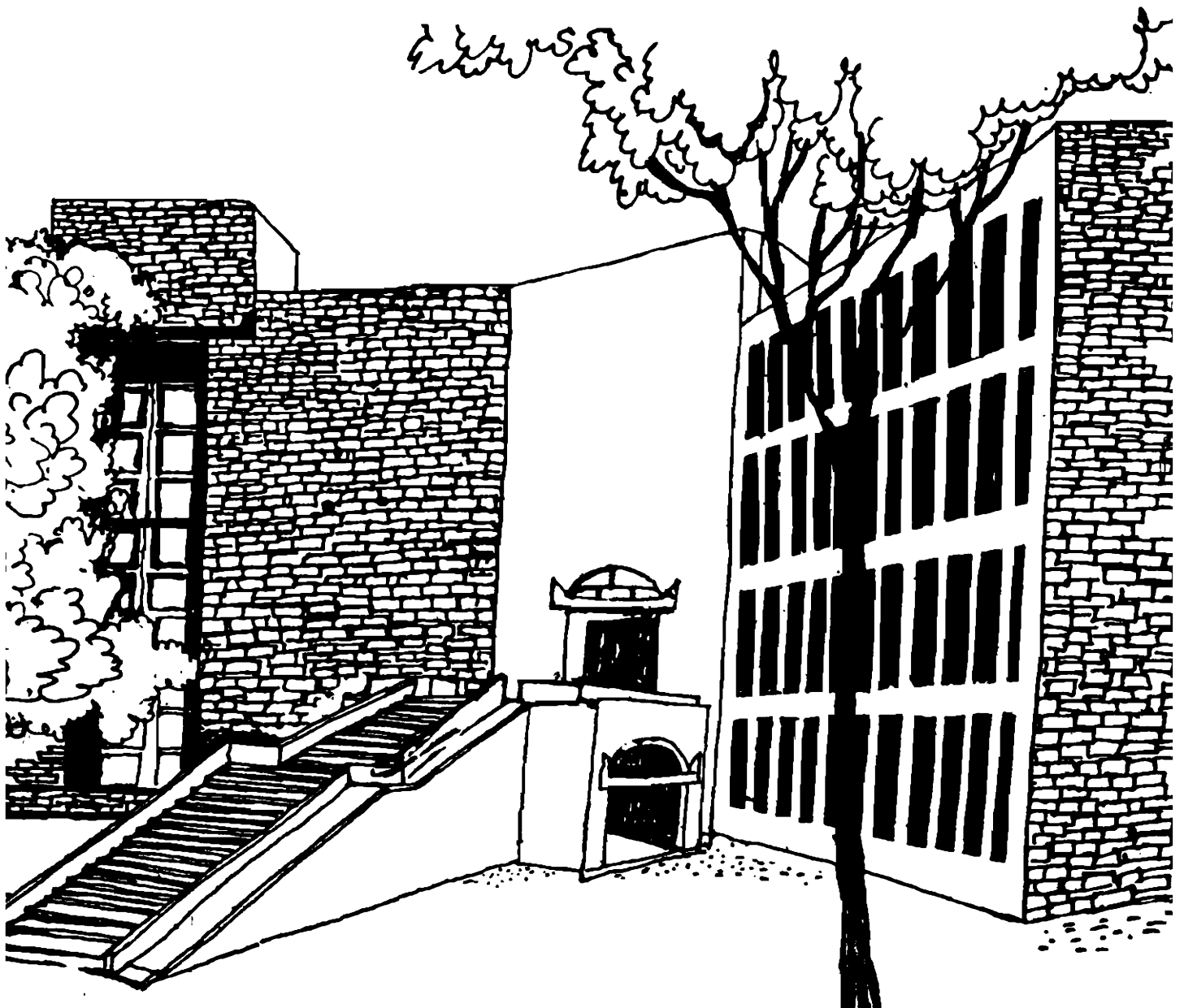




# Working Paper




REVITALIZING THE STATE:  
7. OPTIONS FOR INDIA

By

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# REVITALIZING THE STATE:

## 7. OPTIONS FOR INDIA

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### Abstract

Successful experiments in governance the world over suggest a number of options for revitalizing the Indian state. Several options are first considered for revamping the political system. These include options for achieving fairer representation in the legislature, for selecting in good and selecting out bad candidates for election, for professionalizing politics, for stabilizing fragile governments, and for professionalizing political executives. Based on the lessons of successful efforts in several Commonwealth and East Asian countries, options are discussed concerning the revitalization of the Indian bureaucracy. These include creative fragmentation of the monolithic bureaucracy, options for strengthening the responsiveness of public agencies to the public, options for revamping justice, options for energizing the management of social development, selective privatization, and selective deregulation. Next, the cancer of corruption and the way corruption manifests itself in developing countries are discussed, and a number of options for vanquishing corruption are presented. The case for a corporatist but democratic Indian state is presented, involving deliberation councils and modifications to comprehensive state planning. The emergent model of the Indian state is compared and contrasted with the model of the state promoted by the World Bank. A case is made for a strong but democratic hub of India's federal structure. It is suggested that the options for revitalization of the Indian state are extendable to many other developmental states.

The march to excellence for the Indian state--indeed, any state--is a long march, and the war is to be won inch by inch and phase by phase on numerous fronts. And yet, there is really no option to this epic struggle, for an excellent state can make a huge difference to the quality of life of the people, especially those of the world's poorer societies. The struggle for an excellent state is a principal part of humankind's struggle to make its biology joyous and its spirituality manifest.

An assessment of the performance of the Indian state after Independence suggests an above-average performance marred, however, by several ominous dark spots. The strengths appear to be the insitutionalization of democracy; a federal structure with governance at several levels; an independent judiciary; a mixed economy; economic planning that funnels increasing resources to poverty alleviation, human resource development, and infrastructure development; and a highly effective, phased liberalization of the economy that has removed some of the shackles on India's collective creativity. The main weaknesses appear to be political instability; a soft state; corruption and criminalization of politics; an inefficient, corrupt and slow-footed bureaucracy; a lethargic judiciary, and excessive regulation, especially by the various Indian states. There is no magic wand to wave away these weaknesses. But successful experiments in governance the world over do suggest a number of options for public deliberation and possible adaptation for revitalizing the Indian state.

### **Options in Revamping the Political System**

At the minimum, a democratic political system must ensure that those who are elected reflect, as far as practicable, the preferences of the voters. Beyond this minimum, a good polity should select in capable, honest, and committed candidates with a strong sense of public purpose for election, and select out incompetent, corrupt, and mercenary candidates. One more upward step is that the legislators create a stable government that runs the course of the people's mandate. A still further step towards excellence is that those who become political executives are highly qualified to be so, are accountable for doing their jobs, and are enabled to do their jobs well. A priori there are no perfect solutions for these requirements, but a number of options can be thought of for consideration.

## Fairer representation

The present winner-take-all Westminster-style election system in India does a poor job of electing legislators who reflect the people's preferences<sup>1</sup>. The system evolved in Britain in which for centuries the electorate was quite small in relation to the adult population and was dominated by the upper and well-to-do classes. It essentially evolved as a "bourgeois democracy" of shared class norms, and therefore may not be very suitable in a pluralistic society with many social segments and vast caste and class differences. In this winner-take-all system, the winner may not even command a majority in a multi-cornered contest. Even if a candidate gets a majority, unless that majority is massive, the representation is flawed because a very substantial minority may go unrepresented. In a pluralistic society like India, important interests and segments get to be grossly under-represented in the legislature because of this winner-take-all system. When a party getting less than 50% plurality of the votes polled gets a nearly two-thirds majority in the parliament, as happened in some of India's general elections, so that it interprets this as a massive mandate for far reaching changes, including changes in the constitution, then the letter of democracy is respected but not its spirit. For, the vote could also be interpreted to mean that a majority of those casting the vote do not want the platform of the winning party to prevail; it is just that they cannot agree on which platform should.

Political contestation has increased in India<sup>2</sup>. For instance, in the first general election held in 1952, on an average 4 candidates per parliamentary seat were in the fray; the number was 16 in the 10th general election in 1991. While the national parties have more or less held their own (they won over 80% of the parliamentary seats in 1952 as well as in 1991), independents have lost out to regional parties. Independents won around 7% of the seats in 1952 but not even 1% in 1991, while non-national parties, which had won 8% of the seats in 1952, raised their tally to 10.5% in 1991. Ominously, the number of seats won by a clear majority of votes cast declined from about 50% in 1952 to a shade over a third in 1991. In other words, in some two-thirds of constituencies, the preferences of a majority of the electorate were unrepresented. The rise of regional parties and increased contestation have also meant that the chances of any one party winning a majority of parliamentary seats have declined. In

both the 9th and 10th general elections, no single party won even close to a majority of seats. Coalition government at the centre has tended to become inescapable. This in turn has led to the concept of governance on the basis of a common minimum programme accepted by all the constituents of the coalition government and much more consultation among the coalition partners before the launch of major initiatives. Also, since even the coalition government may need outside support to survive, consultation and consensus politics have tended to become the norm. Some sort of rotating prime ministership and formulae for sharing cabinet posts may well become institutionalized in the emerging scenario, and a consociational state may arise<sup>3</sup>. If this is the emerging scenario, it makes sense to change over to a proportional representation system, for it is far fairer in representing the preferences of the voters in the legislature<sup>4</sup>. In the past it was rejected on the ground that it could lead to a fragmented legislature and so make it difficult to form a stable government. Such a fragmented legislature has, however, become a reality even with the winner-take-all system, and the polity has learned to live with it.

There are a number of alternative models of proportional representation, and several have been tried out in various countries<sup>5</sup>, including in electing Rajya Sabha (the upper chamber) members in India. The basic idea is that each constituency elects not one but several legislators, 3 being perhaps the most convenient number for large constituencies. Each party can put up multiple candidates, and the winning candidates from each constituency broadly reflect the preferences of the voters. Thus, if there are 10 candidates in the fray in a constituency, and the top three candidates get respectively 30%, 28% and 22% of the votes polled, the chances are that under a proportional representation system, all three would get elected in a 3-member constituency, so that 80% of the electorate would get representation, while under the single-member winner-take-all system, the one with 30% of the vote alone would get elected so that 70% of the electorate would not get representation. Were election to the Lok Sabha (the lower house) move to the proportional representation system from the present winner-take-all system, each constituency would have to return multiple members, say 3. This would make the Lok Sabha unwieldy (it would have around 1600-odd members instead of the present 550-odd). One option is to enlarge the size of each constituency in terms of the electorate. If the electorate averages say a million

persons now, to return just 550-odd legislators to the Lok Sabha through proportional representation may require constituencies with say 3-million strong electorate each. Large constituencies escalate (for each candidate) the cost of fighting elections, and without state funding, this might increase the dependence of candidates on those with money, especially black money. Therefore, another option is to reduce the size of the present constituencies, say to a third, have elections by proportional representation so that around 5000 members of an "electoral college" are elected, and have these 5000 in turn elect from amongst themselves through some such device as a number of regional constituencies, 550-odd members of the Lok Sabha, again through proportional representation. Such a mechanism would imply smaller constituencies for the first round than at present, approximately of the same size as for election to state assemblies at present, so that election costs per candidate would tend to be much smaller than at present. Proportional representation at both stages of the election process would ensure that those elected reflect the choice of the people more faithfully than at present. Some functions could be earmarked for the electoral college, such as it being convened to ratify constitutional amendments made by the parliament, and for an annual review of the union government's performance in terms of the directive principles of state policy contained in the constitution.

Such a proportional representation option as the foregoing could also be considered for election to the state assemblies and to the district and village panchayats. The fairer representation a proportional representation system tends to ensure also tends to obviate the demand for minority representation through separate electorates and reserved constituencies.

An interesting option has been tried out in Germany to ensure fair representation<sup>6</sup>. Every voter has two votes: one for the candidate and one for the party of his/her choice. Each party's votes in a region are aggregated and the various parties get representation in the legislature in proportion to the votes they poll in the region. Each party's representation consists of those of its candidates that win directly, and others out of a list provided by it to the election authorities prior to the election. But the party gets proportional representation only if it wins at least 5% of the vote or win in at least 3 constituencies.

## **Better candidates for election**

Democratic societies tend to have weak mechanisms for weeding out the incompetent, the mercenary, or corrupt candidates for representing the electorate. Even in the US, while the senate holds hearings to consider the fitness of the president's nominees for cabinet posts, ambassadors etc., there are no such mechanisms for scrutinizing the credentials of those seeking political office like governors or senators or members of the house of representatives. Anyone who satisfies the minimum legal requirements of age, citizenship, etc. can stand for election. When communities were small, and the candidates were locally well-known to the electorate, lack of a formal public scrutiny did not create serious problems. But in a country like India, with its million-strong parliamentary constituencies, each averaging around 200 square miles, with freedom for any eligible person to stand for election anywhere in the country, the assumption of intimate knowledge of the credentials of each candidate simply does not hold water. Mechanisms need to be thought of (a) to ensure some minimum capabilities (appropriate for the body to which election is sought) in all candidates; (b) to ensure that the electorate has relatively easy access to vital information about each candidate and his/her political stances to enable it to make informed choices.

One possibility is for the country's Election Commission, a constitutional body independent of the government, to gather basic information on each candidate that would be useful to the electorate, and disseminate it through the media to the electorate. The information sought and disseminated could relate to the person's age, educational qualifications, occupation, work experience, record of any public or social service, platform, record of any criminal or civil suits/convictions, income and wealth, tax status, connections of the candidate and his/her immediate family members with any firms or companies or other organizations, etc. Alternately, a special body could be set up to do the job, or the job contracted out to a professional body. Those with criminal convictions may be barred from contesting elections; those with a criminal suit against them that is admitted by the court may be barred from contesting elections until they are acquitted. Progressively higher minimum qualifications may be required to be able to contest elections--say, bare literacy for fighting elections to the village panchayat; at least 6 years education, for election to district panchayats or



municipalities; at least 10 years of schooling for fighting elections to state assemblies; and at least 12 years of education and familiarity with Hindi and English for fighting parliamentary elections.

Selecting in “good” candidates is tougher than selecting out “bad” ones. Some of the biggest barriers to “good” citizens contesting elections are financial. Capable persons are often successfully employed. Fighting elections imposes heavy costs--not only the costs of electioneering, but if elected, the costs of foregoing earnings while serving as a legislator, costs of keeping in touch with one’s constituency, costs of fighting elections to get re-elected, etc. Thus, the question of financial costs must be addressed to make public service economically feasible for the honest and the competent. Partial state funding of elections, say on the basis of partial reimbursement of certain categories of costs, has been tried widely in many industrialized countries<sup>7</sup>, and it can be tried in India, too. Much better emoluments than being paid now, say Rs.25000 a month plus perks for MPs, and still higher emoluments than these for ministers, say Rs.50000 a month plus perks, may attract a higher proportion of “good” candidates. After all, legislative work is as much professional work as doctoring or auditing. Professionalism in legislative work can have highly beneficial consequences for a developing democracy. It should be paid well.

### **Political professionalism**

There are public awards for bravery, for scholarship, for contributions to science, excellence in sports, social welfare, etc., but none for excellence in politics. Awards for political excellence, such as for sponsoring or drafting useful and creative legislation, effective work in legislative committees, making effective contributions to debates in the legislature, excellent attendance record, constructive suggestions to the government, help in achieving consensus in the house on knotty issues, courtesy and disciplined conduct, etc. could begin to define what political professionalism means and give dignity to a sorely debased occupation.

Creating an effective political system is as much a priority of a young democratic state as strengthening the economy or ensuring social justice or creating an effective

administrative system. A malfunctioning political system inevitably affects negatively the other three enterprises. The political system is a powerful interest articulation and conflict resolution mechanism. It also oversees administration, and makes an often insensitive bureaucracy responsive to local needs or special needs of specific groups. It is also a powerful social policy making instrumentality, one with a monopoly of legislative enactment. Very large resources of the state are allocated by the political system to national priorities. These functions require a high degree of professionalism. As of now there are virtually no mechanisms for training politicians to perform these functions effectively. While India has set up a large number of academic institutions for creating other types of professionals, virtually none exists for training politicians. A national academy, such as the one at Mussourie for training administrators, could be set up, with state level and district level branches, to train politicians in learning about, and pursuing, constitutional directives, law making, effective supervision of the executive, interest articulation, helping constituents avail of the facilities afforded by the state through various programmes, schemes, and administrative arrangements, ABC of public finance, legislative procedures, effective fiscal control, the basic structure of national economic planning, drafting of legislation, effective monitoring of government, effective communications vis-a-vis the public, etc. At some stage some form of diploma could be thought of, without which politicians would not be allowed to contest elections to state assemblies or the union parliament.

The functioning of political parties in India leaves much to be desired. Most are not transparent vis-a-vis how they receive funds and how they spend them. Supposed to operate in, and run, a democratic state, most do not themselves operate democratically. Nor do most have professional managements to assist the party organization in performing various political tasks such as effective use of media in disseminating the message of the party, effective use of computer and telecom technologies, opinion polls to assess people's preferences, assessment of governmental performance, effective grassroots work, effective spending strategies during elections, effective formulation of political strategies, training of political cadres, effective selection of the party's candidates, etc. Nor is there much awareness of how long established, successful parties abroad, such as the Conservative and the Labour parties in Britain, or the Democratic and the Republican parties in the US, are run. An

institution to train professional managers for political parties may usefully raise the functioning capability of Indian political parties.

Professionalization in the management of political parties is necessary to improve the political services they provide to society. An important step can be to provide state funding to significant political parties in return for greater financial transparency and greater intra-party democracy<sup>8</sup>. For instance, parties that are able to get at least 5% of the vote in national, state, or local elections may become eligible to receive partial state funding for operations at the respective levels. The latter could be in the form of an annual maintenance grant to cover (partially) such costs as establishment costs, costs of grassroots work, training of cadre, media costs, costs of organizing meetings and rallies, etc. But in return the party receiving funding should get its accounts audited, file accounts for public scrutiny, elect office bearers, keep a register of members, be transparent in disclosing the contributions and donations it receives, have a transparent and democratic process for selecting candidates to fight elections, pledge its allegiance to the Indian constitution, etc. It may be best to provide party funding through the constitutionally independent Election Commission, and on the basis of transparent criteria.

### **Stability in government**

In India, keeping an elected government in power for the course of the people's mandate is becoming a serious problem at the local, state and national levels. After 1996, for instance, there have been several changes of government at the centre, none lasting more than a few months. Coalition government in a pluralistic society is perhaps inescapable, but with shifting, opportunistic alliances that frequently fall apart, the stability a government must have to carry out the people's mandate, initiate far-reaching and far sighted changes, and undertake growth-oriented, long-term policies is in constant jeopardy. A spoils system tends to emerge, in which those in power spend huge sums to retain power, and in turn despoil the state and its institutions for personal gains. Again, there are no easy solutions. But some options are worth considering.

The executive can be thought of as an independent branch of government, as in the US, or as an agent of the legislature, as in most Westminster-style democracies. As an independent branch of government, it has a life independent of the will of the legislature. In the US, the president and the governors of the states are elected for four year terms, and do not hold office at the pleasure of the legislature. In India, the head of the union government, the prime minister, and the state's chief minister do. One option, therefore, is the directly elected presidential/governor form of a relatively stable executive branch of government. Electing the president directly in a country with an electorate of over 500 million is a daunting task, and the expense involved would be beyond the means of any individual candidate. A via media could be that the president is elected as of now by an electoral college consisting of members of parliament and various legislatures, but is vested with substantially greater executive powers. as in France or Sri Lanka, which have a powerful president and also a prime minister. Another option is to amend the constitution to enable the president to take over administration if it becomes clear that no party or coalition is capable of forming a stable government. The president could then appoint a cabinet, and head it much in the way the prime minister heads it. The life of such an arrangement may, however, not exceed at most say 2 years, and fresh elections must be held at its expiry. During this "presidential rule" the parliament could continue its legislative and money voting functions; it would, however, not be able to vote out the government.

Where the executive branch of the government is seen as an agent of the legislature, and the society is pluralistic, with multiple parties and factions, the problem of instability becomes acute. One option is to make the fall of government contingent on, not a simple majority of legislators voting against it, but a higher percentage, say two-thirds. Thus, even if the government suffers defeat in the legislature, it can remain in power unless the margin of defeat exceeds the specified percentage.

A third option in a pluralistic society with a Westminster style government is to have a consociational state<sup>9</sup> in which two or more major parties, representing major segments of the population agree formally to share power on a contractual or even constitutional basis. There is a formal sharing of major posts like president, prime minister, speaker, ministers, even judges and senior bureaucratic posts. The system has been tried in

variants in Lebanon, Israel, Bolivia, etc<sup>10</sup>. An extension is a national government, in which all significant groups in a legislature find a representation in the ministry. A national government does not fall, though the prime minister and ministers may change if they displease the legislature. The ministry is in effect a standing committee of the legislature. One option would be to let the legislature elect ministers on the basis of proportional representation. The ministers in turn elect the prime minister, who then decides who will have what portfolios. The ministry can remain accountable to the legislature as at present.

An even more daring option is for the legislature to appoint a ministry on a contractual basis. Such a ministry, like the top management team of a corporation appointed by the corporate board which is elected by the shareholders, may hold office for a fixed period, say 3 years, with a formal mandate from the legislature to implement the policies and programmes decided upon by the legislature. The difference from a Westminster-style system would be that the ministers need not be members of the legislature, need not be elected to the legislature, and need not hold office at the pleasure of the legislature. Should, however, there be a serious breach of the ministry's contractual obligations, the legislature could cancel the contract and replace the ministry. At the end of the contract period the legislature could renew the contract on the same or different terms, or appoint a new ministry. Operationally, the system could work by the legislature deciding on who the country's prime minister could be, invite him or her to form the government, and enter into a memorandum of understanding with the prime minister as to the policies to be pursued during the contract period. Any policy changes desired by the prime minister would have to be approved by the legislature. The prime minister, in turn, would recruit the members of the cabinet, subject, as in the US system, to confirmation by a legislative committee, and enter into an MoU with each minister as to the policies and tasks to be pursued by the minister. As in the present system, the legislature would continue to enact or modify laws, vote funds for the government, debate issues, etc. Like the corporate board, an elected committee of the legislature could act as a political board and oversee the ministry.

These options are not perfect, but they do tackle the problem of governmental instability. A wider discussion of these options may lead to such changes in the present system that facilitate both executive stability and accountability to the legislature.

### **Professionalism of political executives**

Politicians are not necessarily good political executives. The Indian political executives—ministers—tend to have backgrounds that enable them to be successful in politics, not backgrounds that enable them to take managerial and strategic decisions. A study of some 15 union (central) government cabinets between 1947 and 1989 revealed that the average cabinet member was reasonably well-educated (over 85% were at least graduates, and about 8% had Ph.Ds). Most (66%) were from an urban area; upper caste (63%); likely to be social and political workers (62%); and more likely to be lawyers (41%) than any other profession<sup>11</sup>. Few cabinet ministers had backgrounds in such occupations as business management or management of trade unions, cooperative societies, voluntary organizations, or institutions. Any attempts to provide managerial training pertinent to political executives could improve the quality of political management. Unfortunately, as of now there are no institutionalized ways of imparting training in such aspects of political management as formulation of public policy and policy analysis, effective interface with the bureaucratic system, effective financial and human resource management, effective use of telecom and information technologies, effective use of decision aids, and effective planning, goal setting, control, and coordination of large public systems. A short period orientation programme in political public management could be helpful. More professional help in decision making could also improve ministerial performance. The US political executives—the president, governors, members of the cabinet—have each fairly sizeable publicly funded staffs of experts, like economists, statisticians, pollsters, scientists, technologists, etc. The White House staff, for example, has increased from a few dozen to several hundred. Modern political management is quite complex, involving as it does a consideration of short, medium, and long term implications of decisions, and impact on a very large range of social and economic groups along a variety of dimensions. The decision support system that has evolved in Egypt to aid cabinet level decision making is the

kind of aid that could be very useful in India also<sup>12</sup>. Such a system identifies the goals of individual ministers or even the cabinet as a whole, seeks out the relevant data, constraints, and other information, develops computer-based system simulations, and provides answers to a range of questions such as what would be the consequences of alternative power tariffs, or tight versus loose monetary policy, or alternative foreign exchange rates. Such assistance would be of considerable help to the ministries and to the cabinet standing committees for defence, prices, production, exports, food and agriculture, transport, energy, communications, etc.

It is clear that the job of the minister in present times is not just of worrying about the political fall-out of decisions, or of cooking up popular choices, or of implementing the promises contained in the party manifesto, or of presiding at public functions and reading out speeches prepared by ghost writers. The minister must also understand the technical, economic, and social implications of decisions, and like managers in general, marshal and orchestrate human, financial, technical and material resources for effective decision making and implementation. Professionalization in political management is at least as necessary as professionalization in such fields as medicine or business management.

Although the Indian cabinet system is one of collective accountability, each minister individually also has accountability to the head of government for the proper conduct of his/her ministry. There is, as of now, no formal mechanism for ensuring this accountability. One possibility is of each minister entering into a memorandum of understanding with the prime minister/chief minister at the beginning of the year, set forth in it the objectives, policies, and targets of his/her ministry, financial and personnel requirements, and social and economic criteria on which the minister's performance would be assessed at the end of the year. Some such system was institutionalized by President Park of the Republic of Korea in the sixties and seventies<sup>13</sup>. A formal performance assessment by the political chief executive can provide a powerful incentive for the ministers to perform well, and in the process enable them to pick up important political management competencies. It would also enable the head of the government to separate the wheat from the chaff on an objective basis. Cabinet ministers in turn can enter into memoranda of understanding with their subordinates

(ministers of state, deputy ministers, secretaries in charge of the departments under the minister).

How cabinet meetings are conducted may be as important as the agenda transacted at these meetings. A cabinet meeting is an instrument of participative consensual decision making. It is successful when the process is truly participative, that is, when many rather than a few speak their minds, dissent is not only tolerated but its basis is explored in a factual manner, when all relevant information is put on the table, when many rather than a few options are generated and considered, and when at the end there is a genuine consensus rather than an arbitrary closure by the chairperson or a decision by majority vote that ignores minority concerns. Special meetings of the cabinet to review the performance of ministries could strengthen ministerial accountability and also bring out serious inter-ministerial coordination problems for collective sorting out. Some assistance from "process consultants"<sup>14</sup> could help the cabinet perform more effectively.

### **Revitalizing the Indian Bureaucracy**

Attempts to reform bureaucracy have commonly not met with success<sup>15</sup>. In India, too, over the years, several consultants, committees and commissions have been set up to revamp bureaucratic administration<sup>16</sup>. These include the consultation with Paul Appleby and A.D. Gorwala in the fifties, the monumental Administrative Reforms Commission in the sixties, and the Sarkaria Commission in the eighties. There also have been numerous studies by the Staff Inspection Unit, the Organization and Methods Directorate, the Department of Administrative Reforms, the work study units in various ministries, and studies at the level of the states. The feeling persists, however, that only cosmetic changes have been achieved, and that the bureaucracy still retains its diffuse responsibility, excessive scrutiny and excessive blocks to taking action, too little systemic review of actions taken, too much centralization, too many executive functions and tasks with the central government that could be delegated to the states, too many levels through which a case has to pass before a final decision is taken, too high a level at which final decisions are taken, too much of sequential processing of cases rather than parallel processing in those instances where multiple ministries or



departments are involved, too little effective monitoring despite numerous audit, reports, inspections and other control mechanisms, and poor inter-departmental or inter-ministry coordination<sup>17</sup>. Indian administration seems to come alive during such crises as a famine, an epidemic, a riot, or an earthquake, but it remains somnolent and unresponsive while performing its routine functions.

### **Lessons of success**

Bureaucratic performance has been depressing in India and elsewhere, and bureaucracy has widely been resistant to reform attempts. However, the striking and on the whole successful attempts at transforming bureaucracy in several countries like Malaysia, Britain, Singapore, Canada, Australia, and New Zealand<sup>18</sup>, like India all Commonwealth countries sharing many bureaucratic traditions, gives hope that the Indian bureaucracy too can be transformed. There is also the example of several East Asian countries, notably Japan, Korea, and Taiwan, in which bureaucracy seemed to develop commitment to economic growth, transcended its short term, narrow interests, and helped these countries achieve very high growth rates<sup>19</sup>. The cumulative lessons for India seem to be the following:

1. The political masters have to demonstrate commitment to social well-being and economic growth. As an old Sanskrit saying goes, as the king so are the subjects. If the political system is selfish and corrupt, as appears to be the general case in India, the bureaucracy will take its cues from the politicians and will indeed partner them in a spoils system. Thus, it is important to put the political house in order. A number of ways this could be attempted in India have been outlined in an earlier section.
2. It is vitally important to institutionalize meritocracy in the bureaucracy. Recruitment on the basis of tough civil service examinations and a good academic record is one option. However, the abilities tested for must be relevant to the developmental and other roles the bureaucrats are expected to perform. Remuneration needs to be merit-based, as in the U.K., Malaysia, etc.<sup>20</sup> that is, a good part of what the bureaucrat earns should be tied to his/her assessed performance. Equally, non-

performance and corruption need to be punished, so that a clear message is sent to the bureaucracy as to what sort of conduct is in and what sort is out.

3. Differentials for similar work in the public and the private sectors need to be kept fairly narrow. These differentials have increased hugely in India after liberalization, especially at middle, senior, and top management levels. The differentials are relatively modest in take home pay, but very large indeed in terms of perks<sup>21</sup>. Such differentials can mean substantial migration of capable public sector executives to the private sector, and a consequential decline in public sector performance. Some weight to market forces in designing compensation packages for public sector employees is very desirable. It is worth remembering that in Singapore, the governmental pay scales are fully comparable to those in the private sector, and are indeed higher than in the US<sup>22</sup>. Singapore also happens to have one of the most efficient and honest public service systems in the world.
4. There has been a very determined effort in the countries with effective bureaucracies to (a) decentralize authority (b) insulate administration from political influence and (c) strengthen accountability for performance. The Singapore statutory boards, for instance, seem to have full autonomy to hire, fire, promote, and generate resources to meet their expenditure, subject, however to parliamentary approval for their policy frameworks, and accountability to parliament for performance in terms of the approved policy frameworks<sup>23</sup>. In Britain, under the Financial Management Initiative and the Next Steps Initiative of setting up semi-autonomous executive agencies, decentralization with accountability through policy frameworks has been pushed almost to the limit<sup>24</sup>. In India decentralization with accountability has made fairly good progress vis-a-vis central government public enterprises; but much work needs to be done in other parts of the state.
5. Meritocracy, decentralization, and accountability cannot work without appropriate monitoring of bureaucratic performance. In the UK, some 1800 performance indicators were developed in the wake of decentralization for different government agencies<sup>25</sup>, and in the UK, Canada, Malaysia, Singapore and elsewhere very large investments have been made in computerization and information systems<sup>26</sup>. The

use of computerized management information systems for this purpose needs to be stepped up in India, as also of quantitative and qualitative indicators of bureaucratic performance.

6. A culture of providing high quality services to the public and of being responsive to their requirements needs to be inculcated in the Indian bureaucracy. In Malaysia the government sought to do this through its Excellent Work Culture Movement launched in 1989<sup>27</sup>. All agencies and departments of the government were directed to implement total quality management; they were asked to formulate vision and mission statements and set quality standards and targets. These were implemented participatively, and through the establishment of quality control circles. The Malaysian government also pushed hard improvement in counter services, such as for the issue of permits, licenses, identity cards, passports, stamps, receipts, etc. Consultative panels were set up by each agency to interact with customers with a view to improving services<sup>28</sup>. Malaysia as well as Britain have encouraged public agencies to issue citizens charters that spell out and publicize what the citizens can expect from the agency<sup>29</sup>.
7. As several Commonwealth states have demonstrated, especially Malaysia, there is huge scope for increasing public sector productivity and innovativeness<sup>30</sup>. At the same time the simplest strategies for increasing productivity--that of laying off "surplus" staff--cannot be resorted to freely in India in the absence of a welfare state and unemployment compensation. Yet a lot can be done through training, office automation and computerization, the development of productivity indicators, selective privatization of public services and activities, and handsome rewards linked to productivity. Innovation can be spurred, as in Malaysia and Singapore, through quality circles and rewards for innovation<sup>31</sup>. Scrutiny exercises, as in the UK, can uncover very many opportunities for innovation and cost cutting<sup>32</sup>.

### **Creative fragmentation of the bureaucracy**

The Indian bureaucracy, like bureaucracies elsewhere, is differentiated into various ministries, departments, agencies and so forth. And yet it is quite monolithic, in terms

of fairly standardized recruitment procedures, promotion norms, salary structure, rules for conducting business, procedures for responding to various contingencies, accounting and audit requirements and the like. It also has a very lengthy hierarchy, and though powers for making routine decisions have been delegated down the line, many decisions involving discretion tend to be centralized. The system works on mistrust rather than trust, with many checks and counterchecks. It tends to slow down decision making, and discourages initiative taking and adaptation to local circumstances<sup>33</sup>.

So long as administration remains embedded in monolithic standardization, uniform personnel administration, routinization, hierarchy and so on, the kind of local adaptations, innovations, and responsiveness to citizens that are required may not materialize. Monolithic systems tend to be rigid and inertial, and often exhibit the phenomenon of punctuated equilibrium: a long period of relative inflexibility during which the perception of inadequacy of the system in coping with changes and challenges accumulates, until a situation arises when the system falls into disrepute<sup>34</sup>. Then a coalition of "reformers" may arise to carry through long delayed reforms and innovations. But the inertia of a monolithic system may again assert itself, and a new status quo may crystallize around the unchanged elements of the old system and the reformed elements, until again the system becomes quite dysfunctional, and so on. The cost of a punctuated equilibrium system is the long delay in introducing large as well as local innovations and therefore long periods of declining performance of the state. The change challenge therefore is in minimizing the monolithic features of the bureaucracy. Fragmentation of most of the state bureaucracy into numerous relatively highly autonomous bodies that, however, remain accountable for pursuing the public purpose becomes necessary. The administrative technology for doing this has evolved in a number of countries, especially Britain, and a number of case studies indicate the quantum jump in innovativeness and responsiveness to "customers" when government departments and agencies are delinked from the monolithic state<sup>35</sup>. While these agencies have a high degree of autonomy, public accountability is ensured through the device of the framework document signed by the professional head of the executive agency and the relevant government official to whom he/she reports. If the delivery of service falls short of agreed commitments, the job of the head of the agency could go

on the block. It has been possible for the British and other governments to transfer out to executive agencies a very wide range of governmental functions: customs, excise, direct tax collection, employment services, benefits administration, issue of passports, licenses, child support, prison management, weather forecasting, data processing, communications services, statistics compilation, health services, educational services, etc. etc. A number have been turned into "trading funds" and have the freedom to raise financial resources on their own. These work like SOEs. In Britain it has been made compulsory for these agencies to include performance-linked pay in all new pay agreements, and these agencies have the freedom to negotiate with unions the extent of the performance-related component of pay. Most agencies can also design their own salary structures, and can contract out some of their operations.

A striking example of how successfully authority and responsibility to an executive agency can be extensively devolved without loss of public accountability is provided by Britain's Employment Service. It is an agency with some 50000 employees. Earlier it was part of the British bureaucracy but was turned into an executive agency in 1993<sup>36</sup>. It was set up with a framework document or charter which specified its basic function ("manage the delivery of services and programmes to help people into work") and conferred on it the authority to act for the government in relation to functions described in the framework document. The aim of the Employment Service was "to promote a competitive, efficient and flexible labour market by helping into work unemployed people, especially those who are disadvantaged, and by paying benefits and allowances to those who are entitled to them." This aim was elaborated into a number of more specific objectives.

The framework document also specified the responsibilities of the relevant secretary of state and the agency's chief executive. For instance, the secretary of state was specified as accountable to parliament for the agency, to allocate resources to it, set targets and approve its standards of service. He was to appoint the chief executive through open competition for a fixed term; delegate to him/her appropriate responsibilities; and specify the proportion of his/her pay that would be linked to the agency's performance. At the same time the secretary of state was ordinarily not to intervene in its day to day work. It was agreed that the chief executive would normally

write responses to parliamentary questions about matters delegated to the chief executive. The chief executive was given full authority to manage the agency and its day to day work. He was to be held accountable to the secretary of state for managing the agency efficiently and effectively, "and for its operations and its performance against the agreed targets within the resources allocated," in accordance with the agency's objectives and published standards of service. He was made responsible for employing people, for developing human resources and for pay policies. He was also to maintain appropriate performance monitoring and financial accounting systems, submit annually to the secretary of state a statement of resource requirements, and make proposals for any changes in the agency's policies and programmes. The framework document also enjoined upon the secretary of state and the chief executive to review and agree each year upon the agency's standards and targets, which would fructify into an annual performance agreement. In the latter the secretary of state specified the resources allocated to the agency, and set the target for each objective against which the agency's performance would be assessed.

Annually, besides the annual performance agreement published by the secretary of state, the framework document required that two documents would be published by the agency, namely the jobseeker's charter and the operational plan. The jobseeker's charter was to set out the help and standards of service the agency's clients could expect. The operational plan, approved by the secretary of state, was to describe how the agency proposed to achieve its targets and meet its standards of services to its clients. It also was to describe how the agency planned "to develop its activities over the next three years and to achieve greater value for money, including through market testing." The chief executive was required to report regularly to the secretary of state performance against targets and standards of service, expenditure against budget, levels of staffing, and the agency's market testing programme. The agency was also to commission local and national surveys to enable it to respond better to its clients' views on the delivery of its services, and display details in each local office of performance against the standards of the jobseeker's charter. At the end of the year the agency was to submit audited accounts to the secretary of state.

The framework document also set out the operating framework for the agency, which included several commitments. These included securing best value for money; establishment of unit costs for the agency's outputs; creation of an information system; operation of financial arrangements as per the system approved by the Treasury, etc. It also authorized the chief executive to carry forward to next year a proportion of unspent operating costs and capital costs; and switch expenditure within the year, subject to limits, between running costs and capital expenses. There were also provisions on audit, consultancy services, procurement of services, opening and closing of offices and acquisition and disposal of property subject to limits, and the application of department approved principles for employment purposes. The chief executive's personnel responsibilities extended to recruitment and retention; training and development; development of career opportunities; pay arrangements; effective communications, creation, number and grading of posts up to grade 6. The framework document was to be reviewed after four years; however, the secretary of state or the chief executive could propose changes any time for approval by the secretary of state for employment in consultation with Treasury and other officials.

The annual performance agreement of the Employment Service for 1995-96 spelt out the objectives and targets of the agency<sup>37</sup>. For instance, for the object "To offer unemployed people, particularly the longer-term unemployed and others at a disadvantage in the labour market, help and advice in finding work or appropriate training," several targets for the year were set, such as: "To place 1.9 million unemployed people into work at a planned cost of 185 pounds each, assuming 2.65 million vacancies are notified"; "29.5 per cent of total unemployed placements achieved to be longer term claimants"; "27 per cent of total unemployed placements achieved to be people in inner cities"; "55 per cent positive outcomes for unemployed claimants invited to a 12 month advisory interview"; "80 per cent of starts on Training for Work to be referrals from the Employment Service." Likewise four other objectives and targets vis-a-vis each were specified. The supporting information needed to achieve and assess the targets was also identified.

The performance agreement also specified the way the monitoring and reporting on progress vis-a-vis targets would be done, such as "At the end of each financial quarter

the Chief Executive will provide information on performance against each target in the quarter within 15 working days and report on progress in achieving the targets and variances from profiled performance and expenditure within 25 working days." The performance agreement also summarized the jobseekers' charter (citizen's charter), specifying what the Employment Service aimed to do and what its clients could expect the Employment Service to do. For instance, the Employment Service aimed to "see a client who has an appointment in a Jobcentre on time, and a client without an appointment within 10 minutes or make an appointment to see them"; "answer a client's phone call within 30 seconds"; "send a reply within 5 working days of receipt to a client who writes to the Employment Service." Clients could expect the Employment Service to "help them get back to work and offer help and advice according to their needs and circumstances through the range of opportunities set out in the Jobseeker's Guide. These include putting them in touch with employers with vacancies and helping them with a Back to Work Plan"; "offer extra help to jobseekers who have been unemployed for six months or more and people with disabilities"; "carry out regular interviews to see how clients are getting on in their search for work and what other help can be offered"; "be polite, considerate, open and honest"; "respect their privacy"; "deliver services fairly and to the same high standards to all clients regardless of sex, race, disability, religion, and age," etc.

The annual report and accounts of the Employment Service for 1994-95 not only provided financial information, but also performance against the 1994/95 targets. In 1994/95 the agency exceeded 11 of the 13 annual performance targets. For instance, as against the target of placing 1.7 million unemployed people into work at a planned unit cost of 188 pounds, the agency placed over 1.87 million unemployed people into work at a unit cost of 174 pounds from over 2.55 million vacancies. Performance data for the previous 5 years and targets for the next year were also provided.

The Employment Service is just one of a large number of executive agencies that have transformed the British state through fragmentation without loss of public accountability. If the administration is fragmented in this fashion, there may well be a leap in effectiveness; if not, the perpetuation of ineffectiveness is likely, with sporadic ineffectual attempts at "reform". Once the Indian bureaucracy is fragmented in this



fashion (that is, by setting up relatively autonomous agencies with specified public accountability), a good deal of management know-why and know-how can be applied to revitalize each unit. Selection of executives can be based on merit and on their potential for growth. Performance reward systems can be instituted that are custom-tailored to the needs of each unit. "Market" surveys can enable the unit to tailor-make its offerings to the needs of its "customers." The unit can explore other avenues of finance besides the government. It can develop a long and short-term strategy of growth, greater service to its "clientele" and sustainable competitive advantage. It can instal an organizational structure that is designed as per its specific requirements. It can more freely innovate. It can selectively utilize learning and change strategies offered by the technologies of organization development and the behavioural sciences<sup>38</sup>. It can enter into joint ventures with other state or private sector units or with international organizations to develop frontier technologies or products/services. Public accountability can be strengthened through such devices as a broad-based governance board appointed by the government, annual memorandum of understanding between the unit and the government, a framework or constitution document that spells out the unit's missions and the financial and policy framework within which it has to operate, and specific terms in the contract appointing the chief executive of the unit.

A great advantage of the fragmentation of the bureaucracy into autonomous agencies is that it would create an opportunity for the abundant managerial talent in India to be harnessed for public purposes. So long as the central services occupy all the commanding heights in Indian public administration, the possibility of harnessing the vast managerial talent in the private sector for nation building tasks may remain largely unutilized. Fortunately, the union government corporate public sector was opened up at its top echelons to professional management from outside the governmental ranks on a contract appointment basis. This professionalization seems to have been beneficial, for the profitability of the central corporate public sector has been on the rise, from a negative return on capital employed in 1980 to 2.7% in 1985, and 4.5% in 1989<sup>39</sup>. However, the SOEs owned by the Indian states are still treated as a preserve of the Indian Administrative Service. There are about a thousand of them, and overall they remain loss making<sup>40</sup>. They are plagued by political interference (their board

chairpersons are almost invariably politicians) and short tenure of their IAS chief executives. Professional chief executives on a contract appointment may be as beneficial for these state-level SOEs as they have been for the central SOEs. This does not mean that IAS officers should be excluded from heading SOEs; simply that they must compete for the job, and if found the most suitable, must be available full time for the job for a specific tenure, with accountability to the board of the SOE. Opening up the top posts in state-level SOEs, as well as in various government agencies could give a strong upward shove to their performance.

### **Strengthening responsiveness of public agencies to the public**

Public responsiveness is weak in the Indian bureaucracy. Samuel Paul has provided examples of mechanisms employed in several countries to strengthen the responsiveness of agencies<sup>41</sup>. For instance, the Government of Singapore set up a Division of Public Feedback to gather systematic feedback on various national policies and to invite interest groups to make representations in high level public hearings. This was also resorted to by several other East Asian governments. Some years back the Indonesian government appointed a blue ribbon commission that included foreign experts to review the working of its power authority. In 1993 a comparative study was done of the legislation on electricity in the UK, the US, and India. It concluded that the latter's focus was on supply and investment rather than, as in the case of the UK and the US, on service quality, standards, and consumer protection. In both Philippines and Mexico, ports projects have reportedly benefitted from the involvement of user groups. Participatory rural appraisal has been tried out in East Africa and South Asia to incorporate people's views and ideas into project preparation and design.

Based on these experiences, Paul has suggested several mechanisms to strengthen the responsiveness of public agencies for providing better service to citizens. These are beyond the normal legal and bureaucratic mechanisms of audit, parliamentary sanction for budgeted expenditure and scrutiny of actuals, etc.:

1. Value for money audits could be conducted to examine whether government money is spent economically, efficiently, and effectively in delivering services or in discharging functions.
2. Standards of service to be provided by public agencies could be publicized so that citizens could take legal or other recourse in case they are not satisfied. Also, grievance redressal procedures could be publicised so that disputes in most cases do not have to land up in courts.
3. Citizens could be given the right of suing individual civil servants and make them financially liable for violations of public interest or negligence.
4. "Voice" mechanisms could be developed, such as public hearings or deliberations, to get inputs from the public and users of public services about intended legislations or policy changes. Especially at the time of framing the budget, wide-ranging consultations with various stakeholders could be organized.
5. In designing various developmental projects or programmes, participation of intended beneficiaries could be especially elicited to ensure a better fit with their needs.
6. Public agencies and projects could be periodically reviewed and assessed by external non-governmental experts.
7. The autonomy of public agencies could be increased so as to increase their capacity to respond to the needs of the public; they cannot then plead lack of powers to respond to these needs.
8. "Exit" mechanisms could be created, that is, alternative suppliers of public goods/ services, to break the monopoly power of public agencies.
9. Memorandum of understanding between the public agency and the government department it reports to could be institutionalized for most agencies.

10. By public agencies charging for their services, greater resources would accrue to them. Also the users would exert greater pressure for getting appropriate services.

11. Special courts, such as courts for handling grievances of citizens with public agencies, could increase public accountability.

Having public agencies staffed by those with greater “customer” orientation should contribute to better service.

### **Revamping justice**

Justice is another area in which administration in India is poor. Millions of cases have accumulated and delays are endemic. One way of reducing the burden on the justice system is to reduce the number of allowable appeals to just one<sup>42</sup>. Another way to speed up justice is to grant stays of execution for only a limited period and only a limited number of times. Special courts for different types of litigation offers a third way of speeding up justice. Lok adalats or people’s courts have been found to work in parts of India, and disputes that might have taken many years for resolution in the courts (and in some cases, many lives), are often resolved in minutes<sup>43</sup>. The idea of Lok Adalats can be pursued with greater vigour. Ombudsman has been tried out in india in several states though yet with limited success<sup>44</sup>. For example, in the state of Karnataka, nearly 4000 complaints were received against government officials in the first year of the establishment of the Ombudsman (called Lok Ayukta). However, action was recommended only in 1% of the cases; most complaints were rejected outright as baseless; no one was found guilty<sup>45</sup>. Obviously, a lot needs to be done to strengthen the machinery of Ombudsman.

Perhaps the most effective way of reducing the burden on the court system of work-related disputes is to strengthen the grievance redressal machinery in corporate bodies. Many disputes at work--between employers and employees, between employees--can be resolved at the worksite itself with a fair grievance redressal machinery. If such machinery is made mandatory in large organizations, and if a prior

recourse to such machinery is made obligatory before recourse can be had to courts, much litigation could be avoided. Perhaps local trade or industry associations could be empowered to undertake redressal of grievances arising in small organizations.

### **Energizing the management of social development**

The mismatch in India between the tasks of social development on one side and the personality of the administrators and the itinerant character of their postings on the other require action on several fronts. First of all, social developmental tasks require concentrated attention for a long period of time by administrators who are committed to these tasks. A "generalist" collector or district magistrate overseeing 30 different developmental tasks and projects during a year's tenure is no way such concentrated attention can be provided<sup>46</sup>. Each developmental task or project requires its own structure of effective, empowered participative management and a full-time professional staff to manage it on a day-to-day basis. Contract appointments of the right sorts of professionals for these tasks is one option. Many of these tasks can be allocated to suitable NGOs, again on a contract basis. For example, SEWA-Rural, one such NGO, was given the mandate to manage the health delivery services in a backward area of the state of Gujarat<sup>47</sup>.

Development has to be owned by its beneficiaries to become sustainable. The various developmental projects in a district can be coordinated by the relevant local self-government, such as the district panchayat. In the state of Karnataka, for instance, meaningful decentralization has been achieved through law by the government<sup>48</sup>. Village-level elected committees or gram sabhas have been set up to review development programmes for the village and select intended beneficiaries. A group of villages has an elected "mandal panchayat," with 40% plus reservations for women and underprivileged communities, and elected office bearers. Then there is the district-level elected body called the zilla parishad, with a per member constituency of around 30000, again with reservations and elected office bearers, that is in actual charge of implementing all developmental activities in the district. In 1990 the state government transferred each year statutorily and automatically some 9 billion rupees developmental and maintenance funds to these local self-government bodies. The sum may have

gone up since. Although over 85% of the funds devolved were for specific schemes decided outside the structure of local self-government, some 15% of the funds were allocated by the latter, and this percentage may also go up in the future. Also, each district panchayat was provided with half-a-dozen technical specialists from various developmental departments to plan and implement its developmental projects, and each district also had a chief planning officer. Although such a substantial devolution of funds and authority may, in the short run, lead to more waste and corruption, democratic local control may in the long run lead to greater self-regulation and self-reliance, capability development, stronger institutional base, and more broad-based and participatory decision making, leading to sustained development and socio-economic transformation. Experience with developmental projects does indicate that people's participation contributes to the effective implementation of developmental projects<sup>49</sup>.

### **Selective privatization**

Many countries all over the world--the US and the UK being outstanding examples--have profitably contracted out many public services or inputs into public services<sup>50</sup>. Not only substantial savings have frequently been made, the customers generally seem, as in Japan, to feel that service quality has gone up<sup>51</sup>. A very wide range of public services can be contracted out in a country like India in which managerial and entrepreneurship capabilities in the private sector are so abundant. These can range from services related to utilities (e.g. lighting) to maintenance of public facilities, health services, educational services, cultural and recreational services, billing, inspection, transportation, security, etc<sup>52</sup>. Obviously, safeguards must be created against corruption, nepotism, and so forth, and the process of allocating contracts must be transparent. Contracts must be reasonably specific vis-a-vis price, quality, safety aspects, arbitration, etc. Further safeguards may be customers' panels to assess periodically the quality of service provided by the contractor. If there are any job losses on account of contracting out services, these can be minimized by having the contractor absorb a certain percentage, say 80% of those made redundant, and by giving first preference to the remaining in future additional recruitment, etc. Government pay scales of those absorbed by the contractor may be protected. For the remaining,

attractive and fair separation terms can be offered, or some further public services can be contracted out to those made redundant.

Indeed a modest amount of privatization has been attempted in several Indian states, some resulting in substantial savings<sup>53</sup>. Garbage collection is being partially managed in Chennai, Bangalore, Ahmedabad and Hyderabad by associations of local residents; balwadis and community halls have, to an extent, been entrusted to community associations in Mumbai, Indore, Vijayawada, Vishakhapatnam, etc. Certain amount of contracting out of services has reportedly resulted in substantial savings. For instance, the contracting out of conservancy services in parts of New Bombay may have resulted in annual savings of over Rs.4 millions. The maintenance of sewage pumping stations and water lines by contractors reportedly led to savings of 50% of normal costs and avoided fresh recruitment; the development of gardens by companies and NGOs may have led to savings of over a million rupees per garden and yielded a nicer cityscape. In Rajkot, the contracting out of services may have saved over 700 posts, besides yielding savings of several million rupees on the maintenance of latrines and streetlights, garbage transport, maintenance of gardens, etc. The potential for such savings throughout urban India is, of course, much vaster.

There are also large opportunities for effectively privatizing certain governance functions in India. These relate especially to the areas of registration, certification, licensing, and justice. Especially in cities, an array of private associations and institutions is generally available that can take up, on behalf of the state, such tasks as registration of births, deaths, marriages, vehicles, partnership agreements, companies, societies, etc. Similarly, a wide range of certifications, now provided with much inefficiency, delays, and corruption, could be provided by appropriate institutions and associations. For example, the management of various industrial estates housing hundreds of industrial establishments could be entrusted, with certain safeguards, the task of certifying compliance with various safety and pollution control regulations. One safeguard could be that the registering or certifying mechanism should have representatives of the government, local labour, employers, and members of the local community. Another safeguard could be that the license to certify could be for a fixed period, and renewable on the basis of satisfactory performance. A third safeguard

could be audit of the organization on a statutory basis (like those of cooperatives, registered societies, and companies). Licensing, too, for such activities as driving, setting up shop, restaurant, or pharmacy, foreign exchange vending etc., can be devolved to suitable private bodies like association of vehicle owners, shopkeepers, pharmacists, foreign exchange vendors, etc., again with suitable safeguards. Such attempts at involving private institutions into governance functions, selectively and with due safeguards, can not only reduce the administering burden on the state, reduce corruption, and improve service to the community, but also strengthen associational democracy, and disseminate public purpose in private institutions. Rural areas, too, offer opportunities for privatizing some government functions. In several rural areas there are healthy cooperative societies for credit, farm inputs, etc. These can take up some of the registering, certification, and licensing functions.

### **Selective deregulation**

In the name of protecting the public interest and furthering it, the Indian state installed a massive number of regulations during 1955 to 1990. So much time and energy of government officials was taken up in implementing them, so badly many were implemented, such hardships these regulations imposed on citizens and enterprises, and so much corruption they bred, that many did not look worthwhile at all. Some of these regulations were eliminated or sharply curtailed in the wake of liberalization in the nineties. For instance, regulations concerning issues of capital, exchange control regulations, regulations concerning imports and exports, foreign private investments, corporate expansion and diversification, interest rates charged by banks, starting of branches of foreign banks in Indian cities, etc., have been reduced or eliminated. While the union government has significantly reduced its economic controls, the states have not, barring exceptions here and there. The Indian state cannot be a laissez-faire state, and deregulation is not a panacea. But a lot more deregulation is feasible. Competition and incentives are often (but not always) good substitutes for regulation, and even where there is need for regulation, the option of self-regulation by the targets of state regulation needs to be examined carefully.



Several countries like Japan, South Korea, Singapore, Malaysia, and Thailand have used the mechanism of deliberation councils of representatives of the government bureaucracy, industry, labour, and financial institutions<sup>54</sup>. These not only discuss policy issues, but also provide feedback to the government as to unnecessary or cost-ineffective regulations. In Malaysia the government agencies have been instructed to meet with their “customers” to discuss policies, programmes, procedures and rules and regulations of the agency with a view to make them more customer friendly<sup>55</sup>. In Britain a Deregulation Initiative was launched in the early 1990s<sup>56</sup>, and task forces of businessmen were appointed to evolve proposals for deregulation. All government departments were instructed to review their regulations and identify those that could be abolished or simplified. Deregulation ministers were appointed, and a deregulation unit was created in each department to promote deregulation. Also, regulation was discouraged by having the ministry or department proposing it to quantify the costs it would impose on citizens and industry. Many of these mechanisms can be adapted for use in India. In addition, such relatively easy changes like removal of line control of budget items by the government and replacing it with overall budgetary control over government funded projects and institutions can remove much regulatory tension. Also, a convention could be evolved to specify the life of every regulation, so that the regulation would lapse at the end of its life unless explicitly revived by the government.

Breaking up much of the administration into semi-autonomous executives agencies, substantial contracting out of public services, selective deregulation, selective privatization of governance functions, etc. offer powerful ways of rejuvenating Indian public administration. These are not panaceas, and there may well be initial difficulties and failures. But these have been tried out elsewhere, and they seem to have worked in many developed as well as developing countries. They are worth adapting in India.

## **Vanquishing Corruption**

### **The cancer of corruption**

Corruption is the subversion of the public interest for private gain. Corruption corrodes the public good in many different ways. Corruption erodes the legitimacy of public institutions and sharpens social conflict because the system is perceived to be unfair by the have nots and the victims of corruption. Social conflict in turn may lead to state repression and further social alienation. Corruption also distorts the allocation of resources. It diverts "easy money" to wasteful consumption or low priority investment such as in gold, real estate, and deposits in foreign bank accounts. It enables inefficient producers to get contracts on the basis of bribes rather than efficiency, and get away with sub-standard work. Bribes are often recovered from black market transactions, thus raising the size of the parallel economy. Corruption in government also tends to drive out the able and upright. Within the government corruption may breed further layers of control and further discouragement of genuine initiative taking. It also saddles administration with the corrupt and the inefficient and lowers administrative productivity.

Corruption sometimes may, however, have some silver linings. The distribution of the spoils of corruption may dampen strife among the political and bureaucratic elites. Corruption may also, in specific cases, enable the weak or the marginal or the persecuted to gain redressal or restitution. Corruption also can provide funds for fighting elections and thus strengthen political parties. Corruption may help entrepreneurs to overcome artificial barriers to productive investments, efficient operations, or to getting speedy approvals for enterprises and ventures. In some cases, corruption in the form of speed money may help in overcoming bureaucratic rigidity and cumbersome rules and regulations and delays.

On the whole, however, corruption is a cancer that spreads like weed and destroys order, equity, and development. As David Gould and Jose Amaro-Reyes put it: "There seems to be little doubt that under conditions of systematic or widespread corruption economic efficiency, together with political and administrative performance, declines

below optimal levels and thus lowers general welfare".<sup>57</sup> Corruption seems to have exacerbated social strife and violence in Ghana, Uganda, etc. and prompted or justified military takeovers in Asia, Africa, and Latin America to stamp out corruption. Finally, corruption makes the fledgling states of many developing countries nearly ungovernable since all laws, rules and regulations are on sale. It deprofessionalizes administration and brings statism into disrepute. According to Rashid, once the system of bribery becomes institutionalized, the income from bribes is no longer a windfall, but is part of expected emoluments; operators no longer wait to have people come and bribe them, they hunt for people who can be forced to bribe them<sup>58</sup>.

Corruption seems to come in several types. Samuel Paul has identified three main types<sup>59</sup>. The first is corruption that arises because of an illegitimate, conspiratorial joint venture, say between a government official and a businessman, to loot the government. A fake project proposed by a businessman to the government whose sanction is obtained by an official with a view to share the allocated fund, is an example. The second is extortionary corruption where an official extracts bribes or favours from helpless citizens for issuing necessary permits, licenses, certificates, etc. The third is anticipatory corruption in which a member of the public offers a bribe or a favour to an official even without being asked to do so in anticipation of favourable consideration. Of these three, the first and the third are hard to detect because of the community of interest between the official and the member of the public.

### **Corruption in developing countries**

Corruption is insidious like AIDS. It has been sapping the vitality of most developing countries. Several researchers, including particularly Gould and Amaro-Reyes, have documented the many forms of corruption in developing countries<sup>60</sup>. For instance, in a survey of 100 middle-level civil servants from 25 agencies in Manila, Philippines, graft and corruption were ranked first among the objects of national shame and second among the most important national problems. Corruption was apparently most widespread in agencies engaged in financial, revenue, regulatory, and licensing activities. In Malaysia, the number of corruption cases investigated rose from around 1800 during 1950-57 to nearly 15000 during 1968-1972, but the rate of convictions and

disciplinary actions taken declined from some 80% of the cases investigated in 1950-57 to just about 4% in 1959-61, and may have fallen further during 1968-75. The most common corruption modes included bribes to civil servants, fraudulent false documents, secrecy in processing land applications, giving false information in corruption cases brought to court, illegal production of indigenous alcoholic beverages, extortion, impersonation, smuggling, and possession of illegal drugs and stolen goods. In a study of bureaucratic corruption in a province of Thailand, the local elite overwhelmingly agreed that only a few officials were honest, that most officials would give priority to personal needs over the needs of the public, that most officials would even break the law for personal gain, etc. In a 1975 study, it was found that reportedly three-quarters of all elected representatives in Thailand received kickbacks, payoffs, etc. Bureaucratic corruption was reportedly much vaster, amounting to almost half the national government's budget. In Indonesia, during 1958-62, between \$ 140 millions to \$ 200 millions of exports were illegal, involving widespread smuggling out of rubber, coffee, copra, tea, tobacco, and pepper.

Turning to Africa, according to the findings of a commission of enquiry under Nkrumah's regime in Ghana, kickbacks of 5 to 10 percent of government contracts were common. The National Development Corporation was apparently set-up to facilitate the collection of illegal commissions. The Ministry of Trade refused to issue import licenses without payment of a bribe of 5% to 10% of the value of the license. In Nigeria, a Ministry of Justice study estimated that nearly 9 out of 10 cases of corruption were undetected, and frequently cases were suppressed or concealed. Crimes known to the police rose from 650 during 1967 and 1968 to over 2250 during 1976 and 1977. The average annual increase from 1967 to 1977 was 15%. In Zaire, a 1980 study indicated huge padding of government payroll—perhaps two-thirds of the civil servants on the payroll were fictitious and this meant a likely siphoning off of a sum that was equal to half of Zaire's budgetary deficit. As an example of the incidence of corruption, a head of office in the department of customs officially earning 115 zaires a month owned five cars valued (if bought new) at 47000 zaires or 32000 zaires if bought used. Even some temporary workers in that department, earning 36 to 66 zaires a month, had cars worth 10000 zaires (if new) or 4000 zaires if used. Similar anomalies were

noticed in the department of tax collection. Bureaucracy in Zaire was effectively privatized for personal gain.

In Mexico in the sixties, about 20% of all budgeted government expenditure was expended in an elaborate system of state patronage to keep PRI in power, Mexico's ruling party. In another study of the bureaucracy in Mexico, bureaucrats were found to engage in kickbacks, payoffs, embezzlement, and graft, not only in their dealings with the public, but also in their dealings with other bureaucrats! There was, apparently, no honour among thieves.

South Asia, too, has become well-known for corruption. Efforts to circumvent import controls in Pakistan during the late sixties apparently led to overinvoicing of imports by 20% to 40% of the actual import price. In India, conservative estimates of bribes/payoffs received by government officials in the sixties were of over Rs.14000 million, about 7% of India's national income then. Kickbacks of 8.5% from contractors of irrigation works to government officials were reported<sup>61</sup>. A 1997 survey of small and medium sized businesses in three Indian cities suggests that Indian manufacturing units may be shelling out annually some 35 billion rupees to government inspectors for keeping them pacified<sup>62</sup>. In a survey of householders in five Indian cities in the early nineties, one in ten reported paying "speed money" to government officials. Worse, one in five poor households reported having to pay it for procuring public services<sup>63</sup>.

Gould and Amaro-Reyes have identified several conditions that breed corruption in Third World settings:

1. High government intervention in the economy, leading to a rapid growth of public bureaucracies, regulations, and monopoly power of officials and rise in opportunities for corruption.
2. Relative instability or precariousness of government which makes politicians and civil servants try to make hay while the sun shines. Also, a weak conception of nationhood and national interest, rise of the soft state marked by social indiscipline, and an unscrupulous private sector.

3. Poverty, high unemployment, widening disparities in living standards; rise of parasitism.
4. Strength of kinship loyalty, nepotism, and other social norms and practices and affiliative orientation that conflict with rational bureaucratic norms in hiring, contract awards, location of projects, etc.
5. Rigid and slow-footed government structure, decision-making processes, personnel management practices, and administrative control and accountability systems, giving rise to the prevalence of speed money.
6. Lack of effective modes of monitoring transactions at lower levels.
7. Large salary differentials within the government and vis-a-vis the private sector also breed corruption. In 1969, reportedly salary levels were so low in Ghana that public sector employees could not afford a balanced diet even if they spent their entire income on food!

Dolly Arora has identified some further facilitators of corruption that hit hardest the poor and the disadvantaged, such as mystification of the extent of authority of officials, discretionary authority vested in civil servants, absence of information to citizens about their rights or erosion of these rights by arbitrary practices, secrecy in the actions of officials, deliberate creation of obstacles to the access citizens have to powerful officials so that middlemen can collect bribes on behalf of these officials in return for access<sup>64</sup>. Paul has identified some additional general factors fueling the pandemic of corruption in India<sup>65</sup>. One is the monopoly power of most government regulatory and service agencies, often in combination with discretionary authority of officials that can be misused. The second is lack of effective accountability of government officials, especially when their own superiors are colluding with them to fleece the public. Accountability is often weak also because of inadequate measurement of agency performance or because the performance reporting system is weak. The relative weakness of a public service orientation in officials is another factor that fans

corruption. Often the citizen is only weakly motivated to fight corruption because he/she encounters corruption only episodically rather than regularly. In the absence of reliable information as to who the other victims are, organized bodies to fight corrupt systems seldom arise.

### **Control of corruption**

Control of corruption is replete with dilemmas. Deregulation is one way of reducing corruption because regulation sharpens the conflict between public and private interests and creates incentives for bribing to waive or ease the force of regulations. But deregulation, too, can sharpen a conflict of interest--between groups of citizens or institutions or citizens and institutions--and create an incentive for the strong to exploit the weak. Cutting back on developmental expenditure is one way of reducing kickbacks but reduction of developmental expenditure has negative consequences for the economy's growth rate. Similarly, there are usually many leakages in poverty alleviation expenditures of the state and according to a former Indian prime minister, only 15% of the funds spent by the state on poverty alleviation reach the targeted poor. But cutting back poverty alleviation expenditures may deny the poor the meeting of even their minimum needs.

Nonetheless, corruption can be controlled. Hong Kong offers an interesting example of how this could be done<sup>66</sup>. Until the seventies the Hong Kong bureaucracy had the reputation for being corrupt. But the setting up of the Independent Commission Against Corruption (ICAC) in 1974 considerably helped in altering that reputation radically:

Earlier the police force had the responsibility for detecting and investigating corruption. That responsibility was transferred in 1974 to ICAC. This Commission reported directly to the governor of Hong Kong, and was not subject to supervision by any other branch of the civil government. However, it was subject to an annual review by several committees having representation of citizens, whose overall report was discussed with the governor.

The Commission's staff had an elite status. They were paid extra-high salaries. On the other hand they did not have the kind of job security associated with government service. They could be dismissed on suspicion of wrong doing.

The Commission had extensive powers of investigation. It could examine bank accounts of those suspected of corruption and their safe deposit vaults. It could examine their acquisition of property and other expenditures, liabilities, and repatriation of funds outside Hong Kong. It could question them on oath. It could restrain them from disposing off their property. It could arrest suspects without a warrant.

Between 1974 and 1983, over 22000 corruption complaints were filed with the Commission of which about a half were investigated, resulting in about 3000 prosecutions. In 1982 the conviction rate was 75%. As a measure of the confidence in the Commission, nearly 60% of the complainants willingly identified themselves in 1982 versus only 33% when the Commission was set up. Also, 96% of the citizens interviewed in a survey reported that corruption had come down. They also felt that corruption was a moral and social offence rather than regarded, as in some other Asian, African, South American, and even European countries, merely as an inconvenient but acceptable fact of life.

### **Control of corruption in India**

In India an impressive range of mechanisms has been employed for fighting corruption<sup>67</sup>. A Vigilance Commission has been set up with constitutional authority and considerable independence, with a Chief Vigilance Commissioner and state-level officials<sup>68</sup>. The function of these is to investigate instances of wrongdoing and bring them to the notice of appropriate authorities. Vigilance officers are appointed in every government body. The Central Bureau of Investigation has been set up to investigate and prosecute wrongdoing by public officials, including politicians. In recent years, as the dimensions of corruption in India have become frighteningly clear, the courts have become more aggressive in combatting corruption, to the point of permitting or even directing the prosecution of very powerful politicians. Some Indian states have set up the institution of Ombudsman, though the results so far are not very promising<sup>69</sup>. The



press, of course, quite frequently and persistently exposes corruption. The government has been appointing from time to time commissions to enquire into scams or specific instances of the misuse of authority for private gain<sup>70</sup>. Election laws outlaw corrupt election practices and one Indian prime minister lost her seat in parliament (temporarily) while she was convicted of the charge of unfair election practices. Handsome rewards for officials who catch evasion of customs and excise duty, in the form of a percentage of the amount recovered, has also yielded some positive results.

Perhaps the most effective blow to-date against corruption has been dealt by deregulation and liberalization. The central government began dismantling controls in the eighties and speeded up the process under IMF-World Bank pressure in the nineties. Taxes were also brought down. The peak corporate income tax and the personal tax rates were substantially reduced, excise rates were brought down to some extent, and the customs duties were slashed from an average of 150% in 1990 to 40% in 1997. An evidence of falling corruption and increasing compliance with tax laws has been the buoyancy in tax revenues after 1990. Corporate tax revenues tripled from Rs.53 billions in 1990 to Rs.155 billions in 1995, personal income tax revenues increased by 150% from Rs.54 billions to Rs.135 billions, excise duties nearly doubled from Rs.245 billions to Rs.428 billions, and even customs duties, despite being slashed to a third, increased by 40%<sup>71</sup>. Overall, the tax revenues raised by the central government increased by 100%, showing a compound growth rate of 15% per annum between 1990 and 1995, well above the inflation rate of 8%. As of the mid-nineties, the Indian states had not yet embarked on any significant deregulation and liberalization. Interestingly, their aggregate tax revenues (net of central revenues transferred to states) rose by only 80%, showing an annual compound growth of only 12%<sup>72</sup>. Another evidence of declining corruption has been the decline in the gap between the unofficial and official exchange rate of the rupee, and the sharp decline in the smuggling of gold and foreign goods into the country.

Several additional approaches are worth considering. First, there is a great deal of pointless regulation at the level of the state governments that can be dismantled. Dozens of permits and annual certifications are needed for businesses to operate. Some simple steps like extending the duration of the permit and reducing the frequency

of required certifications, as in Malaysia, would significantly bring down corruption<sup>73</sup>. Transferring the issue of some of these permits and certifications to non-governmental bodies with high social credibility, too, could help.

Second, the machineries of the state like the Vigilance Commission and the Central Bureau of Investigation, need to be more pro-active in identifying on a systematic basis the levels of corruption in different parts of the state. One way this can be done is to set up panels of users of public services, and to poll them periodically on the extent of perceived corruption in each such service. One possibility is for the state to contract out this sort of survey work to a private agency specializing in surveys. This way, a reliable information system on the extent of corruption in different sub-systems and agencies of the state could be created, so that public pressure could be built up for the government “to do something,” and/or special remedial measures could be tailor-made for curbing corruption in those sub-systems/agencies.

The third approach is for each public body to create a watchdog agency from among its employees and the users of its services for “whistle-blowing”. Such a watchdog agency would alert the management of the public body about likely cases of corruption, weaknesses in the system that promote corruption, etc.

The fourth approach is for citizens to form users associations for each public service in each local area to exert pressure for fair practice and against malpractice<sup>74</sup>. Once individual users know that a body will take up cudgels on its behalf, they are more likely to resist pressures for bribes. The state can encourage such voluntary bodies through certification, tax incentives, and some contribution towards maintenance expenses. Corruption in the issue of various permits and licenses can be checked fairly effectively through users associations. One additional mechanism could be for the permit seeker to have the option of routing his/her application through the relevant user association, which for a modest fee, scrutinizes the application to see that it is in order, and forward the application to the relevant government authority.

## **The Case for a Corporate State**

Corporatism amounts to private and public governments participating in one another's decision making<sup>75</sup>. Corporatism usually involves representation of interest groups in the state's decision making structures. The corporate state is in decline in the states of the West, which are turning increasingly towards laissez faire, but it originated in the West and was considered quite legitimate in its various forms in Europe in the 19th century and even in the early part of the 20th century. Unfortunately, pre-war militant Japan and Fascist Germany were corporatist states, and this may have given corporatism a bad name. In principle, however, corporatism can coexist with democracy and a competitive market order, as in the case of post-war Japan.

The key aspects of corporatism are that it favours collaboration between the state and the private sector, collaboration within the private sector, the participation of the state in the affairs of private sector associations, and the participation of the latter in the state's decision making systems, especially strategic decision making systems. In theory at least, such corporatism makes sense when a country has overriding priorities such as rapid socio-economic transformation and under-developed institutional capacity. In such circumstances it makes sense for all the major institutions of society—the state and its organs, and major trade, industry, and labour associations—to underplay adversarial relations and work instead towards cooperation for achieving national priorities. Post-war Japan's deliberation councils illustrate the mechanisms involved<sup>76</sup>.

Japan's extremely rapid economic growth from 1954 to the seventies was in no small measure due to the collaboration between the Japanese state and business, in Japan's drive to catch up with the West economically, through growth paced by growth of non-traditional exports. The Japanese deliberation councils, consisting of representatives of industry, and in some cases labour and consumers, and with the participation of government officials, operationalized this relationship. Typically, one or more councils were established by each government economic ministry to coordinate the functioning of some of its bureaus with business. There were two kinds of deliberation councils: the first related to functions like industrial rationalization or finance or pollution; the second related to specific industries or sectors such as chemicals, automobiles, or

steel. Function-related deliberation councils included the Industrial Structure Council, the Industrial Technology Council, and the Export and Import Transaction Council. Sector-related councils included the Textile Industry Council and the Mining Industry Council. Function-related deliberation councils often had numerous special committees. For example, the very important Industrial Structure Council had 18 special committees of representatives of the government and the industry, such as the Industrial Pollution Committee, the Management Committee, the Energy Committee, the International Economy Committee, the Consumer Economy Committee, the Industrial Finance Committee, the Industrial Labour Committee, the Industrial Technology Committee, the Industrial Location Committee, and so forth. The composition of the Industrial Structure Council was interesting. Of the 42 members, ten represented various trade, industry, and other associations; another 10 were corporate top executives from a variety of firms. There were four former bureaucrats, three of whom were heads of think tanks and one was head of the Japan Foreign Trade Council. There were seven academics, two journalists, three labour and consumer representatives, four heads of financial institutions, and two political executives.

Many of these deliberation councils closely worked with the Ministry of Trade and Industry (MITI), which played an extremely important coordination role in promoting Japan's industrial growth. For forming a new policy or changing an old policy, typically MITI would convene hearings and get the views of various parties. An integrative draft would be prepared, which after vetting by an appropriate research group in MITI, would be submitted as a report to the appropriate deliberation council(s). Various views expressed in the council(s) by representatives of industry, labour, financial institutions, academics, consumers, etc. would be incorporated into a modified report prepared by the appropriate research group. Finally, MITI would announce the new policy to the public, explaining its objectives and justifications. Although the deliberation councils were advisory rather than decision making bodies there were several occasions when MITI abandoned a proposed policy change when there was serious opposition in the relevant deliberation council. The endorsement of the relevant deliberation council(s) contributed significantly to the new policy's legitimacy, partly because of the representative composition of the council and partly because of the consensus process followed.

There is a strong case for the Indian state to tilt towards corporatism. Such corporatism as in Japan, involving participation, consultation and the use of incentives rather than state coercion, could enable India to reach high levels of investment in priority sectors, and pursue, like Japan, a vigorous exports-led growth strategy involving the rapid penetration of world markets through non-traditional products. Japan's success in this strategy is noteworthy. Japan's competitive advantage in the fifties was mainly in textiles, plastic products, and pottery. Instead, through its brand of corporatism, it decided on a national strategy of becoming a global player in machinery, chemicals, steel, shipping, cars, white goods, and electronic goods, and succeeded beyond measure. Between 1954 and the early seventies its exports grew at 14% per annum, that is, nearly 8 times, twice as rapidly as world trade; and manufacturing grew at 15% per annum<sup>77</sup>. Compared to 1963, by 1970 the share of relatively "high tech" products like chemicals, pharmaceuticals, machinery, aircrafts, cars, plastics, ships, instruments, and petrochemicals in Japan's total exports had grown to 50% from 34%, while the share of such traditional products as food, lumber, textiles, fibers, clothings, ores, coal, furniture, fixtures, etc. had declined from 28% to 15%<sup>78</sup>. This rapid transformation of Japanese exports was facilitated by extensive cartelization of Japanese industry: between 1964 and 1973 some 2000 export cartels were legally permitted\*. An orchestrated strategy of high R and D expenditures in priority industries, large technology imports, and global scale plants enabled annual productivity growths ranging from 5% to 20% per annum in priority industries,<sup>79</sup> helped no doubt by priority finance, protection of domestic markets, an undervalued yen, and close collaboration between business houses, the keiretsu, and the government. As a consequence Japan emerged as an economic superpower in barely 30 years after being crushed underfoot in world war II.

For India to move towards greater corporatism should not be too difficult. Its Planning Commission played to some extent the role of corporatism in the fifties to eighties by allocating the shares of the private and the public sector in total investment. The state's policy of reserving certain sectors for SOEs, some for small scale industries, etc. also was a form of corporatism. But during the sixties and seventies there was an adversarial relationship between the state and big business, recourse to very high

levels of taxation, and excessive regulation of industry, and so India did not reap the benefits from corporatism that Japan and several East Asian countries did.

It is not too late, however. Numerous deliberation councils can be set up in which government, industry, labour and other interests can be represented, not only to share information and views, but also to evolve national strategies for promoting rapid industrial and exports growth, and for tackling problems of transition to an industrial society.

In a corporatist state, comprehensive economic planning may not work well. While some planning for achieving specific long term targets may be very useful, rigid, centralized planning may breed, as in the Soviet Union and indeed in India during the sixties and seventies, a vast regulatory bureaucracy that extends the state beyond its governance capacity. Instead, planning could be indicative,<sup>80</sup> as in Japan and France, and focus on urgent priorities: poverty alleviation, rapid industrialization, exports-led growth, improvement in infrastructure, human resource development. Greater flexibility and opportunism should be useful in a rapidly changing world, and indicative short to medium term planning targets that emerge through extensive deliberations in deliberation councils would be much more feasible than targets that are based on unrealistic assumptions. Vast new opportunities are rapidly arising in terms of technological developments and emergence of large new markets. Corporatist rather than comprehensive planning can enable a rapid Indian corporate response to these with the state's backing. For instance, thermal power plants have been the primary means for increasing India's power generating capacity. This has exacted a big toll in terms of CO<sub>2</sub> and other harmful emissions. But there has not been a vigorous enough response to technological developments that enable the economic tapping of a host of non-conventional, relatively more eco-friendly sources of power like wind, tidal, solar, geothermal, biogas, and nuclear energies in which India has huge potentials.

### **Concluding Comments**

The performance of the Indian state after independence has, on the whole, been satisfactory, and appears to be improving fairly rapidly in recent years. But there are

dark spots that need cleansing. The Westminster-type winner-take-all system is not working either in terms of providing fair representation of the people's wishes in elections or in providing stability of political governance. Options in proportional representation, and in providing greater stability to elected governments, such as a stronger presidency and consociational democracy, need to be evolved. Options in direct, deliberative, and associational democracy are also worth evolving. Operational or mandatory training for candidates standing for elections, the scrutiny of their credentials by an independent body, partial state funding of elections and political parties, training of political executives and an accountability system for political executives are some other options for improving democratic functioning.

Corruption is another very dark spot. Although India is not alone in being an unclean state, corruption needs to be tackled much more aggressively. Apart from the presently institutionalized mechanisms--the vigilance and prosecution machinery, the courts, the press, Ombudsman, incentives for catching wrongdoing, and liberalization by the union government--much effort needs to be made to get rid off irksome controls and regulations, especially at the level of the states. An information system that involves the participation of the users of public services needs to be evolved to assess the level of corruption in the different parts and agencies of the state. Remedial actions are likely to be more effective with speedier and more reliable information related to the level and forms of corruption.

How does a vast system develop self-corrective mechanisms? One strategy is to decompose the vast system into numerous relatively autonomous sub-systems that are loosely coupled with one another and with the central authority, and subject these loosely tied subsystems to at least a moderate degree of competition and public accountability. If at least a moderate amount of democratic functioning is designed into these sub-systems so that all the major internal and external stakeholders have a voice in their running, the self-corrective capacity of the sub-systems should rise. But without a reasonably strong dose of expertise and professionalism to aid decision making, the concoction might turn into one of blind leading the blind. Thus the blending of decomposition, competition, public accountability, stakeholder participation in decision making, and professionalism may be an effective strategy to build into the autonomous

components of the vast state strong self-corrective capability. In the context of India, substantial deregulation, privatization, fragmentation of the bureaucracy into semi-autonomous executive agencies with professional heads and charters that set out their accountability to the government and to service users or customers, demonopolization, and stakeholders councils for each semi-autonomous body may greatly aid the resilience of the sub-systems and the viability of the state. In the same vein, empowerment of local and regional self-governments with autonomy and expertise, with funding tied to their democratic functioning and public accountability, should also be beneficial. If global benchmarking by the bureaucratic sub-systems and the local and regional governments can be institutionalized for such areas of working as management systems, the use of information and communications technology, processes of decision making, training and empowerment, the results may well be truly magnificent.

Substantial but selective deregulation (as well as appropriate regulation needed to protect the public interest) can also improve the quality of governance. One interesting option that needs to be widely discussed is how regulation could be devolved on suitable private institutions without loss of public interest. Such a privatization could disseminate in the private sector higher levels of public interest awareness and also bring to the administration of regulation greater transparency and effectiveness.

Extensive but selective privatization of public services, and to a lesser extent selective privatization of state-owned enterprises offer further options for improving the quality and efficiency of governance. These, too, are mechanisms for harnessing private enterprise drive and efficiency for public purposes. They may also release large resources for deployment in more pressing national priorities. Options need to be evolved for reducing human hardships of privatization, such as loss of jobs by requiring contractors to absorb redundant state employees and/or generous retrenchment compensation, retraining facilitates, etc.

Economic planning and a certain amount of state corporatism may be inescapable for a poor society like India in which cooperation between the public and the private sectors is as vital for long-term development as competition in the market place. But alternatives to comprehensive state planning and its rigidities need to be evolved, such



as indicative planning and planning of the pursuit of a few strategic priorities like poverty alleviation, literacy, population control, infrastructure development, human resource development, and exports-led growth. Deliberations councils, as in several East Asian countries, for bringing together government, industry, labour, consumers, and financial institutions for evolving priorities and strategies is also an option worth considering.

Who, however, will do all this? There are examples of political and bureaucratic elites that have undertaken the effort at redesigning an ineffective state. De Gaulle and his followers transformed an ineffective and unstable cabinet system in France into a stable and effective government by coupling the cabinet system to a strong presidency; perestroika and glasnost in the Soviet Union were the handiwork largely of Gorbachev and his supporters; in the mid-eighties senior bureaucrats in Canada organized the Canada 2000 movement that brought far more decentralization and devolution of authority in Canadian administration; Mrs. Thatcher tried to get the government off the back of the people; in Malaysia the political and bureaucratic elites worked together closely to turn Malaysia into a model state<sup>81</sup>. A more durable stimulus for change, however, may be people's movements for better governance, that exert pressure through the ballot box, public discussions, a free media and associational mechanisms. South Korea, Philippines, and Thailand in recent decades offer examples of people's movements that democratized the government<sup>82</sup>. If the people are ready for change, "leaders" and movements will usually arise to bring about change.

The model of the Indian state that has emerged in these pages is partly similar to the model of the World Bank enunciated in the World Development Report 1997<sup>83</sup>. The points of similarity are vis-as-vis the importance of an efficient, more sharply focussed state, the wealth creating role of the private sector, healthier and freer markets and less regulation, more economic liberalization, more privatization, greater importance of NGOs and other private associations, more rule of law, greater priority to investment in infrastructure, human resource development and the provision of public goods, control of corruption, and so forth. But there are also significant differences: much greater attention to strengthening democracy; continuing importance of planning, but with suitable modifications; creative fragmentation of bureaucracy; much stronger

corporatist role of the state; the importance of powerful integrators; the necessity of a strong but effective corporate public sector; the importance of innovation and experimentation, and above all, the primary role of the people and their representatives rather than external agencies in designing and shaping the state.

The vast state is generally not an outcome of peoples consciously agreeing to its formation, but more frequently an accident of history. Two major exception may be the United States and the evolving mega state of the European Union. But once the vast state comes into existence, it creates its own props--federal structure, bureaucracy cadres, resource dependencies, physical and social security, support mobilization during local crises and disasters like famines, large markets, employment opportunities, international power, and in this century the possibility of rapid economic development. At the same time the health of the vast state tends to be precarious because of its excessive ideological, cultural, and structural differentiation. By exacerbating contestation, both democracy and market competition add to this differentiation, and therefore to the vast state's precarious health. Without powerful integrative devices, this extent of differentiation would tend to fragment the state, as happened to many empires in the past, the latest being the Soviet empire. Although some may question the necessity of a vast Indian state, India's cultural identity despite a pluralist society, poverty, and the opportunity such a state provides for secure, rapid, socio-cultural and economic development within a democratic framework tilt the balance decisively in favour of not only maintaining an Indian state, but a strong and vigorous one at that. Not only that, over the century people in India have developed a strong identity of Indianness, they have fought for a free India, and created a workable state. Patriotism is a vital additional prop of the Indian state.

The hub of a precarious federal state needs to be strong. As the Sarkaria Commission pointed out "..... under Indian conditions, a strong centre is necessary not only to protect and preserve the independence, integrity and unity of the country but also to coordinate a uniform integrated policy on basic issues of national concern".<sup>64</sup> If the centre does not hold, a blood-dimmed tide will drown the ceremonies of the parts of the state and an anarchy will be let loose upon the Indian people. The hub must be strong, and the spokes that bind the outer parts to the hub must be strong too. A stable,

democratic, truly representative government at the centre, overseen by professionalist political executives who are assisted by a professionalist bureaucracy, and both the political and bureaucratic elites being committed to rapid economic development and serving the public interest, are indispensable, for a firm, legitimate, and credible hub. Some of the ways this can be secured have been discussed earlier. For decades to come the principle role of the hub in India must remain one of orchestrating the rest of the state and the Indian private sector for rapid socio-economic transformation. While the hub must adapt to evolving technologies and contingencies, some within India and some without, its primary purpose must remain undiluted. After all, it is the commitment of the union government's apex to the mission of poverty alleviation and the transformation of the material and social, perhaps spiritual conditions of the Indian people, and the anchoring of this mission into the people's will and aspirations, that will define the direction of what the rest of the state strives for. That must be the rock on which the great church of the Indian people, possibly of humanity, must be founded. That must be the rock that enables the rest of the Indian state and the institutions of society to adapt, change, and transform themselves in creative, kaleidoscopic abandon.

How extendable are the options and innovations considered for India to other states? All, or at least some, depending upon the circumstances. States resemble one another because of some reasons and differ from one another because of others. At the minimum all states share certain functions--law and order, justice, enactment of legislation, macroeconomic management, internal and external security, foreign relations, provision of minimum civic amenities, and so forth. Therefore, all states must develop the structures and systems that enable them to discharge these functions<sup>85</sup>. The options and innovations one state considers in discharging these functions can be considered by all other states for appropriate adaptation. The expenditure for discharging all these functions comes from the finite financial resources of the state, so that every state has to develop mechanisms for establishing priorities, making budgetary allocations in terms of these priorities, and mechanisms of control, coordination, and accountability for spending public funds. These mechanisms are meant to knit together the diverse activities, systems and structures of the state<sup>86</sup>. Here

too, the mechanisms of integration and coordination used by any state can also be relevant to the other states.

But states also differ a great deal from one another because they operate in different socio-political-cultural-economic contexts. These contextual differences limit to some extent the relevance of context-specific options and innovations relevant to one state to other states of the same contextual type. Thus, developmental states have a lot to offer each other in terms of the instrumentalities of development and interventionist-welfare states have more to offer each other in terms of welfare or intervention mechanisms than to developmental states. Indeed, even within the state there are variations in the contexts in which different parts of the state operate. Parts with similar functions have more to learn from one another than parts with highly dissimilar functions.

In each context, there is generally no one best adaptive response. Usually there are a number of options in any adaptation situation, and the particular choice that is made depends upon situational factors like political processes, the particular preferences of the key actors in the situation, options considered, the order in which these options are considered, choice criteria, and so forth<sup>87</sup>. For example, faced with a serious power shortage, a country is likely to look for ways of overcoming the shortage. But every state will not go about meeting this contingency in an identical manner. Some may bridge the gap through the public sector, some through the private sector, still others through a mix of both sectors; some states may opt for eco-friendly capacities; others for capacities that are cheaper but are not eco-friendly. Some may effect a rationing of power supply; others may raise the administered price of power; still others may let the market decide the price of power. Fairly satisfactory options may be yielded by some sort of scanning of the state's reference group, and benchmarking with the most effective states in the reference group can lead to even better choices<sup>88</sup>. Creative adaptation, or even innovation, may however be needed for truly excellent choices<sup>89</sup>.

Each of these choices can be a strategic choice in the sense of binding the state and/or its agencies to a long-term course of action and/or having wide-ranging repercussions<sup>90</sup>. It is usually not enough to make strategic choices. For yielding

excellent results, these strategic choices need to be supplemented during implementation by a whole lot of other facilitative, supplementary, and synergistic choices. How decisions are made, reviewed, and corrected may be as important for true excellence as the content of the decisions<sup>91</sup>. Thus, participatory decision making that involves the major stakeholders, the induction of professionals with the requisite expertise in the decision making process, the emphasis on teamwork, flexibility, free form interaction and so forth that represent an organic (as opposed to mechanistic) mode of management may significantly increase the quality of conception and implementation of strategic choices. Periodic review and evaluation, course correction, and organizational learning from the experience need to be designed into the implementation process<sup>92</sup>. The form of leadership also may matter a great deal. Research indicates that across several cultural settings a leadership style that emphasizes concern for task accomplishment as well as the satisfaction and well being of those involved in task accomplishment differentiates high from low performance units<sup>93</sup>; it also indicates that transformational leadership that projects a bold vision, emphasizes core values, articulates a noble mission, empowers subordinates by inspiring and supporting them, and by giving them more autonomy and freedom of action differentiates high from low performance organizations<sup>94</sup>.

To sum up: There appears to be a layering in the extendability of the options and innovations relevant to one state to others. Those that are worth considering for the core functions of the state are most widely applicable, and even the best states may have a thing or two to learn from the innovations in the other states. Those options and innovations that are relevant to functions central to the type of the state--developmental, welfare-interventionist, market friendly, businesslike--are more likely to be relevant to the states of the type than to those of other types. For true excellence, however, creative adaptation and innovation rather than mere replication may be essential, supplemented by careful planning, review and control of implementation, synergistic auxiliary choices, participative, professionalist, and organic modes of management and decision making, and task oriented but humane, visionary, and empowering sort of transformational leadership. The effective scanning of the relevant reference group of states and benchmarking with the best in this group, learning,

creative adaptation, and innovation are likely to be the principal keys to state excellence.

The Indian state can be revitalized if .....

### Notes and References

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62. See K. Gopakumar, "Prometheus unbound, or still in chains?" (Bangalore: Public Affairs Centre, 1997).
63. See Paul, 1997, *op.cit.*
64. See Arora, *op.cit.*
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68. See Chakravarthy, *ibid.*
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70. See Shriram Maheshwari, "Emerging profile of India's administrative culture," *Indian Journal of Public Administration*, Vol.XXXVI, 3, 1990, pp.451-461.

71. Despite reductions in the rates of corporate tax, income tax, customs duties, and excise, the yields from these to the Indian central government between 1990 and 1995 respectively tripled, tripled, increased by 75% and increased by 65%--see Table 13.3, p.285 in Agrawala and Varma, 1997, op.cit.
72. The tax revenues of the Indian states, net of transfers from the central government, increased by 80%--see Table 13.14, p.295 of Agrawala and Varma, 1997, op.cit. By way of comparison, the tax revenues of the central government increased by 90%, despite fairly sharp cuts in tax rates--see Table 13.3, p.285 of Agrawala and Varma, 1997, op.cit.
73. See Commonwealth Secretariat's country study of Malaysia, op.cit., Karim, op.cit., Hamid, op.cit.
74. See Paul, 1995 and 1997, op.cit.
75. See Corinne Lathrop Gilb, "Public or private governments?" pp.464-491 in Paul C. Nystrom and William H. Starbuck (eds.), *Handbook of Organizational Design*, Vol.2 (New York: Oxford University Press, 1981).
76. See Campos and Root, op.cit., chapter 4.
77. See Campos and Root, op.cit.; *M. Shahid Alam, Governments and Markets in Economic Development Strategies: Lessons from Korea, Taiwan and Japan* (New York: Praeger, 1989); Hugh Patrick and Henry Rosovsky (eds.), *Asia's New Giant: How the Japanese Economy Works* (Washington, D.C.: Brookings, 1976), p.57.
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81. See *Commonwealth Secretariat's country case study of Canada*, op.cit., especially pp.1-5; *Commonwealth Secretariat's country case study of UK*, op.cit., especially pp.1-19; *Commonwealth Secretariat's country case study of Malaysia*, op.cit., especially pp.1-11.
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