is a radical way it can be altered for the good, a way tried out successfully in a number of countries like UK, Canada, Australia, New Zealand, Malaysia, and Singapore. The way essentially involves breaking up much of the monolithic state into more or less autonomous units headed by professionals. The UK showed the way.¹³

UK's Dismemberment of Bureaucracy

Beginning around 1988, by 1994 Britain reduced the number of its civil servants by 60%. Some 350000 former civil servants were transferred out to government bodies called executive agencies. The basic idea was that semi-autonomous agencies should be carved out of government departments to carry out specific executive functions within a framework of policy and resources provided by the relevant ministry. The process is worth looking at a little more closely.

A small team of civil servants, called the Next Steps team, was created to identify candidates for agency status from within ministries and departments.

1. Before forming an agency, however, some tough questions were addressed about the unit being considered:

Need the function currently performed by the unit be performed at all? If no, can the relevant unit be eliminated? If yes, then can the unit's work be

contracted out? If it can not be contracted out, then is executive agency the best structure for it? If yes, then the executive agency can be formed.

2. Once the decision was taken to form an agency, its mandate, objectives, etc. were clarified in a framework document, which in effect was the MoU of the agency. The framework document spelt out the policy framework, the annual budget, and the annual targets approved by the relevant ministry.
3. The chief executive of the agency was generally openly selected. That is, both civil servants and others in the private sector and civil society with relevant qualifications and experience could apply for the post. The chief executive was appointed for a fixed term. By mid-1990s, the heads of nearly two-thirds of the executive agencies were selected this way and over half of the heads were from outside the civil service. This feature facilitated the lateral entry of many talented managers into public service organizations.
4. The chief executive of each agency was personally responsible for the targetted performances.
5. The agency's annual report provided information on the agency's activities and achievements against targets.
6. Ministerial responsibility to parliament for the functioning of the agency was restricted to policy, not operations, and parliamentary questions on operations were answered by the chief executive of the agency, not the minister. This freed the minister and his/her staff from having to respond to parliament questions on a lot of relatively trivial operating issues and concentrate instead on policy formation and monitoring of implementation.

7. Once an agency was carved out of a government department, its employees ceased to be government servants and instead became employees of the agency.
8. Executive agencies enjoyed considerable operating autonomy within the mandate and the policy guidelines spelt out in the framework document. Many operated as “trading funds,” and had considerable freedom to manage their own funds. For their income and expenditure they were not subject to advance parliamentary approval, but they were expected not to have deficits. As a consequence, the executive agencies became sharply aware of the costs of the products or services they provided, and became much more inclined to find ways of cutting costs. After 1991, executive agencies were responsible for recruiting virtually all new staff. They could also adopt their own pay scales, and lay off surplus staff.
9. Executive agencies were expected to make market tests for the products or services they offered. This meant that they invited bids, including from within the agency, for operating a service. If the internal team won the bid, it continued its work. If an outside party won the bid, the work could be contracted out. To protect employment, the norm in several agencies was that if the work was contracted out, the existing personnel were transferred out to the outside party. By December 1993, executive agencies and other government bodies had invited bids for \$ 1500 m. worth of their services. This way, the executive agency kept itself on its toes, and if some privatization did take place, it was transparently done, without significant loss of employment, for reasons of economy but without sacrificing the public interest.
10. By mid-1990s the government required all new pay agreements to have performance-linked pay as their basis. Executive agencies had the freedom to negotiate with unions the extent of performance-related pay component.
11. Every executive agency was expected to issue a citizens charter. The idea was to ensure a better balance between operating efficiency and customer service. The basic

aim was to raise the quality of services provided by the government to the citizens. Every agency publicly announced the standards related to the services offered, and the grievance redressal mechanism available to “clients” if the standards were not met. For instance, UK’s Employment Service agency promised to see a client with appointment at the time of appointment and one without appointment within 10 minutes of arrival, send a reply within 5 working days of receipt of a client’s letter, and so forth. The citizen’s charters greatly increased transparency, and also pressure on the agency to perform well. A telephone helpline called “charter line” was established for giving people information on charters on phone. The Charter Mark award was instituted for excellence in delivering public service.

12. Executive agencies were encouraged to establish quality systems for the services they offered on the basis of research on clients’ perceptions of the services offered and their satisfaction with them.
13. To ensure that executive agencies did not sacrifice the public interest in their quest for efficiency, the framework document spelt out the standards on which the agency would be assessed which reflected public policy and public interest. For instance, UK’s Employment Service agency in 1995-96 was not only given the year’s target of finding jobs for 1.9 million persons at a target cost of £ 185 per job found, but it was also given the target of ensuring that at least 29.5% of the total placements of the unemployed were for longer term unemployed, 27% for people living in inner cities that were generally poor areas, and so forth.

The British executive agencies ranged in size from around 30 employees to some 65000 employees. Agencies were set up to undertake a vast range of functions: customs and excise collection, finding jobs for the unemployed, issue of drivers’ licenses, issue of passports, child support, prison management, research, weather forecasting, etc. etc.

The Case of UK's Passport Office

It is fascinating to see how a structural change like carving out semi-autonomous agencies headed by professionals on a term contract can transform the way the carved out unit works. An example is UK's Passport Office, which was formed into an executive agency in 1991.¹⁴ The agency processed over 3.5 million passports a year. It was earlier known for "its slow and uncommunicative service and a somewhat remote and austere image."¹⁵ Once the agency was formed, the Passport Agency had two main targets, namely, improved customer service and improved financial performance. For instance, in 1993-94 it adopted the target of processing applications for passports in 20 working days or less during the peak demand period, and 10 working days or less during the rest of the year. It also targetted 3% reduction in overall unit cash operating cost. Look at the flurry of its innovations and changes in the 1990s:

1. It identified several key areas for improvement, such as service to customers by post, over the phone, during personal visits; customer satisfaction; detection of passport fraud; wastage; number of passports issued per staff member as an efficiency measure, etc. Concrete targets in each area were specified in the agency's annual corporate plan sent to the ministry.
2. Performance against targets was monitored through reports generated by the agency's management information system. These were reviewed by the head of operations with the heads of individual passport offices. An operations manager was appointed in each passport office to ensure that the office met its targets and standards.
3. Regular customer opinion surveys were initiated. In the early 1990s 50000 customer survey questionnaires were issued. The return indicated a very high level of satisfaction.
4. Many actions were taken to improve customer service. The front-line staff members were given name badges. The counter personnel were given uniforms. Reception area

was spruced up. Special facilities were given to people with disabilities. The telephone enquiry service was improved. The front-line staff members were given comprehensive customer-care training. An effective complaints redressal procedure was developed. A panel of passport users was set up to advise the agency on service related issues.

5. The Passport Agency changed its personnel management practices. Previously centralized personnel management responsibilities were now devolved to regional offices. Training in the offices was spurred by the appointment of training officers. Passport being a product, with 3.5 million units having to be produced annually, managers in each office were familiarized with production management techniques through training courses. A house journal was started to improve communications.

Passport Agency was by no means alone in becoming revitalized and innovative after the change in its status from a government department to a semi-autonomous executive agency with a professionally selected head. Several other case studies are available from Britain and Canada of magical change in the functioning of agencies.¹⁶ Some examples are the UK's Inland Revenue Agency responsible for the efficient administration of duties and direct taxes, and dealing with some 40 million "customers," Canada Communications Group that provided printing and communications related services, Statistics Canada whose main function was to collect, analyse, and publish Canada's statistics, Canada Post that handled daily some 40 million pieces of mail. In India and other Third World countries, too, where government agencies have approximated the autonomy and professional management of British or Canadian executive agencies, there are cases of excellent performance.¹⁷ The National Dairy Development Board is one such example which successfully ushered in the milk revolution in India. The National Food and Agricultural Council of Philippines that turned Philippines from a food deficit country in the early 1970s to a rice exporter by 1976 is another example. Not many know that many of Singapore's world class public services are offered by over 60 statutory boards, each of which, although accountable to the parliament for its policy framework, has the autonomy

to hire, fire, and reward employees, formulate and execute policies within its overall parliamentary mandate, and raise its own revenues to meet its expenditure.¹⁸

Merely forming agencies is not enough. India, too, has a plethora of government agencies, councils, and departments. Three other conditions need to be observed. First, they must have full autonomy to function within a broad mandate that lays out their public policy objectives, goals, targets, financial constraints and policies. Second, they must be headed by professionals selected on a competitive basis, not by career bureaucrats appointed by the government on transfer. Third, the CEOs of these agencies must be on a term appointment, so that they must perform to be re-selected at the end of their term. If these steps are taken, there are good chances that government administration will become innovative, professionalised, and responsive to the needs of stakeholders.

Many of India's 250 central government public enterprises approximate these conditions. Their chairmen-cum-managing directors are selected on a competitive basis by Public Enterprise Selection Board. They have fixed term contracts. Many of them enter into a Memorandum of Understanding with their parent ministry that lays down objectives, targets, policy, constraints, the kind of help the ministry would provide, etc. In contrast to these we have some 800 state-level enterprises whose board chairmen are generally politicians and managing directors are generally IAS officers appointed on transfer by the secretariat, and subject to being transferred to any other posting at the latter's whim. The contrast in their performance is palpable. After liberalization, in just five years the central public enterprises doubled their sales and quintupled their combined net profits in a much more competitive environment. The states-owned public enterprises have mostly remained loss making and vastly increased their losses.

It is not only likely that states-owned public enterprises would dramatically improve their performance if they adopt the management structure of central public enterprises, if the Indian state was also largely broken up into semi-autonomous agencies headed by competitively selected professionals on a contract appointment, its performance could

improve by leaps and bounds. Not only the performance would improve, the Indian state would develop a high responsiveness to the needs of its citizens, and it would have powerful self-correcting and rejuvenation mechanisms.

William Inge said that good government remains the greatest of human blessings, but no nation has ever enjoyed it. Let us in India prove the latter part of his witticism wrong.

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