

**These Papers have been prepared**

**By**

**individual members/experts**

**for**

**discussion in the NAC and do not, in all cases,**

**reflect settled conclusions of the NAC**

# Good Governance – practical suggestions

National Advisory Council

8<sup>th</sup> January 2005

# Impact of bad governance in India

# Requirement of funds for poverty alleviation

- States receive 1,66,749 crores from GOI under various dispensations (excluding subsidies on food, kerosene, and fertilisers, and loans through postal savings)
- If even half was transferred to the 5.3 crore poor families, each would get Rs 43 a day!

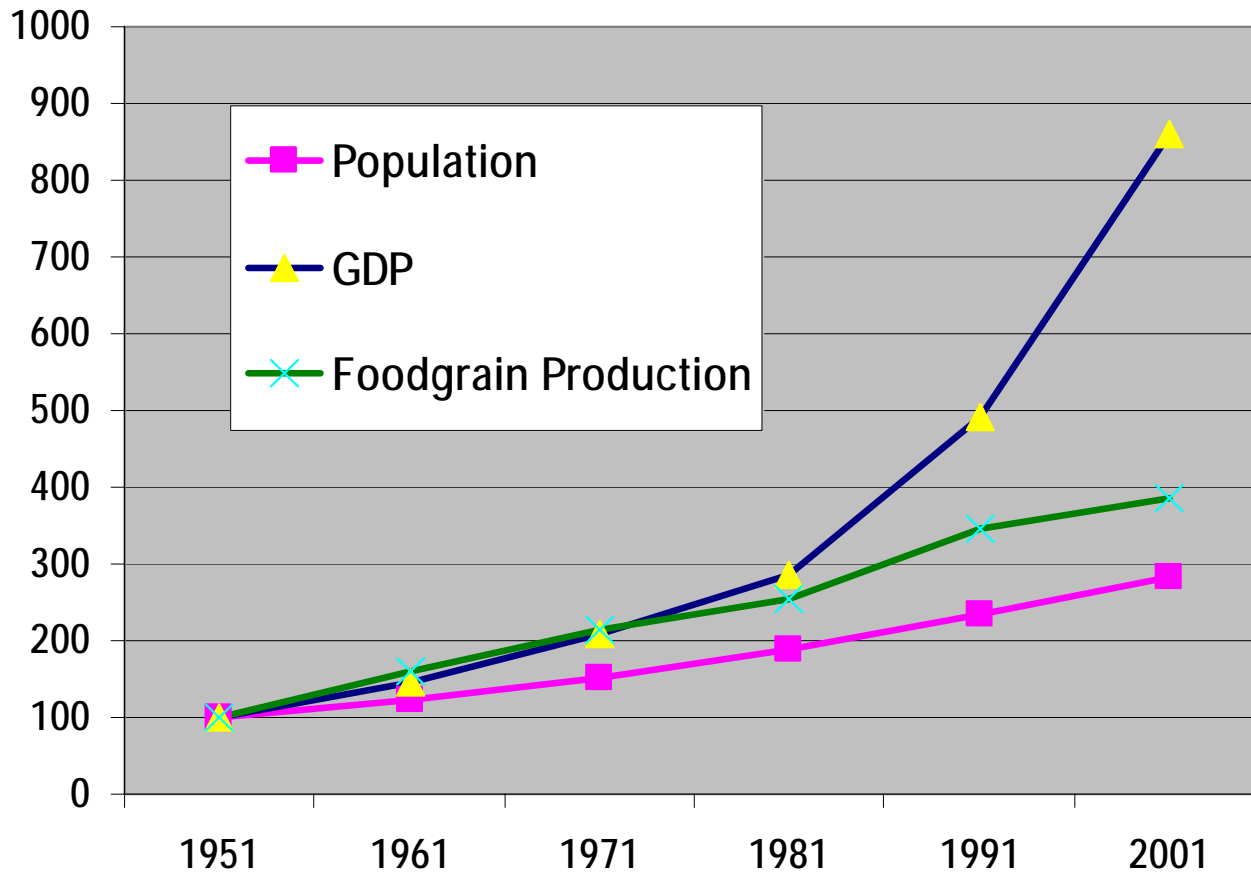
*Govt of India doesn't even know how and where this money is being spent*

# There should be no food insecurity in India

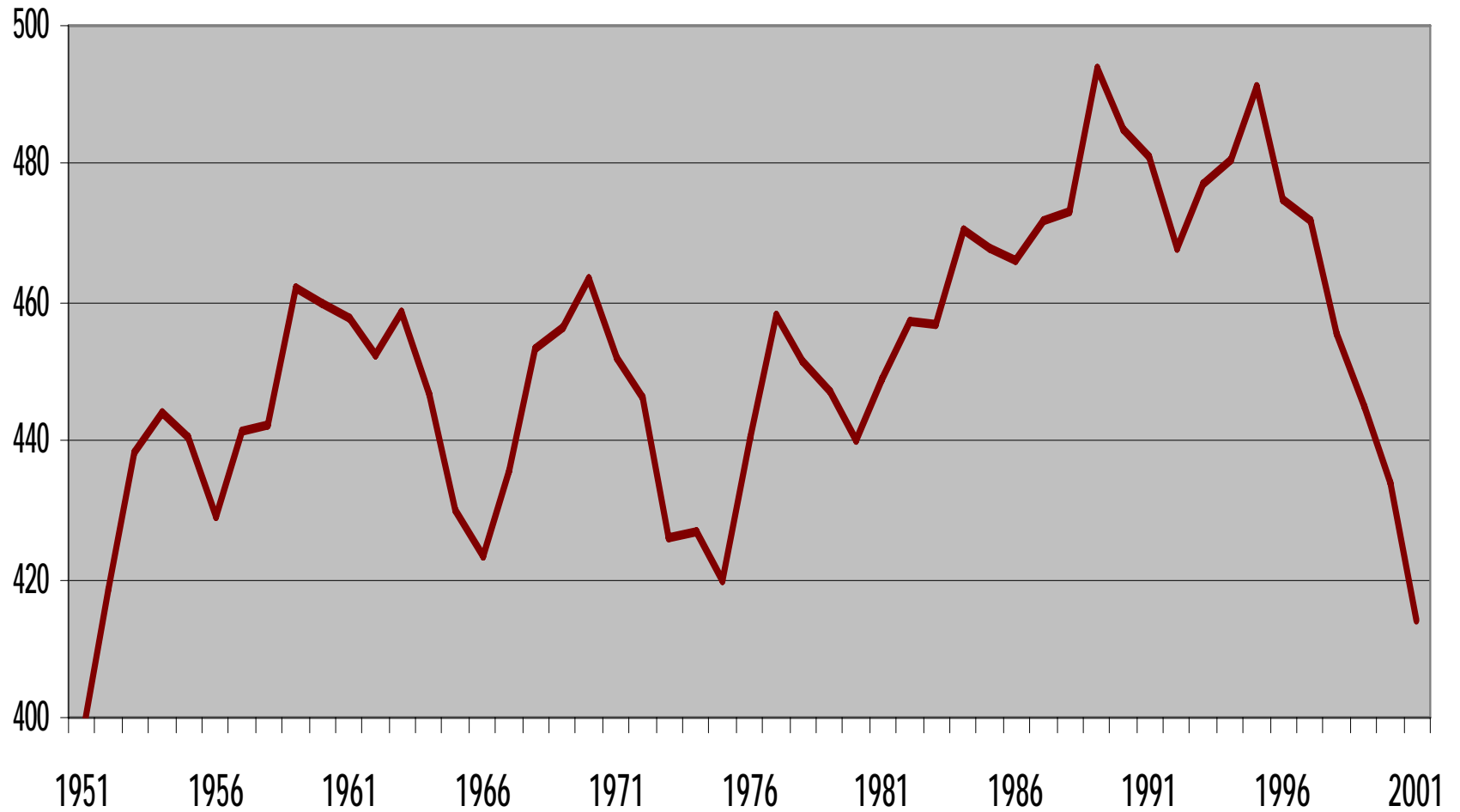
Both GDP and foodgrain production have risen faster than the growth in population over the last 50 years

*And yet 3 to 5% people go hungry every day, increasing to 15% during the rains*

# Decennial Growth of Population, GDP and Foodgrain Production



## Net availability of foodgrains per capita per day in gms



# How much assistance is necessary to wipe-off hunger & malnutrition in India?

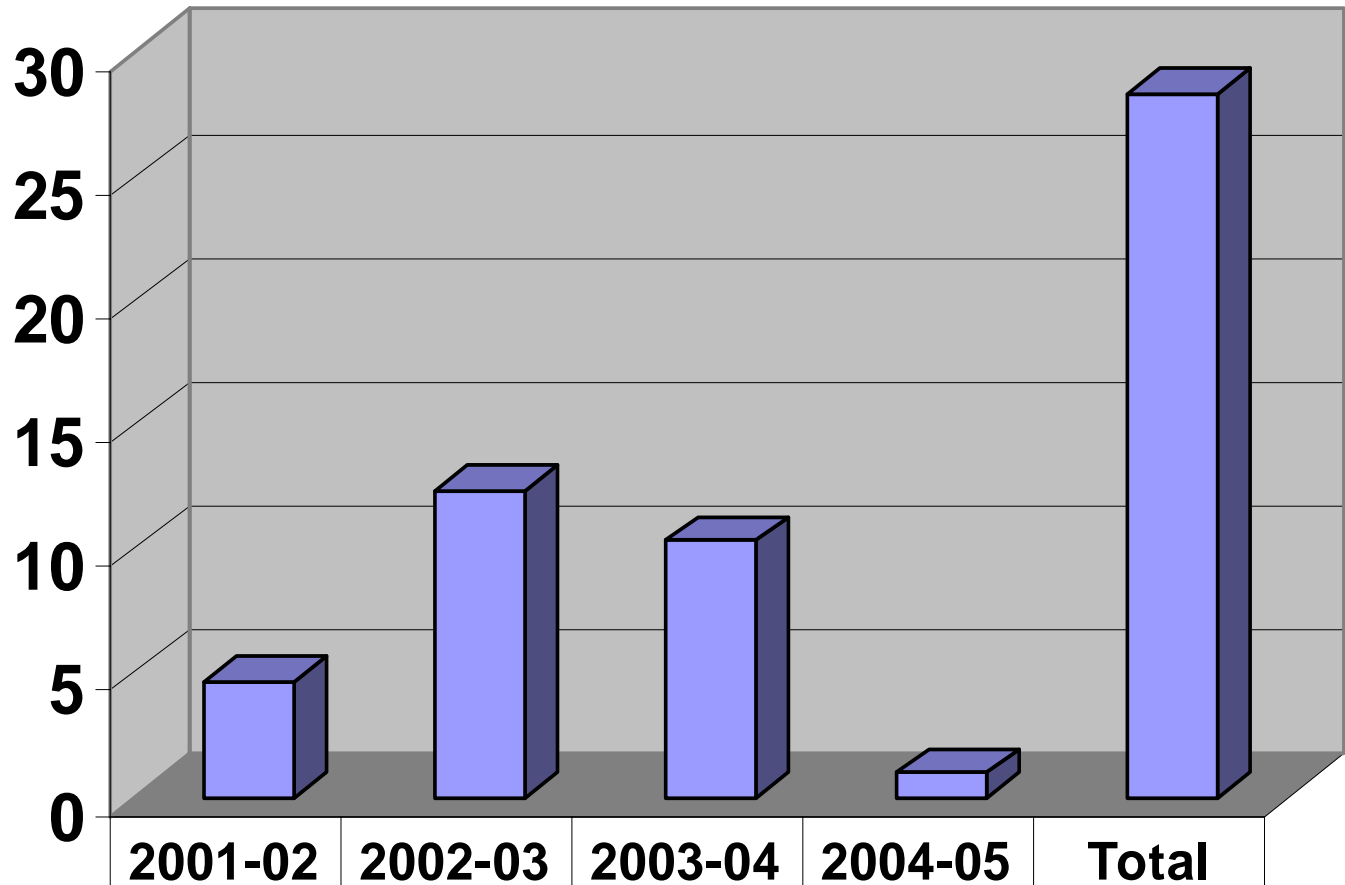
- 26% people are below poverty line
- Total number of poor people is 26 crores
- They each need 3 kg extra cereal per month, or 36 kg per annum
- Hence total requirement is  $36 \times 26$  crore kg = 9.36 million tonnes

*GOI had 62 million tonnes on 1<sup>st</sup> July 2001*

# What happened to mountains of foodgrains?

- 28 million tonnes was exported at almost BPL price as cattle feed
- SGRY leaks are rampant
- Access to PDS grain is extremely poor in poor states

# Foodgrain exports in million tonnes



■ Total exports	4.685	12.385	10.308	0.97	28.348
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EXCAVATOR IN OPERATION AT RELIEF SITE  
Village: LANGDI MOHADI, BARWANI DISTT., M.P.

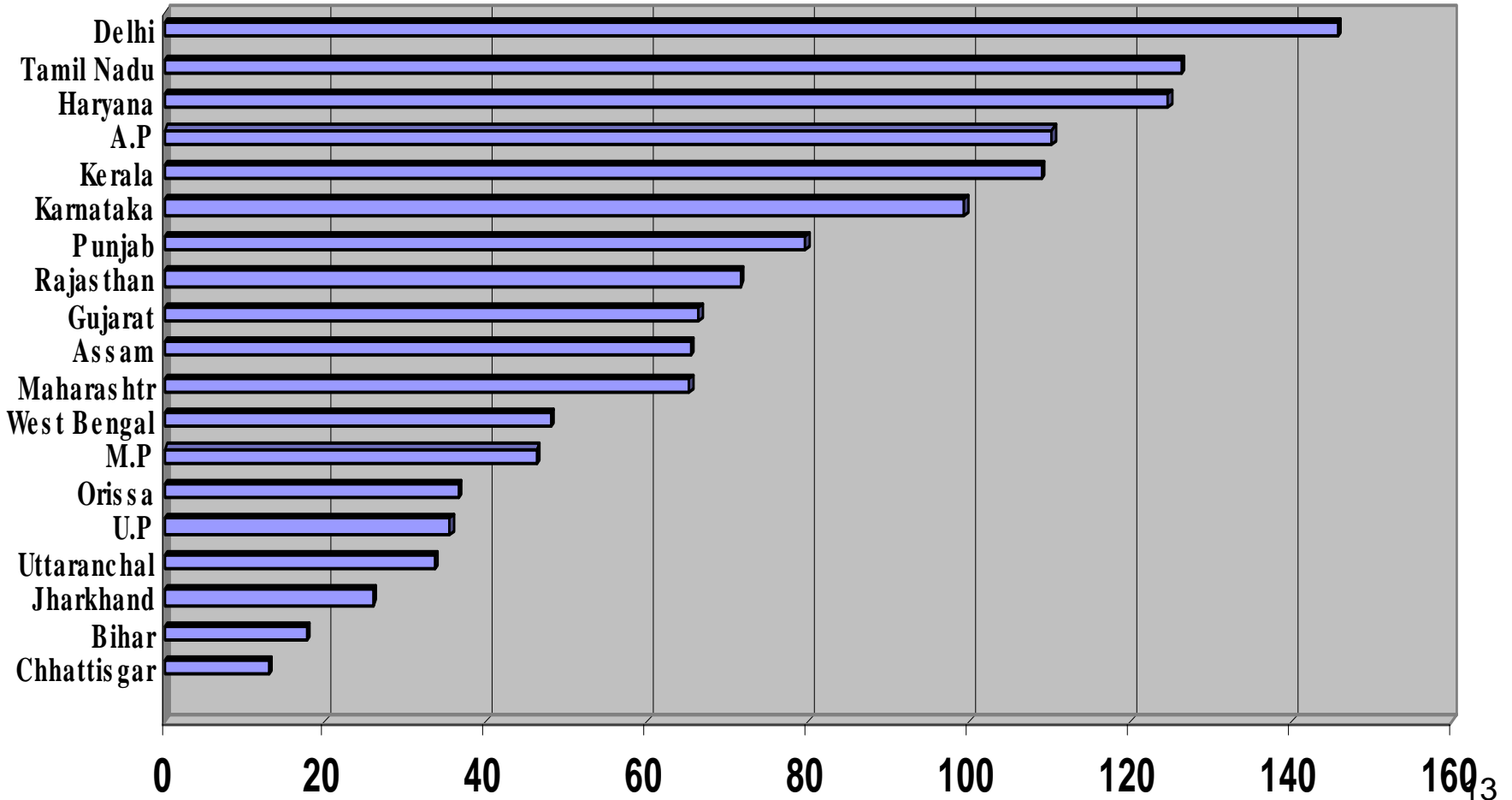


USE OF TRACTORS  
SEGVI PANCHAYAT, DAWARIA FALIA  
BARWANI DISTT., M.P.

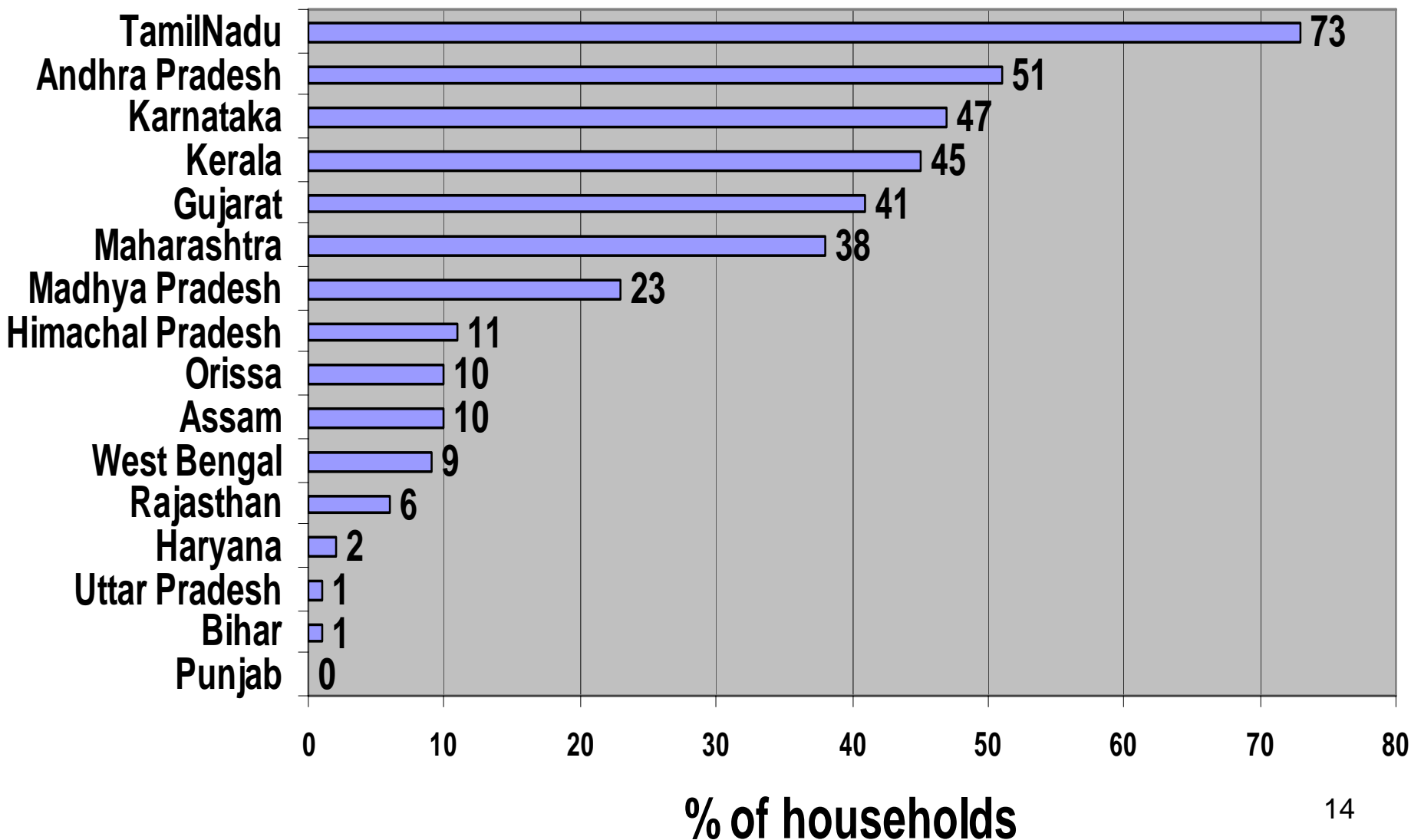


A donor study of a poor state showed that sharing of bribe money is through a well defined percentage structure

## Lifting per BPL person in kg/annum 2003-04



# Regular Availability of foodgrains



# Other outcomes of bad governance

- High staff absenteeism, esp. in remote and tribal areas
- Bogus reporting
- Poor states are becoming poorer
- States have lost faith in good governance
- 'Good governance is bad politics'
- High corruption

*Indian state is fast becoming an open treasury*

**Table 2.8: Absence Rates from Primary Facilities  
in Selected States, 2003**  
(in %)

	Primary School Teachers	Primary Health Care Workers
Andhra Pradesh	31	n.a
Assam	31	58
Bihar	26	58
Gujarat	21	52
Haryana	19	35
Karnataka	23	43
Kerala	18	n.a
Orissa	14	35
Punjab	18	n.a
Rajasthan	23	39
Tamil Nadu	17	n.a
Uttar Pradesh	26	42
Uttaranchal	25	45
West Bengal	21	43

n.a. - not available

*Source:* World Development Report, 2004 "Making Services Work for Poor People" 16

# Percentage of children given immunization in 2001-02 in UP

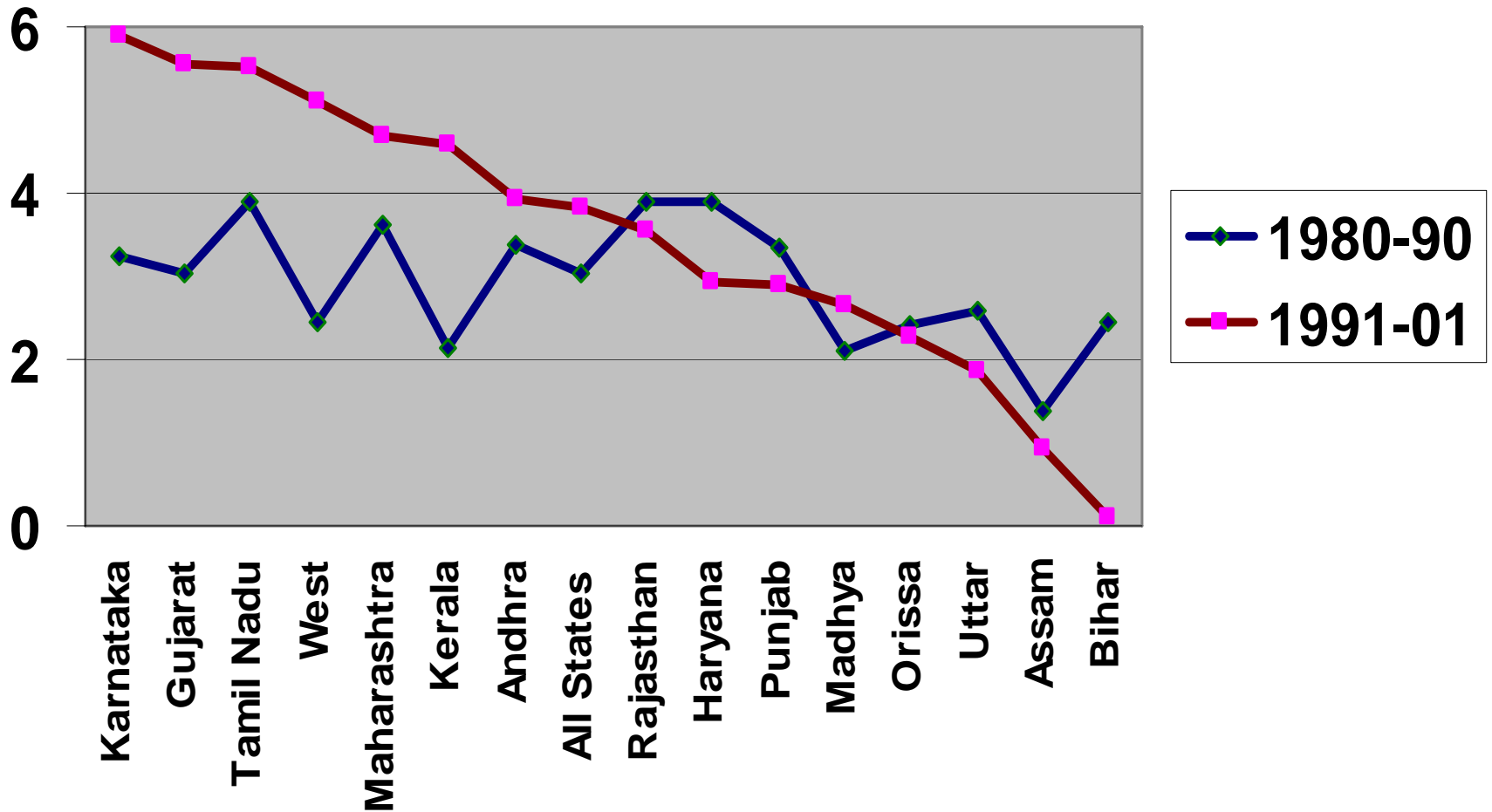
BCG	104
DPT	103
Polio	103
Measles	97
TT	100

*Actual figure is less than 16%*

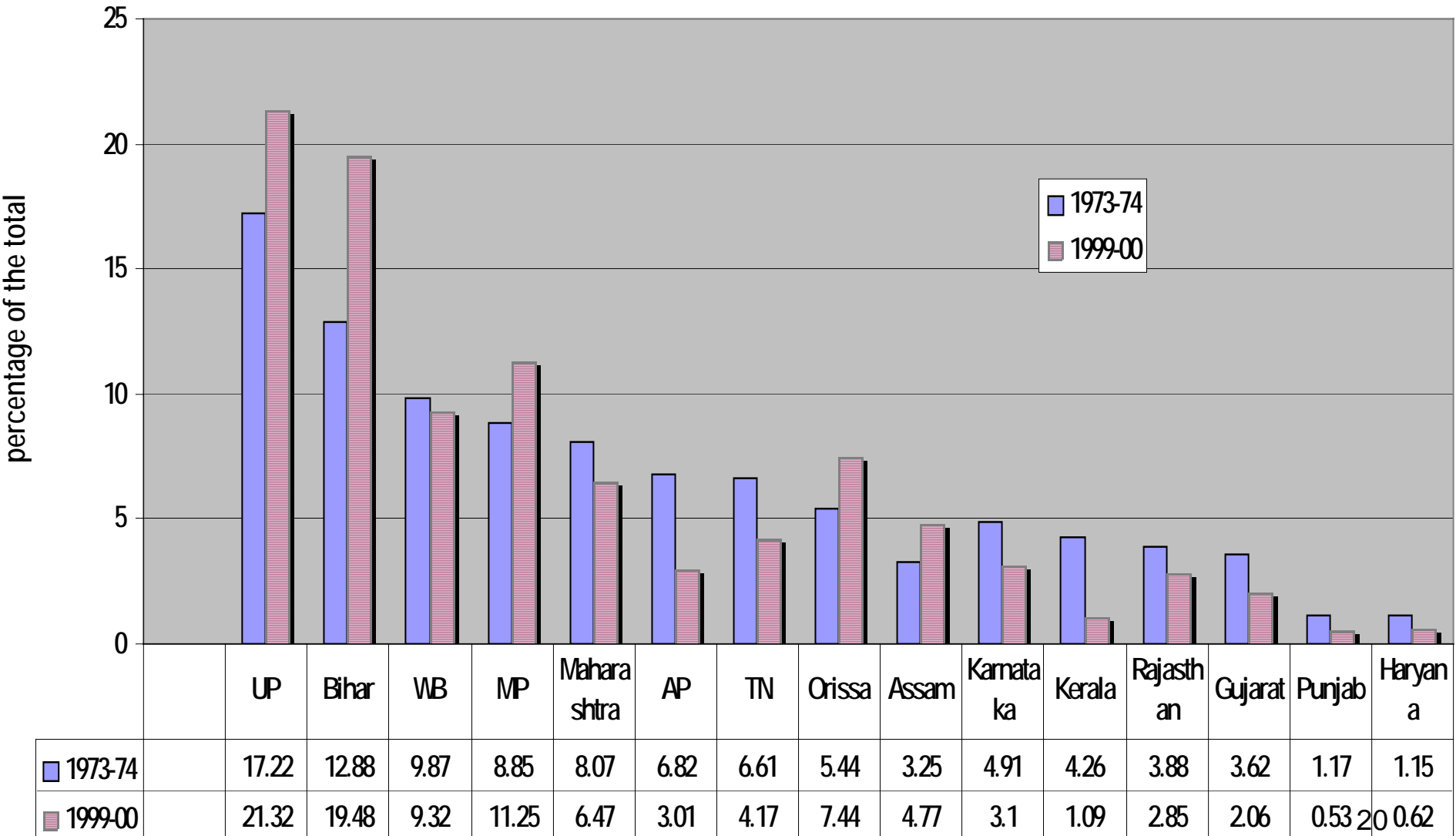
# India's Annual Growth Rate

<u>Year</u>	GDP	Per capita income
1951-79	3.6	1.3
1980-91	5.6	3.5
1992-04	6.1	4.2

# Annual Compound Growth Rate in per capita GSDP



# Share in rural poverty



# How are the poor affected by corruption?

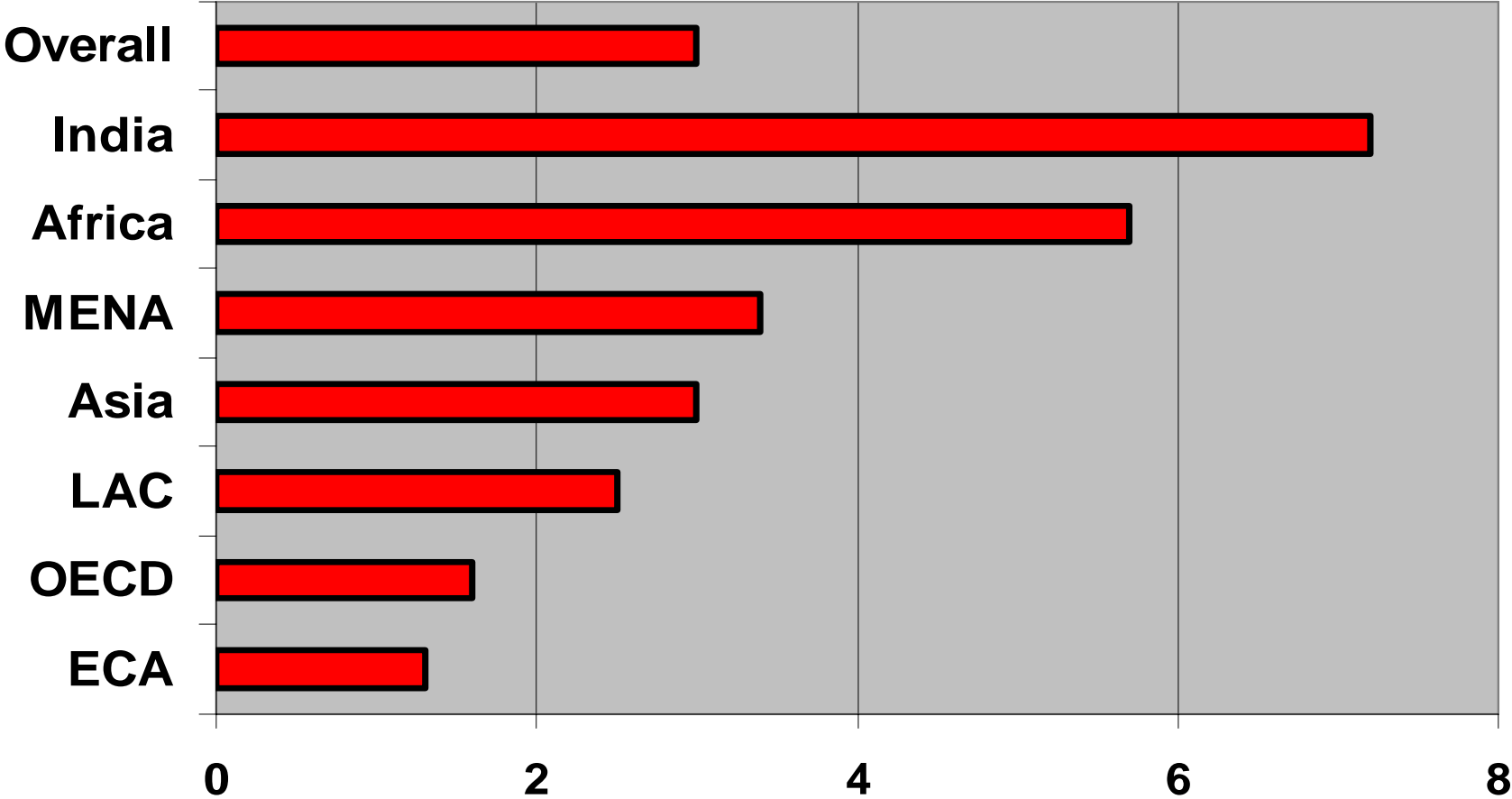
- Poor are harassed by police, municipalities, and other officials.
- Government's social sector spending yields no benefits – teachers do not teach and doctors do not attend PHCs.
- Distrust of government increases, and people are not willing to collaborate with government.
- When politicians and civil servants make money, work ethic suffers as manipulation is considered more rewarding than hard work.
- Ultimately it impinges on growth that again harms the poor.

If corruption is eliminated - *India's GDP will grow further by 1.5% every year, & FDI will grow annually by 12%*

**Corruption amongst government servants and politicians is not because of need**

**It is because of greed & it is 'a high reward and low risk activity'**

# Average Government Wage as Multiple of per capita GDP



**What needs to be done?**

**Without good governance**

**Fiscal reforms are counter-productive  
& a political liability**

# Who should be interested in good governance?

- People and civil society
- Honest Civil Servants
- Organised industry & foreign investors
- Press & media
- Statesmen
- Young MPs who have an alternate source of income

- 1. How to neutralise negative forces?*
- 2. Some States have lost the capacity to reform*

**Good Governance is needed at  
two different levels**

# Policies and building institutions to promote growth

- effective rule of law, public order
  - enforcement of contracts,
  - protection of property rights,
  - reduction of uncertainties about decision-making
- citizens respect the state and the institutions that govern economic and social interactions*

# Good Governance means effective public service delivery

- Policies and practices that maximise the common public good, and benefits poor and excluded groups
- Capacity of government to manage resources sustainably and efficiently, and
- Formulate, implement, and enforce schemes that are in the interest of the poor and facilitate development

*For instance, provide access to the poor to clean water and air, public health and sanitation, prevent them from indoor air pollution, work for equitable utilisation of scarce resources, such as groundwater, urban housing space. Also promote community awareness, empowerment, and group capabilities*

# Suggested Reforms

- **Judicial**

Reduce delays, simplify laws and procedures

- **Political**

Eliminate criminals and mafia, reduce patronage,

Collect political donations by cheque, declare names

- **Administrative**

Greater transparency and accountability, rightsizing, professionalism

**Reforms needed in all the three implementing agencies - civil service, panchayats, & NGOs**

# Reforming the Civil Service

- India's civil service is not large by international standards
- But there is a skills imbalance, and costs are rising sharply
- Higher costs have not been matched by better service delivery
- And the burden of weak administration falls heavily on the poor

*Reduce the share of Group C & D staff from 93% to 85% in three years*

# Encourage Transparency

- Right to Information by law
- Computerise land records & petitions
- Define 'public interest'
- Encourage White Papers & budget analysis
- Tracking of funds
- Put property and tax returns of all officers on a website
- Measure public perception about delivery of services

*Citizen Report Cards in Bangalore*

# Other measures for transparency

- Modify the Official Secrets Act, 1923 & Government Servants' Conduct Rules
- Add a clause that all such information which is provided to a Member of Legislature, should also be provided to any member of the public, including NGO
- Replace oath of secrecy by oath of transparency
- Muster rolls be put on the internet in at least one block of a district where internet facilities exist
- Tenders should be invited on-line

# Transparency helps in improving

- Quality of administration & correct reporting
- Peoples' participation & awareness
- Fair play and controls corruption
- Accountability

*Right to information is not enough,  
we need pro-active administration*

# IT based system

- Provide record of land rights online
- Computerise land registration
- Market awareness - Gyandoot
- Computerise transfers - Education Department in Karnataka
- Accept FIRs through fax or email
- Computerise public grievances, and involve civil society in its monitoring
- Computerise Social Security Schemes & send pensions through electronic transfer

# Compterisation of registration office

- A World Bank study showed that in Orissa bribes total at least 17% of the land's value
- Corruption has considerably reduced in Maharashtra where computerisation has been introduced

*Greater efforts are needed for land record computerisation*

# Accountability

- Upward, downward & sideways
- Third party inspections
- Develop good governance index for states, and link devolution with performance
- Create an annual fund of 10,000 crores to augment plan resource of those states who agree to improve governance
- Face-to-face meetings with consumers and user groups
- Specify compensation to the citizen in case of non-delivery of services

*Encourage exit polls*

# Shift focus from input controls to monitoring of outcomes

- Gov transfers 1,67,000 crores annually to states, but monitoring is weak
- Improve M & E capacity within & outside government
- Strengthen Evaluation Directorates – outsourcing
- Involve professionals in CAG audit – ATR on Ministry's website
- Put on Ministries' website findings of the impact studies
- Centrally sponsored schemes – reduce number
- Increase line functionaries, reduce staff positions
- Expenditure budget to be valid for two years

*Gov's main role should be capacity building & monitoring*

# Reforms in Service conditions

- Give up the concept of 'jack of all trades'
- Scrap meaningless posts
- Retire 25% of class I & II at the age of 48-55
- Minimum age for recruitment to class III & IV should be 35
- No re-employment after retirement, at least no house, telephone and car
- Mobility between NGOs/ academics and government

# To curb transfer industry

- Publicize short tenures, GOI to set example
- Pass a law about the transferring authority & average tenure
- Authorize officers to record telephonic orders
- Increase maximum period on a post to 5-7 years
- Civil Service Boards
- Contractual postings for 3 years for Chief Secretary and DGP, etc in consultation with leader of opposition & Chief Justice

*Secretary to GOI has an average tenure of 10 months!*



# Corruption

- De-regulate, e.g. EC Act, urban informal sector
- Simplify laws and procedures, e.g. law relating to fragmentation of holdings
- Use of information technology – multiple application forms reduced to one telephone call
- Audit and procurement reforms
- Pass the Corrupt Public Servants (Forfeiture of Property) Act
- Vigilance Commissions to be under Lok Ayukta
- Suspension & prosecution to be a semi-judicial process
- Publicity about the rights of consumers & time limit targets for response

# NGOs

- Fund large NGOs who will support grassroots organisations
- Strengthen Public-Civil Society Partnership
- Grade NGOs
- Reduce controls, such as FCRA
- Revive bilateral aid
- Re-examine September 2003 Guidelines
- Give bulk grants to funding organisations, such as NFI, ICFE, Dev Alternatives

*Wind up CAPART*

# PRIs

- Meetings of the Gram Sabha are held rarely
- Harassment by Block level officials - they control funds
- Elected members behave more or less as contractors
- Despite excellent work by some village level panchayats, many panchayat elected leaders (esp. at block/district level) as well as the officials see in development programmes an opportunity to earn commission

# Implications of construction fixation

- Panchayats are mostly active in construction oriented schemes that require a contractor and wage labour
- These do not require participation by many
- Panchayat activities get reduced to collusion between Sarpanch and block staff
- Flow of funds from district/ GOI not dependent on good work or mobilisation

*Panchayats are not active in education, health, SHGs, watershed, pastures and forestry programmes, which require people to come together as equals*

Should the panchayats get a share in taxes or the right to levy and collect taxes? The correct approach would be to provide PRIs with revenue raising powers of their own in order to reduce their excessive dependence on the State and Central Governments. PRIs also hesitate to levy and collect taxes.

# Capacity building of panchayats

- Transfer taxation powers
- Link devolution with their performance & with transfer of powers
- Encourage peer review & stakeholder audit
- Grade panchayats
- Increase their powers and responsibilities in education, health, watershed, and pastures
- Make village panchayats appointing authorities for education & health staff

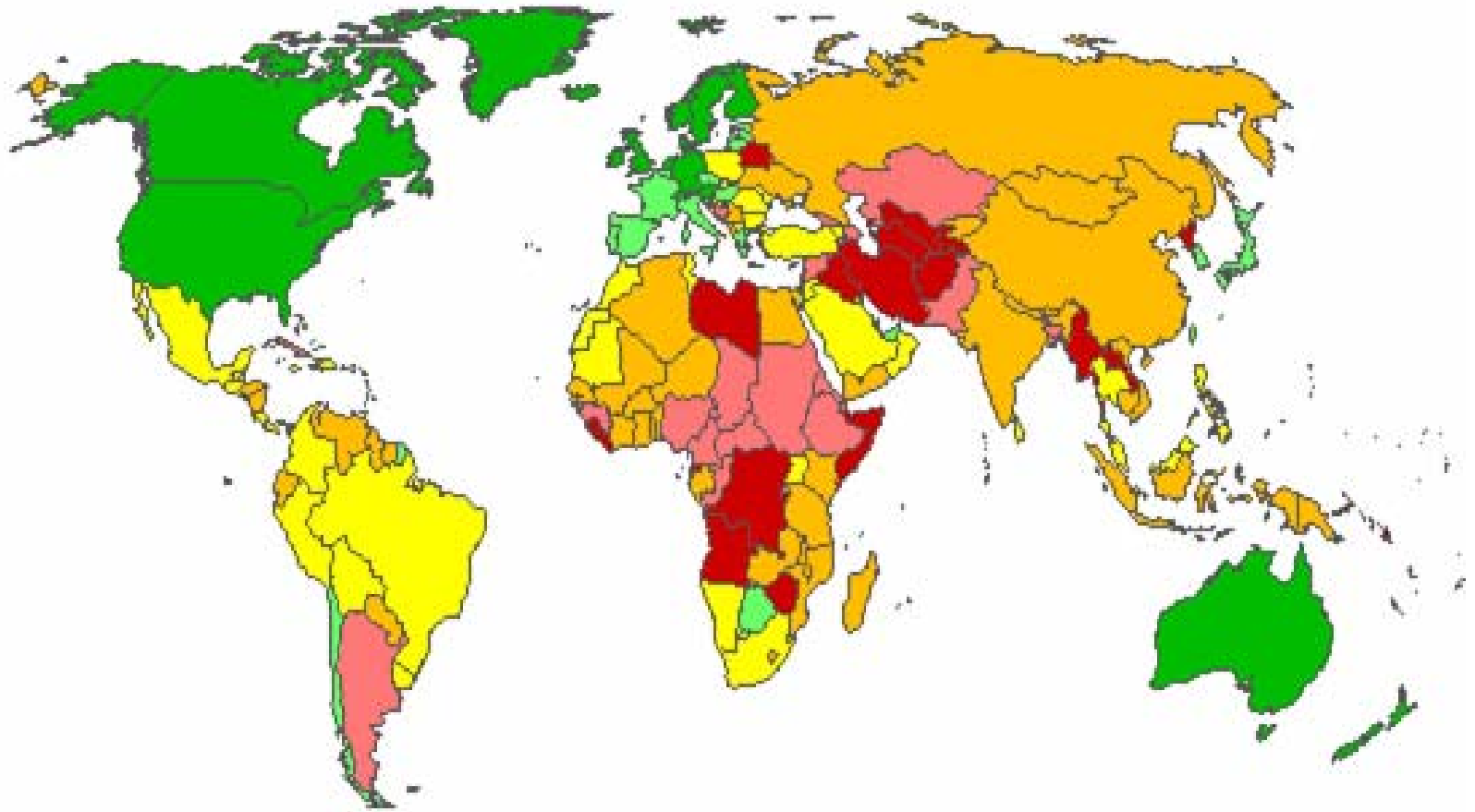
*Do we really require three tiers?*

# To sum up,

- Increase accountability and transparency
- Shift focus from input controls to monitoring of outcomes
- Use IT for Good Governance
- Strengthen public-private partnership
- Reduce controls on NGO funding (bilateral aid)
- Link financial devolution with performance
- Social audit
- Citizens' Charter

*Don't appoint Commissions – JUST ACT*

# Governance World Map



**Thank you**