

Governance and Development

Yoginder k Alagh



The governance systems will be playing a role of strategic planner and facilitator of change. These are complex issues, with a strong interface with good governance

INDIA, USED to the experience of the freedom movement and the post independence decades, with “high commands”, “saintly idioms”, “satyagraha” modes and “idealistic” goals, is not coming to grips with the operational and functioning aspects of coalition governments and decentralised institutions. There is an atmosphere of unease and unanswered questions. As far as the basics are concerned:

- As the State withdraws from direct delivery governance would need to establish a regulatory framework for the functioning of the economic and social sectors; and also lay down the institutional framework, the incentive and disincentive mechanisms and fiscal structures for civil society institutions to function, like decentralised, local institutions of Government, Cooperatives, NGO’s and newer ‘mixed’ forms of similar organisations.
- Non-renewable resource scarcities will be far more severe particularly of resources,

like water, quality land, and energy and sustainability concerns will be acute.

- There will be a much greater emphasis on the rights of individuals and groups, including participatory forms of decision making. This in turn will demand greater fairness and self-restraint in the use of Government Power. Related to it will be demands on transparency and right to information.
- There will be the demand for protecting vulnerable groups, either the historically underprivileged, or the victims of marketisation, concerns for human rights and particularly of specific groups such as women, children, the minorities, the adivasis, the mentally and physically challenged.
- On the flip side modern technology will be seen as providing cutting edge knowledge based solutions to emerging scarcities or problems, and therefore greater use of information technology, biotechnology, systems

The author is a renowned Economist and former Minister of Power, Planning, Science and Technology, Govt. of India. He is presently Chancellor, Nagaland University and Chairman, Institute of Rural Management, Anand and Vice Chairman, Sardar Patel Institute of Economics & Social Research.

networking, the new materials and strategic management responses.

- Thoughtful groups will see security concerns becoming more acute, arising from socio-economic political dichotomies and resultant tensions as also the more basic issues of energy security, food and water security and institutional dimensions of addressing these.

Land and Water

The issues in decentralisation are of another kind. It should remain a matter of priority for State Policy to help those who help themselves in the core areas of local and global concern. As preparations of Twelfth Plan showed, in relation to targets, performance has been well behind in the interrelated areas of land and water. This problem is at the heart of food security and employment and energy sufficiency (see Y.K. Alagh, 2012).

Problems partly arise because the existing legal and administrative systems and financial rules are structured for formal organisations in the public or private corporate sector. So are global financial institutions. Newer kinds of institutions with strategic mixtures of organisational styles, cooperatives and corporates, NGO's and governments, do not have a level playing field for them. For example a loss making subsidised electricity system can underprice a renewable group and drive it out of the market. The long-term problem is reform in the sense that subsidies and protection given to established groups have to be withdrawn. In the short run

the protection given to each group must be the same. These reforms are unpopular. The legislation for Producer Companies in The Companies Act is being subverted on ideological grounds saying that this is not the corporate sector.

The structure or incentive and disincentive systems for this kind of growth, should begin with a taxonomy of complementarities of policy rules at different levels of policy making like, no level can spend more resources than they have access to. But resources, which are short or binding constraints at national or global levels, are elastic at local levels. However, their mobilisation requires policy changes at higher levels. For example, it is easy to buy a tax-free bond of the New York civic bodies, but very little attention has been paid to markets for local bodies bond paper in developing countries and the fiscal reform that has to precede them. An exceptional effort by the Ahmedabad Municipal Corporation of floating a large bond issue without sovereign guaranties is available as a case study. These issues are important because the State just does not have the money any more. The Twelfth Plan shows that the fiscal deficit as a percentage of GDP of the States is much higher than the sustainable fiscal deficit in most major States with States from whom examples are expected leading the profligacy and this is arising on top of a substantial decline in public spending on infrastructure in the Eleventh Plan. More of the same is just not on the agenda and arguing for it is quixotic. The situation on public spending is abysmal and

to argue for devolution of non-existent resources to local bodies is impractical.

Any debt rescheduling strategy will have to do this and it must be linked to restructuring Local Finance. The good schemes of support to local agencies for land, water and urban development in the last three budgets must be linked to local governance structures and finance. Large sums of money are involved here. International agencies are now lending for local schemes. We must study recent global policies and link this with local finance. For example evaluations of projects have to look at the efficacy of different levels of governance in effectiveness of functioning. The reform process has to be fairly deep rooted for widespread land and water based poverty reducing growth processes to take place. This has to be rooted in the administrative and legislative processes.

The Indian economy is growing rapidly and also diversifying. For example the share of agriculture in the labour force has now fallen to around 53 per cent. Again, urbanisation will need to be structured in a fairly decentralised manner. All of this will lead to different challenges in transport, energy, waste disposal and urban planning issues. It has, however to be noted that the urbanisation pattern in India is decentralised. While very small urban settlements are not growing, the share of smaller towns in Class I towns is high, (100.000+). Urbanisation has been explained as the outcome of both centrifugal and centripetal forces. While the urban growth rate in the eighties went down from

3.8 percent to 3.12, that of Class I towns went up (from 6.39 per cent to 8.39 per cent). In spite of skeptics these trends continue. This has led to the phenomenon of census towns in the last Census.

The preferred model is consistent with the pattern of urbanisation with clusters of settlements around large conglomerations. Policy should not be concentrated only on rural output and employment. In fact in a dynamic economy of the Indian type the distinction between the village and the small urban settlement can be very counterproductive and lead to all kind of projectionist distortions. A more productive mindset would be to orient policy to concentric circles of prosperity around diversifying agricultural bases and growth centres. Such possibilities are very real and substantial in India. Transportation, land use, infrastructure and technology dispersal policies can all be oriented to this objective. In fact it will be more sustainable. Slum populations are 25 to 40 per cent lower in smaller Class I towns as compared to million plus cities.

The public management issues involved in rapid and decentralised urban growth are so obvious that they do not need elaboration. Awareness of technology, system interrelations, decentralised planning foci, self-reliant institutions which can productively borrow and build and run systems have all been discussed and yet only a small beginning made. These are going to be the great challenges of the next phase. The ability to raise and use resources productively will be at the heart of the matter. Recent policy failures like the inability to factor

in census towns in policy inspite of indications almost ten years ago in the work of scholars like me is a point (Y.K. Alagh, 2011)

Technological self-reliance on a mission mode, as in the past, will probably also continue as a requirement of the present of national security and other long-term objective. It has been shown for example, that the development of the Param Super Computer led to the withdrawal of restrictions on export of super-computers to India. Again recently the Chairman of the Atomic Energy Commission has pointed out that sanctions on India made it more self-reliant in nuclear technology. Thus, some mission-oriented efforts are necessary in a world of restricted technology access. Since India has limited reserves of uranium, but very large reserves of thorium, a project like the Fast Breeder Reactor Nuclear Power Station, became a very important part of its search for long term energy solutions, since it takes a major step towards completing the nuclear fuel cycle, based on thorium, and therefore a relatively cheap and abundant source of power.

It would be naively optimistic to say that policies for introducing new technologies, which reduce financial and real resource costs, introduce newer more consumer friendly and sustainable products and help competitiveness, are already established. A beginning has been made but a lot more needs to be done. Temporary fiscal and monetary comfort which improves rates of return for cost reducing technologies and newer products, need more support. Standard setting, quality enforcement and organizational reform which makes

all this possible, is also needed on a more larger plane, together with networks which hasten the process and fiscal sops to integrate these with the market. There are however major weaknesses in our organisation, networking, support and incentive and disincentive systems for the diffusion and replicability of such systems. The South Koreans at the Korea Institute of Science and Technology have a very user friendly technology networking system for diffusion. Techniques, financing mechanisms, best practice cases, tax and other systems support are there at the click of a mouse. In India our R & D statistics do not include investments at the level of small firms. I must have been the only Minister in history, who in a journal refereed paper showed that the statistics on R & D expenditure released by his Ministry were false. R & D statistics in India are only of those firms which are registered with the Ministry of Science and Technology. For the organised sector S & T expenditure was about one and a half percent of sales and not less than one percent. If the small scale sector was added with sample studies the percentage was even higher at around two .

The fact that a proper estimate of research and innovation in the small scale sector is not available, is by itself a matter of great concern – for surely networking with this sector should be a major concern of industrial technology policy. Small industry accounts for a large part of exports. Also it responds very flexibly to market pressures in terms of cost reduction and product innovation. “ [Alagh, Y.K., 1998]

Apart from lack of networking and strengthening systems, there is amazing stop go in policies. The 1997 Budget contained Rs.3000 million for a Technology Development Board and Dr. Ashok Ganguly, former Chairman of Hindustan Lever and a member of the Board of Levers International agreed to be a member of this Board. It also included a distinguished scientist, an agricultural expert and an economist. The Board funds projects which provide private sector joint investment and participation and which were expected to have large ripple effects on the economy. The Board is functioning but its mandate is changed..We find it difficult to manage these flexible networks in our large science establishments.

The governance systems will be playing a role of strategic planner and facilitator of change. These are complex issues, with a strong interface with good governance. Take the experience of the electricity sector as an example. Private sector investment was allowed in the early Nineties of the last century, but the institutional prerequisites were not there. The Electricity Regulatory commission (ERC) Bill could not be introduced in Parliament when initially drafted and was finally tabled in August 1997, but lapsed. The then Government initially passed on Ordinance, but later piloted the Bill with substantive amendments giving up the clause on a minimum required tariff rate for the agricultural sector and the mandatory powers of the State ERCs. The legislation on private participation in transmission of electricity was finalised by the

Standing Committee of Parliament on Energy, only in 1997, after considerable debate and after that it got through Parliament easily with multi-party support. The Energy Efficiency Bill was discussed in draft form since 1996, but progress was slow. Finally we got the Electricity Bill. Meanwhile slow progress in legislation and establishment of institutions has seriously hampered investment in the generation, transmission and distribution of electricity, as the Review of the Eleventh Plan brings out. In anticipation of private sector investment, public investment was cut down and very few major projects were taken up in the public sector. But the private sector investment came slowly due to several constraints and complicated decision making processes, leading to great problems in this critical infrastructure and is still seen as a problem. A recent plan document says that there has been no FDI in power distribution not knowing that as Minister I had sanctioned and implemented the British Power Karnataka Mangalore STP Distribution project of over Rs.600 crores.

Managing Technology Drivers for Jobs : Public Support Systems

Serious research during the last decade and a half has shown fairly conclusively that the tremendous opportunities that are available with the new technology requires groups and systems which can manage its interdisciplinary nature, since applications cut across areas like biotechnology, communications and computerisation. If the preconditions are available it

spreads very fast, both through space and sectors in economy and society. But if the infrastructure is not there, both physical and human, vast areas will be left out including some in the developed World. There is also the need of quick response. The Twelfth Plan examples of the AP Farmer managed irrigation systems and power reform distribution systems are examples. But not enough is seen.

Rights, Vulnerable Groups and Transparency

In the rapid changes that will take place in the country and the World in the Twenty First century, the Higher Civil Services will as is obvious, have to be at the cutting edge of being the protectors of the poor, the oppressed, the vulnerable and the underprivileged. The democratic urges and aspirations of India, enshrined in its constitution and its legislation, will have to be met in a fair and transparent manner not only impartially, but in spirit, by protecting the rights of the poor, limiting the coercive power of the State. Safety nets will need to be developed and implemented as the market economy expands. Poor women, and the girl child, the minorities, the tribal and the Dalit, the handicapped and the destitute, will need special attention. Recent examples of perverse use of State power are very distressing.

Constitutional and Legal Perspectives : Human Rights and Environmental Law

The Constitutional and legal dimensions of Public administration determine the powers, functions and accountability of the government.

A major change in the evolution of civil services in India occurred with the adoption of a democratic constitution incorporating the ideas of rule of law, guaranteed rights and parliamentary government. The 73rd and 74th Constitutional amendments envisage a further change in the same direction. Services under the Union and the States find a prominent place in the constitution itself. An autonomous Commission with vast powers for recruitment to the services is another important aspect which emphasises its role in constitutional governance.

Looked at in the above context we need to understand the significance of rule of law and the concept of limited government under a written federal-type Constitution. The values of the constitution written into Preamble, Fundamental rights, Fundamental Duties and Directive Principles have to become part of the system. As an instrument of governance the provisions of the Constitution and its interpretation by courts constitute a point of reference to all government action. These are subject to judicial review which is the foundation of rule of law under a scheme of constitutional government.

The primary agency of the government to protect human rights, more particularly of weaker sections of society is the bureaucracy because they are the enforcers of the law. The Court steps in only if the executive fails to implement the laws or implement it contrary to law and selectively.

A constitution which proclaims secularism and social justice based on equal protection of the laws puts a heavy burden on government, both at the central and state level. Hence the importance of constitutional perspective.

Another dimension which conditions the functioning of civil society in modern times is the profusion of laws, national and international relating to economy, ecology, technology and international treaty obligations. The change in the concept of property from something tangible to forms which are intellectual and intangible brought almost a revolution in the laws of trade and commerce. Intellectual property law and trade related intellectual property rights have become critical in economic governance globally. Added to this is the revolution in information and communication technology which threw up a new legal framework for doing business within and outside government. Globalisation is happening not only in relation to market but in respect of all conceivable aspects of organised life to the fast changing legal climate in all these matters influencing both policy development and administration.

Yet another legal dimension impinging public governance at all levels is the jurisprudence of sustainable development. There are today legal parameters in the use of administration which have to be accommodated within sustainable limits. These are some of the significant legal perspectives which are critical for civil society in the future.

Change Parameters

The purpose of this discussion has been to draw out of the attributes that will be required from the system in the forthcoming period. These would include amongst others:

- a) a sense of vision and direction in which the Indian socio-polity is moving, including its very diverse cultural plurality;
- b) an ability to appreciate some of the real scarcities that are emerging as also the strengths of civil society to cope with them;
 [(a) and (b) are important since India is still going through a development phase].
- c) an ability to interface with modern technology, which provides the cutting edge to many solutions;
- d) at higher levels of the system an ability to network with local government institutions, non-governmental organisations, cooperatives and other professional and people's organisations;
- e) a sense of rugged professionalism, persistence and doggedness in pursuit of objectives; urge to champion beneficial change;
- f) energy to pursue objectives;
- g) a sense of fair play, honesty, political and systemic support;
- h) compassion for the underprivileged and above all;
 a commitment to India as envisioned by its founding fathers. □

(E-mail : yalagh@gmail.com)