

# Governance for Human Development

Background	114
Conceptualising Governance — An Alternative Framework	118
The Agenda Ahead	124

**G**overnance for human development relates to the management of all such processes that, in any society, define the environment which permits and enables individuals to raise their capability levels, on one hand, and provide opportunities to realise their potential and enlarge the set of available choices, on the other. These processes, covering the political, social and economic aspects of life impact every level of human enterprise, be it the individual, the household, the village, the region or even the nation as a whole. It covers the state, the civil society and the market, each of which is critical for sustaining human development. The state is responsible for creating a conducive political, legal and economic environment for building individual capabilities and encouraging private initiative. The market is expected to create opportunities for people. The civil society facilitates the mobilisation of public opinion and peoples' participation in economic, social and political activities for sustaining an efficient and productive social order. In order that these processes lead towards the desired social ends, governance requires the exercise of legitimate political power, by the designated bodies, in a manner that is perceived as equitable, non-discriminatory, socially sensitive, participatory, and above all accountable to the people at large. While these are generic, universally relevant and accepted features of good governance, there

are always aspects of governance that are contextually driven, geared to address the local concerns and reflect the aspirations of the people. In some sense then, the process of governance is, perhaps, unique to every society.

In recent times, the issue of governance has emerged at the forefront of the agenda for sustainable human development. A development that, while being sustainable in terms of resources over generations and across space recognises, the legitimate claim of each person in a society to be an active and a productive participant in the development process. Augmentation in a country's resources and its material means is but one of the essential steps towards



achieving human development. Equally important, if not more, is the process of transforming these means into valued outcomes. A critical element in this process of transformation of the available means — the natural endowments and the acquired — into socially desired outcomes, is the quality of governance. As a process of intermediation, it touches almost all aspects of an individual's and collective social life. Quality of governance is increasingly being recognised as among the primary factors behind the most remarkable development successes of human history. It is also the factor, or rather lack of it, which explains the most glaring disappointments and missed development opportunities for many nation-states in the twentieth century. Moreover, as substantial public and private resources are being made available, particularly in the developing countries, to support strategies for human development, there is a concern that every bit of the effort should yield better results. This is possible only when the processes that support such outcomes become more efficient and effective in achieving the desired objectives.

Experience from many countries shows that while good governance can help secure human well-being and sustained development, it is equally important to recognise that poor governance could well erode the individual capabilities, as well as institutional and community capacities to meet even the basic needs of sustenance for large segments of the population. This is particularly so for the poor, the disadvantaged and the marginalised sections of the society, more so, in the developing world. There is a general acceptance now that human deprivation and inequalities are not merely for economic reasons; rather they go hand-in-hand with social and political factors rooted in poor governance. In the case of India, one can find any number of regions in the country, or States within a region or even districts within a State, where development outcomes, in terms of social indicators, do not match with the

### Conceptualising Governance — Some Approaches

#### The World Bank

Governance is defined as the manner in which power is exercised in the management of a country's economic and social resources. The World Bank has identified three distinct aspects of governance (1) the form of political regime; (2) the process by which authority is exercised in the management of a country's economic and social resources for development; and (3) the capacity of governments to design, formulate and implement policies and discharge functions.

#### United Nations Development Programme

Governance is viewed as the exercise of political, economic and administrative authority in the management of a country's affairs at all levels. It comprises mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations, and mediate their differences.

#### Organisation for Economic Cooperation and Development

The concept of governance denotes the use of political authority and exercise of control in a society in relation to the management of its resources for social and economic development. This broad definition encompasses the role of public authorities in establishing the environment in which economic operators function and in determining the distribution of benefits, as well as the nature of the relationship between the ruler and the ruled.

#### Commission on Global Governance

Governance is the sum of the many ways individuals and institutions, public and private, manage their common affairs. It is a continuing process through which conflicting or diverse interests may be accommodated and cooperative action may be taken. It includes formal institutions and regimes empowered to enforce compliance, as well as informal arrangements that people and institutions either have agreed to or perceive to be in their interest.

#### Mahbub ul Haq Human Development Centre

Humane Governance is governance dedicated to securing human development. It must enable the State, civil society and the private sector to help build capacities, which will meet the basic needs of all people, particularly women, children and the poor. It requires effective participation of people in state, civil society and private sector activities that are conducive to human development.

*Source Adapted from Human Development in South Asia, 1999 — The Crisis of Governance, Oxford, Page 29.*

Deprivation and inequality is almost invariably rooted in poor governance.

available resources and the inherent potential of the people. States that are rich in minerals are not necessarily industrially developed, and those with rich cultivable lands and assured irrigation are often lagging behind in agricultural development. There are States in the country that, in the recent past, have seized the governance initiatives to register important gains in human development, while others have squandered opportunities despite their natural advantage and favourable initial conditions. On the whole, the country and its constituent States have done reasonably well, given its colonial past and the initial conditions at the time of launching state-sponsored planned development in the country. There are attainments in all aspects of governance that one could legitimately be proud of and yet there are as many challenges. Even in States where development has been relatively better, there are instances of loose or even poor governance that have contributed to gaps between inherent potentialities of people and the actual realisations. These are manifested, for example, in:

- Poor management of economies, persisting fiscal imbalances, disparities in the pace and level of development across regions and across districts;
- Denial of basic needs of food, water and shelter to substantial proportion of the population;
- Threat to life and personal security in the face of inadequate state control on law and order;
- Marginalisation, exclusion or even persecution of people on account of social, religious, castes or even gender affiliations;
- Lack of sensitivity, transparency and accountability in many facets of the working of State machinery, particularly those that have an interface with the public;
- Lack of credibility — the gap between the intent and the actions — of some institutions in the society;
- Perverse system of incentives/disincentives for people (particularly for a civil servant), subversion of rules, evasion of taxes and failure in getting timely justice;
- Despite a visible movement towards decentralisation through the *Panchayati Raj* institutions, a significant number of voiceless poor with little opportunities for participating even in institutions of local self-governance; and
- Deterioration of physical environment, particularly in urban areas.

All such outcomes can easily be related to the failure of one or more aspects of governance, political, economic or the civic. In most cases, it is equally easy to diagnose and define what could be the ideal requirement or institutional arrangement for addressing the specific concerns. What is, however, important is the need to undertake an analysis of changing governance standards as against a purely static cross-sectional study of ailments in the system. It necessitates confronting and addressing questions such as, why is it that governance standard may have declined in some regions, States or countries over time? Why, for instance, some States have succeeded in turning around their institutional capacities to govern effectively while others have failed? Why has the gap between the developed and the developing world not narrowed down at an adequate pace or in some cases even widened; and why is it that only a handful of countries or States/regions have been able to break through from a developing status to a

## India's Governance — Recent Score Card

### Achievements

### Concerns and Challenges

#### Economic Governance

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• India is among the ten fastest growing economies of 1990s;</li> <li>• Substantial forward movement in industrial, trade and aspects of fiscal policy reforms;</li> <li>• Tax reforms — rationalisation of tax rates, exemptions and simplification of tax administration;</li> <li>• Reasonable price stability;</li> <li>• Comfortable balance of payments, growing foreign exchange reserves;</li> <li>• Significant decline in incidence of poverty;</li> <li>• Self-sufficiency in food grains with unprecedented public food stocks;</li> <li>• Steady improvement in most social indicators;</li> <li>• Impressive gains in demographic transition for many States.</li> </ul> | <ul style="list-style-type: none"> <li>• Growth disparities across States have increased in 1990s as compared to 1980s;</li> <li>• Implementation problems remain in many areas and parallel action is needed in most States;</li> <li>• Less than 0.5 per cent of population pays income tax, under reporting of income widespread;</li> <li>• Stagnating tax — GDP ratio;</li> <li>• Central and State Governments running unsustainable Fiscal Deficits;</li> <li>• About 260 million persons or about 26 per cent of population still below the normative poverty line;</li> <li>• Pockets of hunger and acute deprivation still an unfortunate reality;</li> <li>• Critical gaps remain, a little less than half of women still illiterate, high infant mortality rates;</li> <li>• Population growth still high, unsustainable and persisting adverse sex-ratios in some States.</li> </ul> |
|---|---|

#### Political Governance

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• A resilient democracy supporting the emergence of a multi-party polity at various tiers of government;</li> <li>• Politics of coalition and consensus is beginning to find its feet;</li> <li>• Broad political consensus on nature and direction of economic reforms and national foreign policy;</li> <li>• Movement on decentralisation of power from the Centre to States, districts and villages;</li> <li>• Positive discrimination, reservation in political bodies at grass-root level, social mobilisation of the marginalised and competitive elections have created opportunities for popular participation in decision making;</li> <li>• Independent and a proactive judiciary on issues of larger public interest.</li> </ul> | <ul style="list-style-type: none"> <li>• Recourse to competitive populism, the use of money-power, particularly during elections, compromising decisive political action;</li> <li>• Absence of institutional framework for sustaining (coalition) governments for their term, once elected to office;</li> <li>• Disruptions in parliamentary proceedings delaying timely and informed legislative work;</li> <li>• Excessive compartmentalisation of the executive, into ministries resulting in a narrow development perspective, vested interests and preventing the rightsizing of a bloated bureaucracy;</li> <li>• Criminalisation of public life, politics of vote bank, communal violence, and corruption are major challenges for improving governance in the country;</li> <li>• Too much state presence in some areas, too little in others.</li> </ul> |
|--|---|

#### Civil Governance

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• Primacy of basic human and civic rights;</li> <li>• Rule of law;</li> <li>• Freedom of expression, free press and electronic media;</li> <li>• Considerable non-governmental and civil society initiatives in various spheres of social and public life;</li> <li>• Institutional framework/agencies for checking corruption in high public offices.</li> </ul> | <ul style="list-style-type: none"> <li>• In practice, some like women and deprived are less equal than others, particularly, in their social and economic rights;</li> <li>• Persisting law and order problems in some areas;</li> <li>• Mobilisation of people for better work ethics, civic responsibilities and environmental protection;</li> <li>• Poor conviction rates, delayed justice, backlog of cases, particularly in subordinate judiciary;</li> <li>• Distorted, perverse incentive structures in civil services encouraging mediocrity and corruption.</li> </ul> |
|--|--|

developed one? An attempt has been made in the rest of the chapter to address these issues. An alternative framework for conceptualising the issue of governance has been presented with some illustrations from the Indian context. The objective is to take the debate on the issue beyond the stage of prognosis to the actual treatment. This is followed by a section that outlines the area of emphasis and some relevant instruments that need to be pursued for improving governance in the country.

## Conceptualising Governance — An Alternative Framework

---

A useful approach to analyse the issue of governance, whether it is restricted to political, economic or civic governance or looks at the system in its entirety, is to view the process of intermediation as involving a continuous interplay of three elements, each representing a specific set of deliberate arrangements. These include:

- **institutions** — adopted or created arrangements, both formal and informal, to bring about predictability, stability and efficiency in managing the social, economic or political transactions in any society;
- **the delivery mechanism** — including the executive apparatus adopted or evolved by the institutions for implementing the agenda and the objectives for which the said institutions have been created; and
- **the supportive and subordinate framework of rules, procedures and legislation** — formulated for delivering and meeting the stated responsibilities of the concerned institutions.

Efficient governance requires efficient institutions. The efficiency and effectiveness of institutions, in turn, depends on its adopted delivery mechanism and the supportive framework of rules and procedures, each of which has to work in harmony with the other to discharge the functions and roles for which the institutions have been created. Only then would one expect the institutions to meet their stated objectives and fulfil their assigned responsibilities in managing the affairs of society. More importantly, with changing context — domestic as well as global — a change in the profile and requirement of the society, and with development, there has to be a capacity for evolution, a continuous adaptation in each of these elements. In the absence of such a capacity in the institutions, the governance invariably suffers.

Some of these changes in society are only natural and should normally have been factored in, while creating the institutions and their framework. Population growth and planned developmental changes will fall in this category. However, even such changes, which are only expected, are not adequately reflected while building institutions and their capacities for want of adequate perspectives and vision in the sponsoring agencies — be it the bureaucracy or the non-governmental bodies. The failure to take a holistic

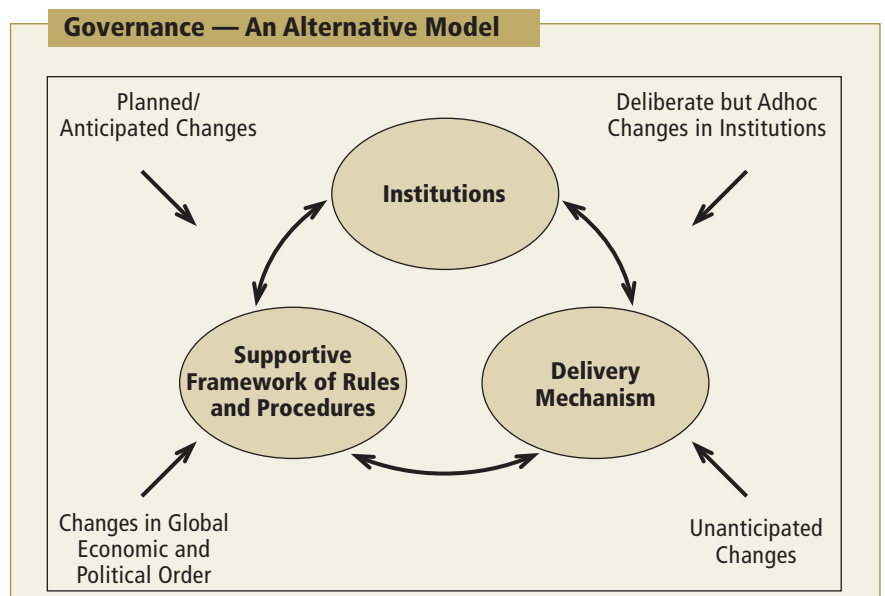
---

perspective results in institutional inadequacies, which get compounded over time. A good example to highlight this aspect of governance relates to the administrative machinery created to maintain law and order in the country. Considering that India is adding nearly the equivalent of Australia's population to her own population every year, the demand that it imposes on infrastructure for maintaining law and order and, for that matter, on other publicly provided services has to be suitably reflected in the policies and programmes of the state, even if it is only to maintain the prevailing standards in governance.

Some changes could be rooted in the global context and developments elsewhere. These are likely to have an impact in most societies and, hence, require anticipation. In such cases, a capacity for anticipating, continuous scanning, analysis of the relevant information, as well as the deployment of requisite expertise has to be inbuilt in the institutions. Rigid ideological positions and political divide in society may, somehow, hinder such capacities to be developed. The case of planning institutions and policy 'think tanks' are good examples for illustrating this point. It has been argued by some that such institutions have erred in anticipating and timely initiating the need for economic reforms in the country. It has meant that the nation may have lost out on opportunities that, for instance, became available to the East Asian 'tiger' countries in the seventies and eighties.

There are also some changes, though confined largely to the state machinery, that are deliberate but ad-hoc in nature. By their very definition such changes affect the working of the institutions in a manner that may turn out to be counter-productive, undermining the very capacity of the institutions to deliver on their assigned functions, in the long run. The ad-hoc interpretation and changes in civil service rules, promotional policies and job responsibilities are examples of such changes. These have had detrimental effect on morale, incentive structures and the overall work ethos, in the process, encouraging mediocrity and corruption in the state machinery.

Similarly, without adequately evaluating similar or related initiatives in a given sector or across sectors and at different tiers of government, introduction of new plan programmes and schemes have been undermining the capacity of the government to effectively realise the plan objectives. It has meant a thin spread of scarce resources and stretching of the administrative machinery for implementing and supervising often competing public initiatives and responsibilities. As a result of such an approach, when the Government is launching its Tenth Five Year Plan, it turns out that, for just 51 Central Ministries/Departments, there are as many as 1,000 Central Sector and Centrally Sponsored Schemes that are going to spill over from the earlier Plans. In addition, new plan initiatives are also being taken up in almost all Ministries/Departments. Often, such ad-hoc measures have been a product of exigencies, administrative or



political, that generally have not been thought through for their subsequent impact on the institutions and the system as a whole. Eventually, they are likely to be a drag on the system even though they are appealing and seem successful in the short run.

In all such cases, if institutions fail to keep up with the changing context and if the supportive framework of rules and procedures become out of tune with the prevalent delivery mechanism, the institutions, may fail to deliver on their objectives satisfactorily. This applies equally to the executive, the judiciary and the legislature and the bodies under them in the country.

Consider the case of judiciary in India. There is little doubt that as an institution the judiciary has always delivered, be it the case of upholding the Constitution or directing the executive in the larger public interest or for that matter delivering and enforcing justice to a common person. However, when one looks at the backlog of judicial cases in courts at all levels one is reminded of the old dictum 'justice delayed is justice denied'. Similarly, for that matter, if one were to look at the poor rate of conviction even in such cases that shake the sensibilities of an average individual, his/her faith in the ability of the said institution to govern would be considerably lost. It is useful to look at these apparent anomalies in terms of the framework developed. Here is a case where the delivery mechanism, involving the number of courts and judges, on one hand, and the framework of supportive rules and procedures (for instance, the Civil Procedure Code) that have been adopted to discharge the functions of administering justice, on the other, are clearly out of tune with each other. The magnitude of the task at hand brought about by the changing context in society — in this case the growing awareness that makes people conscious of their rights and the sheer magnitude of the numbers has also contributed to it. In such a case the

solution, perhaps, lies in augmenting and strengthening the delivery mechanism. At the same time modifying and reforming the supportive framework of rules and procedures will help to bring them in tune with contemporary reality, contexts and the changing social ethos of the people. This could expedite the process of administering justice.

Successful implementation of development programmes requires adequate funds, appropriate policy framework and effective institutional capacity to deliver. Past experience, in the country has shown that availability of resources is no panacea for tackling poverty, disparities and backwardness. It is a necessary, but not a sufficient condition. The determining factor, it turns out, is the institutional capacity to formulate viable need-based schemes with efficient

### **A Crisis of Civic Governance — Delayed Justice**

A major crisis of the judicial system in India relates to the backlog of cases in courts at various levels in the country. While there has been a considerable improvement in bringing down pending cases in the Supreme Court of India, the situation in case of the High Courts and the subordinate courts in most States continues to be alarming. In case of the Supreme Court, from about 105 thousand cases in 1990 the number of pending cases has declined to 21,600 in July, 2000. However, in case of the High Courts, the pending cases have increased from about 1900 thousand cases to 3400 thousand cases during this period. In case of subordinate courts, though there are nearly 20 million pending cases, the number seems to have stabilised.

These arrears in the disposal of cases have mounted, both on account of inadequate number of courts and judges in the country in the face of growing workload — the delivery mechanism for administering justice — and inadequacy in the Civil Procedure Code — the procedural framework of rules and procedures supporting the institution of judiciary.

A number of measures to address both these concerns have already been initiated. Specific suggestions have been made for bringing amendments in the Civil Procedure Code to address the procedural bottlenecks. At the same time, steps have been taken to set up fast-track courts in some States, professionalise the court registry using Information Technology and such measures that effectively increases the availability of judges to tackle the backlog of cases.



delivery systems to utilise optimally the available resources. Consider the case of rural development programmes in the Central Government. Excessive compartmentalisation of the executive into Ministries/Departments has ensured that such programmes are not only spread over a host of Ministries encouraging a narrow sectoral approach to conceiving, formulating and implementing the schemes, but also prevents mutual synergies that are inherent in most social sector programmes to benefit the plan initiatives. The duplication of delivery structures and the procedural hurdles invariably curtail the flow of assistance to the targeted beneficiaries. The Mid-Term Appraisal of the Ninth Plan, for instance, points out that an amount of at least Rs. 400 billion per annum flows for rural development by way of Central and State schemes in sectors like health and family welfare; social justice and empowerment; watershed development through agriculture; tribal development; subsidies on food and kerosene; and through schemes of rural development. This is in addition to public investment in infrastructure like roads and power which also directly benefits the rural poor. This is directed at about 50 million poor families who, on an average, are thus being allocated roughly Rs.8,000 per annum. This amount is sufficient to buy nearly 3 kg. of foodgrain per day at the average rate of Rs.7.50 per kg. potentially permitting them to overcome significantly their state of deprivation. The reason that this money is not being directly transferred to the targeted poor, and is being spent on state run development schemes, rests on the assumption that such initiatives, are likely to build capacities, raise income levels and have multiple spin-off effects in the long run. The fact that benefits are not percolating at the desired pace is a reflection on the governance of these schemes. There is significant scope for improving administrative and delivery mechanism by involving people and the participatory bodies at the local level. Similarly, much more can be achieved by releasing private initiatives and the latent entrepreneurial energies of the individuals by addressing the procedural and legal hurdles that come in the way of local level economic activities. States, where institutional changes have been made to decentralise delivery mechanism, have started showing better results in building individual and community capacities for tackling the incidence of poverty and deprivation.

The macro-economic management of the economy at the Centre and in the States, in general, and that of public expenditure, in particular, also highlights the deficiencies in governance practices resulting from the inertia in the relevant institutions and their practices to keep pace with the changing contexts. Constitutionally, the federal structure of Indian polity places greater responsibilities on the Central Government to raise and allocate the resources needed for undertaking, among others, regionally balanced development in the country. These resources are allocated among the States on the recommendations of the Finance Commission — a statutory body for assessing and recommending the flow of resources to meet the non-plan or the revenue requirements of the States — and the Planning Commission, which has been assigned the responsibility of preparing the medium-term national plans in consultation with the Central and State Governments and allocate resources to undertake planned activities. In the past, with the elected governments lasting their full terms, there has been an overlap in the five-year plans, the tenure of the Government and the term of the Finance Commission. With the changing political environment — premature dissolution of lower house of the Parliament, coalition

---

### Fiscal Responsibility Bill — 2000-01

The Central Government has introduced the Fiscal Responsibility Bill in the Parliament in the Winter Session in 2000. It is, presently, under examination before it is taken up in the Parliament for enactment. Though Article 292 of the Constitution already provides for fiscal austerity, an explicit legislation is, perhaps, necessary in an era of coalition politics. The key features of the Bill are:

- The fiscal deficit, defined as the excess of total expenditure — including loans, net of repayments — over revenue receipts plus certain non-debt capital receipts, to be 2 per cent of the GDP by 2006 from 5.1 per cent of GDP budgeted for 2000-01;
- The revenue deficit, defined as the difference between revenue receipts and revenue expenditure, to be zero by 2006 from 3.6 per cent of GDP budgeted for 2000-01;
- Total internal and external liabilities at 50 per cent of GDP by 2011 from the present level of about 56 per cent of GDP;
- Prohibition of borrowings by Central Government from Reserve Bank of India (RBI) after 2004, except under special well-defined circumstances; and
- Expenditure cuts, whenever there is a shortfall of revenues vis-à-vis the budgeted expenditure;

governments and different political parties forming governments in the States and the Centre — the working together of such institutions concurrently and in consonance with each other cannot be taken for granted any more. For instance, the tenure of the Thirteenth *Lok Sabha*, hence the Government, the Tenth Five Year Plan of the country and the term of the award of Eleventh Finance Commission are only loosely overlapping. Institutional changes have to be, therefore, thought of to allow continuity and harmony in the working of these bodies. Similarly, there are good reasons to devise new instruments that ensure continuity of basic policies on which there is consensus across political parties. An important example, in this context,

is the Bill on Fiscal Responsibility that binds the Government of the day to follow the accepted principles on fiscal consolidation. It has already been introduced by the Central Government in the Parliament, and there are good reasons for similar bills to be introduced in the State legislatures

Corruption is the most endemic and entrenched manifestation of poor governance in the Indian society, so much so that it has almost become an accepted reality and a way of life. Klitgaard has reduced the underpinnings this social phenomenon, which afflicts most developing societies as well as the developed ones, into a formulation that equates corruption with monopoly power plus discretion minus accountability and low government salaries. In other words, it suggests that when a relatively low paid Government servant enters a situation where he enjoys both monopoly and discretionary power without any or limited accountability, he/she has an incentive to restrict his/her assigned functions and duties, in the process, seek and charge a monopoly price for services rendered.

There are many public activities, given that the country till very recently has had an administered and a regulated economy, where institutional arrangements are such that state officials have monopoly, as well as, discretionary powers vested in them. This includes a range of activities involving interface with state utilities; state agencies responsible for licensing, including motor vehicle licenses, passports, trade licenses; and tendering of publicly instituted works. The problem is compounded by procedural and legal hurdles that an individual has to confront in almost every interface with the public authorities.

The solution to the problem of corruption has to be more systemic than any other issue of governance. Merely shrinking the economic role of the state by resorting to deregulation, liberalisation and privati-

#### Corruption

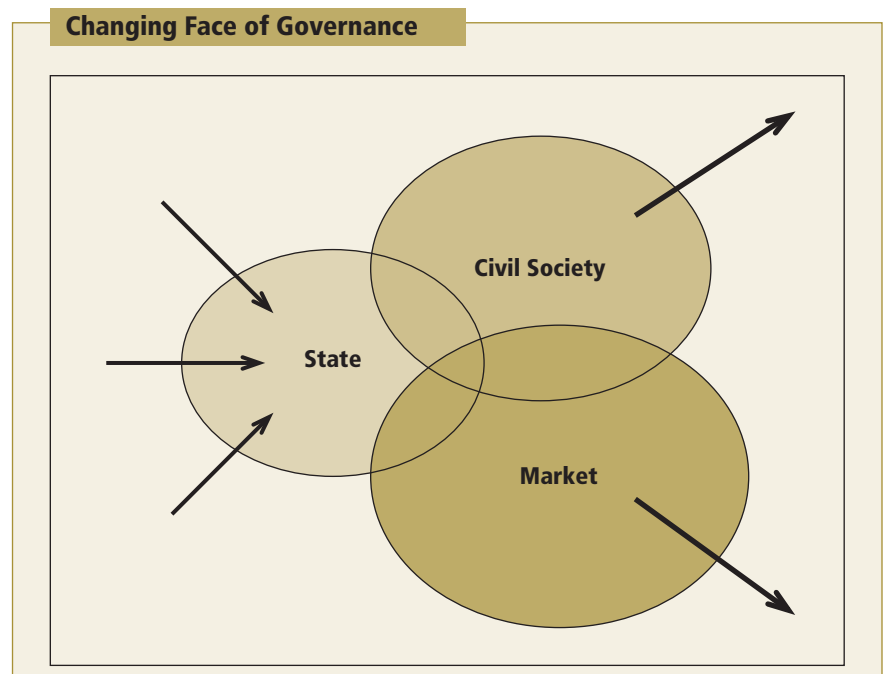
$$\text{Corruption} = \text{Monopoly Power} + \text{Discretion} - \text{Accountability + Low Govt. Salaries}$$

Source Klitgaard 1998, *Controlling Corruption*; Berkeley, University of California Press.

sation is not necessarily the solution to addressing the problem. Prevalent institutional arrangements have to be reviewed and changes made where those vested with power are also made accountable, their functioning made more transparent and subjected to social audit, with a view to minimise the discretionary decisions. All such procedures, laws and regulations that breed corruption and come in the way of efficient delivery system will have to be eliminated. The perverse system of incentives in public life, which makes corruption a high-return-low-risk activity, need to be addressed. In this context, public examples have to be made out of people convicted on corruption charges and the legal process in such cases has to be expedited. This, hopefully, will also address the growing permissiveness in the society, in the more recent times, to the phenomenon of corruption. In addition, with changes in economic policy regime, regulatory bodies that guide and monitor the functioning of the relevant economic agents, lays down the rules of conduct in the interest of consumers and devises such practices that help in efficient functioning of the system will have to be established in many sectors of the economy that are now being opened up. At the same time, social monitoring through empowered, autonomous and credible structures will have to be established even for the highest of the public offices. Right to information has to be the starting point for some of these changes.

It turns out that efficient and effective governance, be it in the case of the executive, the judiciary or the legislature, requires the institutions, the delivery mechanism that they adopt and the framework of supportive rules, regulations and procedures to continuously evolve in harmony with each other and in response to the changing context. It makes the issue of governance context specific to time and the stage of development in any society. The necessity of a continuous adaptation in governance practices, is also reflected in the changing role and scope of the State, the market and the civil society vis-à-vis each other. With the acceptance of market liberalism and globalisation,

it is only expected that state yields to the market and the civil society in many areas where it, so far, had a direct but distortionary and inefficient presence. It includes areas where the State, for instance, had entered as a producer of such goods and services that are also produced in the private sector. It also includes the role of the State as a development catalyst where, perhaps, the civil society presently has better institutional capacity. At the same time, with the growth of markets and presence of an aware and sensitive civil society, many developmental functions as well as functions that provide stability to the social order have to be progressively performed by the market and the civil society organisations. It means extension of the market and the civil society domain at the expense of the State in some areas. It also implies an increase in the area of their respective overlaps.



## The Agenda Ahead

The issue of improving governance in the country has to be addressed at multiple levels. The relevance and the operations of institutions concerning the social, economic and political processes towards the goals of human development will have to be re-examined, particularly in view of the current context, which, in many cases, is vastly different from the context that may have led to their creation. In particular, the role of the state has to be conceptually repositioned. It can neither be a completely minimalist role nor an entirely proactive one. It has to be directed at building personal capabilities and community capacities for human development through the use of all the means at its command. There are, however, aspects of governance and the contingent instruments that have to be taken up on priority. These include the need to undertake:

- devolution of power to manage local affairs and decentralisation of decision making;
- civil service reforms aimed at improving transparency, accountability, efficiency and sensitivity in public administration at all levels;
- enforcing incentive/disincentive structures that truly reflect social values and norms;
- procedural reforms covering all aspects of government's interface with public; and
- empowerment, particularly of women, the marginal and the excluded.

The enactment of the Constitutional 73rd Amendment Bill, 1992 has paved the way for the creation of statutory institutional structures for realising the goals of self-governance under the *Panchayati Raj* system. The explicit objective of this initiative for democratic decentralisation of governance is to accelerate the socio-economic development of the rural

Role of State				
	Addressing Market Failure			Improving Equity
Minimal Functions	<b>Providing pure public goods</b> Defence, Law and order, Property rights and Public health, Macroeconomic management, Building perspectives, Anticipatory and prospective tracking of global economy			<b>Protecting the poor</b> Anti-poverty programs, Disaster relief
Intermediate Functions	<b>Addressing externalities</b> Basic education, Environmental protection	<b>Regulating monopoly</b> Utility regulation, Anti-trust policy	<b>Overcoming imperfect information</b> Insurance (health, Life, pensions), Financial regulation, Consumer protection	<b>Providing social insurance</b> Redistributive pensions, Family allowances, Unemployment, Insurance Direct subsidies
Activist Functions	<b>Coordinating private activity</b> Fostering markets, Cluster initiatives State as an entrepreneur and producer of goods and services			<b>Redistribution</b> Asset redistribution

*Source Adapted from World Development Report 1997, Page 27.*

areas within a participatory framework at the grass-root level. The amendment has given statutory recognition to a three-tier system of governance with *Panchayati Raj* Institutions (PRIs) at the District (*Zilla Parishad*), Intermediary (*Mandal Panchayats*) and Village levels (*Gram Sabha/Panchayats*). Most of the bodies constituted under the Act are now completing their first five-year tenure. A review of the status has been undertaken in terms of indicators like the conduct of *Panchayat* elections; constitution of District Planning Committees; status in respect of recommendations of the respective State Finance Commissions on devolution of funds to PRI bodies; status in respect of devolution of funds, functions and functionaries for 29 subjects listed under the Eleventh Schedule (Article 243 G) of the Constitution; and status of the linkage between District Rural Development Agency and *Zilla Parishads*. In addition, performance of village, district level *panchayats* and urban local bodies has been reviewed in terms of their performance in mobilisation of revenues and undertaking public programmes in the core services of water supply, street lighting, sanitation and roads. Most States have held elections to their *Panchayats* with the exception of Arunachal Pradesh, Uttaranchal, Pondicherry and Jharkhand where they are due in the near future. The progress in respect of other indicators is, however, limited and much needs to be still addressed before the PRIs become vibrant, effective bodies of local self-governance.

A major area of concern is that respective State Acts have, by and large, failed to take adequate cognisance of the implication of Constitutional status of the *Panchayats*. Under the State laws, wide powers of suspension and dismissal have been vested in the State bureaucracy. This straight away places PRIs in a position of disadvantage vis-à-vis even the middle rung functionaries of the State Government. Most State Governments have retained adequate financial and administrative powers to deal with PRIs. This directly affects the concept of democratic decentralisation, on the one hand, and autonomy of PRIs, on the other. Instances have also been reported where *Gram Panchayat Sarpanchas* have to spend considerable time in visiting block level functionaries for technical and administrative approvals.

In spite of various drawbacks and lacunae in the constitution of PRIs, there are many instances of commendable work done by the village level bodies within a short span of time. The performance of the PRI bodies at the block and district level is somewhat mixed. There is a feeling that there are too many tiers resulting either in ineffectiveness or excessive control. The financial condition of local bodies is also precarious as in many cases neither is there adequate devolution of resources nor adequate revenue raising powers. In fact, in the absence of the latter, in many cases, there is a sense of dependence rather than empowerment. Although, the PRIs provide a framework of decentralised rural development, the performance so far suggests that their operation in most States has not been able to enhance participation and empowerment adequately and effectively.

The scope of the *Panchayati Raj* Act has been extended to *Panchayats* in the scheduled tribal areas of 9 States. Under the provisions of the *Panchayat (Extension to the Schedule Areas) Act, 1996*, power has been vested in *Gram Sabha* for controlling of institutions and functionaries in all social sectors, including activities like ownership of minor forest produce; selection of beneficiaries under various programmes; management of minor water bodies; and minor mineral leases.

### Status of *Panchayati Raj* Institutions — Selected Indicators (February 2002)

States/UTs	Holding of <i>Panchayat</i> Elections	Constitution of District Planning Committees (DPC)	Status of State Finance Commission Recommendation	Devolution of Funds, Functions, and Functionaries in Respect of 29 Subjects (At.243G)	Status of DRDA/ZP linkage
<b>States</b>					
Andhra Pradesh	GP elections held in August 2001, while Intermediate & District <i>Panchayats</i> elections held in July 2001.	Not constituted.	Accepted 54 recommendations fully, 11 with some modifications & 19 not accepted at all. Second SFC constituted.	Funds — 05 Functions — 17 Functionaries — 02	DRDA & ZP not merged, Collector is Chairperson of DRDA & President of ZP is Vice-Chairman.
Arunachal Pradesh	Elections not held.	Constituted.	Not constituted.	Not applicable yet.	Not yet.
Assam	Elections held in January 2002.	Not constituted, so far.	Recommendations accepted in part.	No action taken yet.	Not transferred.
Bihar	Elections held in April 2001.	No	Report awaited.	Funds — Functions — 20 Functionaries —	Not merged.
Goa	GP — in 1997. DP — in 2000.	No information.	Report under consideration.	No information available	Merger under consideration.
Gujarat	GP — December 2001. PS & DP — in December 2000.	Not constituted.	Received but not yet been placed before Legislature for consideration.	No information available	Not merged.
Haryana	Elections held in March 2000.	Only in 16 districts.	Accepted major recommendations.	Funds — 0 Functions — 16 Functionaries — 0	Not merged.
Himachal Pradesh	Elections held in December 2000.	Only in 5 districts out of 12.	Accepted. Second SFC constituted.	Funds — 2 Functions — 23 Functionaries — 7	Merged and headed by President of <i>Zilla Parishad</i> .
Jammu & Kashmir	73rd Constitutional Amendment Act has yet to be extended to State. However, Ministry of Home Affairs has requested the Government of J&K to seek the views of the State Legislature to extend the provisions of the 73rd Constitutional Amendment Act 1992 to the State. <i>Panchayat</i> elections in some part were held in January-February, 2001 according to State <i>Panchayati Raj</i> Act.				
Karnataka	GP — February 2000. PS & DP — July 2000.	Only in 5 districts.	Accepted major recommendations.	Funds — 29 Functions — 29 Functionaries — 29	Merged.
Kerala	September 2000.	Yes	Accepted and implemented. Second SFC constituted.	Funds — 15 Functions — 29 Functionaries — 15	Merged and headed by President of <i>Zilla Parishad</i> .
Madhya Pradesh	January 2000.	Yes	Accepted. Second SFC constituted.	Funds — 10 Functions — 23 Functionaries — 9	Merged.
Maharashtra	GP — October 1997. PS & DP — March 1997.	No	Major recommendations accepted.	Funds — 18 Functions — 18 Functionaries — 18	Against merger of DRDA with ZP.
Manipur	GP & DP — January 1997.	Yes in 2 out of 4 districts.	Accepted.	Funds — 0 Functions — 22 Functionaries — 4	No information available.

### Status of Panchayati Raj Institutions — Selected Indicators (February 2002)

States/UTs	Holding of Panchayat Elections	Constitution of District Planning Committees (DPC)	Status of State Finance Commission Recommendation	Devolution of Funds, Functions, and Functionaries in Respect of 29 Subjects (At.243G)	Status of DRDA/ZP linkage
<b>States</b>					
Meghalaya					
Mizoram	73rd Constitutional Amendment Act does not applicable as the traditional system of local self government exist in these States				
Nagaland					
Orissa	January 1997. Elections in Schedule V area invalid.	Only in 6 districts.	Accepted.	Funds — 5 Functions — 25 Functionaries — 3	Merged and headed by Chairperson of ZP.
Punjab	GP — June 1998 PS & DP — election are due.	Not yet.	Accepted.	Funds — 0 Functions — 7 Functionaries — 0	Not merged.
Rajasthan	January 2000.	Yes	Accepted. Second SFC constituted.	Funds — 0 Functions — 29 Functionaries — 0	Merged.
Sikkim	October 1997.	Yes	Accepted. Second SFC constituted.	Funds — 24 Functions — 24 Functionaries — 24	Status not reported.
Tamil Nadu	October 2001.	Yes	Accepted. Second SFC constituted.	Funds — 0 Functions — 29 Functionaries — 0	Status not cleared.
Tripura	July 1999.	Yes	Accepted. Second SFC constituted.	Funds — 0 Functions — 12 Functionaries — 0	Status difficult to define.
Uttar Pradesh	June 2000.	Yes	Accepted. Second SFC constituted.	Funds — 12 Functions — 13 Functionaries — 9	Merged and headed by President of ZP.
West Bengal	In 1998.	Yes	Accepted.	Funds — 12 Functions — 29 Functionaries — 12	Merged and headed by President of ZP.
Chattisgarh	January 2000.	Yes	Not set up.	Funds — 10 Functions — 23 Functionaries — 09	Merged.
Jharkhand	Election due. Reported that election will be held in Sept. 2002.	Not Constituted.	Not set up.	No information available	
Uttaranchal	Term of Panchayat expired in December 2001. State Panchayati Raj Act has yet to be notified.	Not Constituted.	Report awaited.	Funds — 12 Functions — 13 Functionaries — 9	
<b>Union Territories</b>					
Andaman & Nicobar Is.	September 2000.	Yes	Under consideration.	Funds — 6 Functions — 6 Functionaries — 6	Merged and headed by Chairperson of ZP.
Chandigarh	GP — January 1999. ZP — July 2000. PS — not held so far.	No	SFC Report awaited.	No information available	Not Applicable.

### Status of *Panchayati Raj* Institutions — Selected Indicators (February 2002)

States/UTs	Holding of <i>Panchayat</i> Elections	Constitution of District Planning Committees (DPC)	Status of State Finance Commission Recommendation	Devolution of Funds, Functions, and Functionaries in Respect of 29 Subjects (At.243G)	Status of DRDA/ZP linkage
<b>Union Territories</b>					
Daman & Diu	September 2000.	Yes	Under consideration.	Funds — 5 Functions — 9 Functionaries — 3	Merged and headed by ZP President.
Dadra & Nagar Haveli	October 2000.	Yes	Under consideration.	Funds — 0 Functions — 3 Functionaries — 3	No DRDA exists.
Delhi	NCT Delhi had repealed the <i>Panchayati Raj</i> Act and sought abolition of the <i>Panchayati Raj</i> Institutions (PRIs) System. However, it is now considering adopting the 73rd Amendment Act and reviving the <i>Panchayats</i> .				
Lakshadweep	December 1997- January 1998.	Yes	Under consideration.	Funds — Functions — 6 Functionaries —	No DRDA exists.
Pondicherry	Elections have not been held in the UT, as the matter relating to the validity of provisions pertaining to reservation for backward classes in the Pondicherry <i>Panchayati Raj</i> Act was subjudice. The Judgement of the Chennai High Court had become available and the UT Administration filed a clarificatory application in the Chennai High Court. On a similar issue pertaining to Tamil Nadu, the Hon'ble High Court at Chennai had passed Orders making it possible for Tamil Nadu Government to hold elections. The Ministry of Rural Development has advised the UT Administration to take appropriate action to hold <i>panchayat</i> elections at the earliest on the same lines.				

Source Planning Commission

There is an urgent need to re-look at the structure, composition, functioning and the role of civil administration in the development of the country.

The lessons learnt, so far, necessitate certain steps need to be taken on a priority if the PRIs have to deliver on their promise and potentialities. These include:

- amendment of the Constitution to enable States, if they so wish, to abolish either the district or the block level tier of the *Panchayats* and retain only one out of these two in addition to the village level body;
- restrictions need to be imposed on the devolution of Central Finance Commission funds and from other sources to the States unless administrative and financial powers are effectively devolved to the PRIs;
- strengthen PRIs with revenue raising powers of their own in order to reduce their excessive dependence on State and Central Government. PRIs have to be encouraged to mobilise local resources for availing matching grants from the Central/State Government;
- improving accountability of local bodies and their standing committees and the need to help evolve a code of conduct for all functionaries working in the PRI; and
- provide orientation to newly elected members, simplify rules and procedures to make transactions simple and strengthen financial management and audit procedures.

The success of the PRIs hinges critically on the reform of civil administration at all levels in the State Government. Effective *Panchayats* require effective block and district level administration. The reforms of the civil services in the Central Government are equally important. Almost the



entire social sector programme of the Central and the State Governments rests largely on the ability of the civil administration to deliver. It will continue to be so till the PRI bodies find their feet under the new Constitutional provisions. More than the increase in resources, social sector development needs major reforms in the delivery systems.

In the area of civil service reforms, the Government faces many critical challenges. At the base of it, there is a need to review the very structure, the composition, the functioning and the ultimate role of civil administration system in development of the country. It has to be realised that a system that had roots in the requirement of a colonial polity and entrusted with the task of maintaining status-quo in the society cannot be entirely suitable for initiating, formulating, implementing and even catalysing developmental activities in a growing economy. A control-oriented system has to give way to a growth-oriented set-up. This requires clear demarcation of responsibilities between the law and order machinery and the machinery entrusted with the task of catalysing development in partnership with local level self-governing bodies. The coordination of different public and para-statal agencies engaged in development is critical for getting the most out of limited resources, for minimising overheads and checking duplication of effort. Moreover, excessive loading of responsibilities on some branches of civil administration, for instance, the District Collectorate which has been reported to be overseeing 167 development schemes at the block level in one instance, not only undermines the overall institutional capacity to deliver but also compromises on the quality of public interventions in what are clearly the critical areas of human development. To a large extent, the task of the development administration would become easier if procedural steps are taken to make available information, as a matter of right, to the citizens. In this context, there is a strong case for a replacement of 'Official Secrets' Act by 'Right to Information' Act.

An important aspect of the reform requires enhancing the productivity of civil service and making certain that each employee is performing socially relevant tasks. There have to be incentive structure that rewards and promote merit, discipline malfunction and misconduct, and improve accountability and performance. There is a case for opening the higher ranks of civil services to contractual fixed tenure appointments, with a view to have responsible, and informed

### Civil Society Initiatives in Community Development

There are many successful community development initiatives, in various parts of the country, founded on a unique partnership of the local people with the State Governments, often catalysed and mediated by some motivated individuals and Non-Governmental Organisations (NGOs). The recent success of such initiatives, particularly in the area of water shed management and minor irrigation in the States of Gujarat, Rajasthan and Maharashtra, to name a few, have considerably improved the income levels of the people and strengthened the capacities of the communities to become self reliant in addressing their development concerns locally. More importantly, it has fostered a sense of 'ownership', 'responsibility' and 'progress' among the people.

In the Saurashtra region of Gujarat, in a span of just five months, prior to the monsoon in the year 2000, more than 2,000 villages in six districts have built 10,000 check dams in response to the State Governments 'Build Your Own Check Dam' (BYOD) scheme. The Government has contributed 60 per cent of the total cost of the dam, the villagers have shouldered the remaining through voluntary work. The success of the initiative can be assessed from the fact that despite less than normal monsoon in the area, 7,000 of these check dams overflowed at least once. The result was a higher water table in the entire region.

The story is much the same in parts of Rajasthan and in Maharashtra where similar efforts have been undertaken by some individuals and NGOs. Among others, Madhya Pradesh has recently launched an innovative and affordable community oriented food and water security movement based on the principle that the State should provide an enabling environment to everyone to earn a livelihood.

There is a fair amount of consensus, among the experts and the implementors of public policy and programmes, that it is only a decentralised community-centred approach that can overcome scourge of hunger and poverty.

administrative leadership. At the same time there is significant scope for improving the technical expertise in policy formulation and in the management of regulatory bodies set up to oversee the critical areas of market, especially the capital and financial markets.

Elimination of unnecessary procedural controls and regulations that stifle entrepreneurial energy, breed corruption and effect the common man has to be a priority area of improving governance. Although various governments from time to time have announced 'single window clearance' procedures and 'investor assistance cells', they have rarely been effective. The primary reason for this is that the problem is not only of inadequate coordination, but also relates to fragmented and often arbitrary exercise of various powers of government, vested in a number of functionaries at different levels, through a complex system of delegation of authority. It is compounded by the fact that neither are the rules and regulations governing entry and operations transparent, nor are they justiciable. Rationalisation of such rules, notifying them in a comprehensive and transparent manner, assigning accountability of each functionary and providing administrative and legal recourse in case of malafide dilatoriness will be necessary to address this problem. These are issues in governance that have to be addressed on a priority as they impinge on the success of economic reforms.

Empowerment of women, the marginal and the excluded has been demonstrated, in many cases, to be among the important means to establish countervailing forces in the society for checking deterioration in governance standards and personal exploitation by others. The vested interests in any system always have stakes in maintaining the status quo of such institutions and their practices, which are beneficial to them. The only way to break these informal but deliberate and often stubborn arrangements is by equipping the marginalised of the society to fight for their legitimate rights. This requires not only legislative initiatives through acts of positive discrimination, for instance, by undertaking reservation for women in the legislative bodies at all levels, but it also requires explicitly directing the public developmental effort at addressing the economic insecurities of the targeted segments of population. It requires the dissemination of information and free access to all. Most of all it requires capacity building of the individuals through human development strategies involving the access to education, basic health care facilities and opportunities of livelihood.

---