

**Report to the Department for International Development,
New Delhi Office**

‘A Development Risk Assessment: Andhra Pradesh’

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EXECUTIVE SUMMARY

1. Introduction

1.1 Objectives

This Report assesses risks that might delay, dilute or prevent a number of governance reforms in Andhra Pradesh. It examines the state government's commitment to and capability of achieving such reforms – especially those that may affect the poor. It also suggests strategies to manage or mitigate risks.

1.2 Sources and Methodology

Substantial textual materials – produced by the government, donors and other groups – were consulted. Press reports and research notes by social scientists were also studied. Extensive interviews were conducted with pro- and anti-government respondents -- in the government, the opposition, civil society, the media, the academic community, and the private sector.

Patterns from the recent past were used as guides to future trends. Such studies necessarily lack scientific rigour, but arguments that have strong plausibility can be constructed.

2. The Political Context in Andhra Pradesh and its Implications

2.1 Centralisation and the Chief Minister's Personal Dominance

Andhra Pradesh probably has the most highly and effectively centralised state government in India. Chief Minister N. Chandrababu Naidu is very extensively engaged as the dominant voice in decisions – thanks to his energy and management skills. Those institutions that he cannot dominate, he deprives of power and resources.

2.2 Implications and Concerns for Donors

If difficult reforms are to be introduced, it is helpful to have a dominant figure who is committed to reform. But Mr. Naidu's mode of dominance makes some of the reforms, especially certain governance reforms, difficult or impossible. Several problems are worth noting.

2.2.1 The Problem of 'Ownership'

When donors interact with some state governments in India, they are dealing mainly with institutions, but in Andhra Pradesh, they are dealing mainly with an individual, the

Chief Minister. There is a much less well developed sense of ‘ownership’ within the state government here overall than in some other states.

2.2.2 The Dubious Reliability of Data Collected by the Government

It is common in Andhra Pradesh for lower- and middle-level bureaucrats to submit inflated figures on the achievements of government projects. Such figures are seldom checked and officials who found submitting them are seldom reprimanded. This raises serious questions about data in a system that stresses performance indicators – and about the monitoring of programmes to tackle poverty. It is thus imperative that independent checks be made – in part through social audits.

2.2.3 Testing Appearances against Reality, Often

These problems cause many observers to wonder whether the Chief Minister often prefers the appearance of reform to the reality. They recall the profligate public spending before the 1999 elections, amid claims that the government was being fiscally prudent.

2.2.4 Accountability to Whom?

The state government stresses the need to enhance accountability. But it emphasises upward accountability within the administration far more than downward accountability to citizens.

2.2.5 A Forthcoming Initiative on Administrative Reform at Lower Levels

Recent reports from persons within the government indicate that a new initiative to place bureaucrats at the village may produce a “very aggressive centralisation of power”, threaten efforts to ‘downsize’ government, and lead to illegal land seizures by creating “chaos” with land records.

3. SPECIFIC ISSUES

3.1 Tackling Corruption, Promoting Greater Transparency and Accountability within the Public Administration

3.1.1 Tackling corruption

Corruption in this state occurs at three levels.

At the apex of the system, major kickbacks are received for the award of government contracts. This has occurred in recent years in hundreds of cases for projects worth in excess of \$1 million.

At the middle level, profiteering is permitted by higher authorities, up to a point. Legislators have been permitted to divert one-third of the fund for some government programmes. Many also takes bribes for favours and collaborate in extortion by criminal gangs. The number involved with gangs is smaller than in Uttar Pradesh, but it greatly exceeds the average figure for most states.

At the sub-district level, officials force citizens to pay often substantial bribes for essential permits, documents, goods and services. This impinges heavily upon the poor who are less able to pay.

Despite all of this, an impact on corruption might be made – at all three levels.

At the apex, an Independent Commission Against Corruption like that in Hong Kong would be the best option. But, as in Hong Kong, it would need teeth and unyielding support from government leaders. Failing that, the strengthening and integration of three existing (but weak) anti-corruption agencies might make a modest impact. So might the creation of such an agency to oversee all government employees, and a new law to limit spending in at least local elections.

At middle levels, the government should involve independent civil society organisations in ensuring the implementation of a Right to Information law, and in project management in sectoral programmes.

At sub-district levels, minor officials could be placed under the control of *panchayats*. This has produced results elsewhere.

Scenario A: The state government makes serious efforts – partly through the creation of a strong, independent Commission – to tackle corruption at the apex and at middle levels. On present evidence, **very unlikely**.

Scenario B: The government makes a serious effort to tackle corruption at low-levels, by placing non-gazetted officials at those levels under *panchayats*. **Somewhat unlikely to somewhat likely**.

Scenario C: The government passes a law curbing funding for local elections. **Somewhat unlikely**.

Scenario D: The government creates an Independent Commission but fails to provide it with the total support that it needs to be effective. **Somewhat likely**.

3.1.2 Promoting Greater Transparency and Accountability

If the state government is to fulfil its commitment to enhance transparency decision-making must be made more visible and become accountable. Both downward and upward accountability must be stressed.

The government stresses the promise of e-governance to enhance transparency and accountability. It is likely to help citizens see how its decisions play out in terms of regulations and form to be completed, but it may not make decision-making more transparent. Nothing in government publications on e-governance indicates a role for it in providing accountability mechanisms. Evidence from the most computerised department in the government, the Registration Department, indicates that malfeasance there continues to flourish. And in the entire state, only one e-governance kiosk has been opened.

This leaves two alternative devices: a new Right to Information law (which will soon be brought forward) and Citizen's Charters (which are beginning to proliferate). The new law will need to be as strong as those in some other states, and civil society must be encouraged to help promote it. Citizens' Charter need to have the substance which only one of those now in force in the state has. It would be helpful to give existing consumer committees in each district a monitoring role here.

Scenario A: The government takes bold steps on a Right to Information law and/or Citizens' Charters. **Somewhat likely**.

Scenario B: The government introduces a rather weak Right to Information law, and introduces more Citizens' Charters that fall short of the one for urban local bodies. **Somewhat likely**.

3.2 Reforming the Justice System

The state government appears – for understandable political reasons – to focus more on developing congenial relations with the judiciary than reform of this system. Action is needed to reduce corruption in lower courts, and among offices of court, to promote swifter justice and poor people's access to legal redress.

The government might take action against corrupt judges, as Maharashtra has recently done. An increase in the number of courts and judges would cut delays which help criminal gangs to flourish, meting out informal 'justice'. Steps to end the partisan manipulation of criminal proceedings would also be constructive. So would efforts poor people of their rights, and of opportunities for redress.

Scenario A: The government takes strong action on several of the seven fronts listed above. **Very unlikely.**

Scenario B: The government takes firm action on one or two of these fronts. **Somewhat likely.**

Scenario C: The government takes no firm action on any front. **Somewhat likely.**

3.3 Accelerating Decentralisation, Encouraging Popular Participation

Democratic decentralisation can help to achieve many of the goals associated with governance reform. The state government has stated its intention to empower *panchayati raj* institutions, but on a very large number of fronts, its actions have clearly been hostile. It has devolved few powers and resources, given bureaucrats control of *panchayats*, and diverted funds from them to programmes which it controls.

The emerging separatist campaign in Telengana has persuaded ministers to consider at least some genuine devolution. This may occur, but it could also entail giving seats on *panchayats* to people from Self Help Groups over which the ruling party has great influence.

Scenario A: The government takes firm action to devolve substantial new powers and resources onto *panchayats*. **Very unlikely.**

Scenario B: The government devolves a few extra powers in response to the Telengana separatist movement. **Somewhat likely.**

3.4 Enhancing the Capacity and Effectiveness of the State Legislature

Legislators seldom have much influence over the executive in any parliamentary system on earth. The main hope for change in this sector is the empowerment of strong legislative committees in the state assembly. If this occurs – and especially if their meetings are open to the public and the press – it would be a major innovation within India.

Scenario A: The government creates a new system of committees in the legislature, with substantial powers. **Very unlikely.**

Scenario B: The government provides modest new powers to committees. **Somewhat unlikely.**

Scenario C: Parliament in New Delhi makes things worse by adopting the ‘constructive vote of no confidence’. **Somewhat unlikely** (because opposition parties will thwart it in the Rajya Sabha).

3.5 The Role of the Main Opposition Parties as Change Agents

The opposition parties would welcome almost all of the governance reforms that are discussed in this Report. They will have no influence during the present government’s term of office. But if the Congress Party takes power in 2004, it will sustain the economic reforms about which it now complains, and it might go further with governance reforms (especially decentralisation) than the current ruling party.

Scenario A: The main opposition parties (Congress and the BJP) remain solidly, though ineffectively supportive of all political reforms discussed here, and persist (again ineffectively) with such reforms if one takes power. **Somewhat likely**.

Scenario B: The main opposition parties broadly support political reform, but oppose any move to place non-gazetted officers under the supervision of *panchayats*, and reverse that decision if one takes power. **Somewhat likely**.

3.6 The Role of Civil Society and the Private Sector as Change Agents

3.6.1 Civil Society

The government has sent out mixed signals about its intentions towards civil society. It has sought to foster associations at the grassroots which it can influence very substantially – some ‘user committees’ for example. But a Societies Bill has created fresh opportunities and space for voluntary associations. If this latter approach gains ground, there are real opportunities for greater synergy with civil society.

Scenario A: The government reaches out to civil society organisations for assistance in ensuring that governance reforms are implemented effectively. **Somewhat unlikely**.

Scenario B: The government remains suspicious of civil society organisations beyond the GONGOs, but creates some openings – by way of a Right to Information law and at least some new and meaningful Citizens’ Charters – that will enable them to play a role in ensuring a greater degree of transparency and accountability. **Somewhat unlikely to somewhat likely**.

3.6.2 The Private Sector:

Both large and (especially) small-scale industries have suffered greatly from state government decisions to impose very high power tariffs on them, although this trend

was checked in 2000. Most industrialists feel alienated from the government – again especially those in smaller enterprises who often suffer harassment from the ruling party’s legislators and from criminal gangs sometimes associated with them.

This alienation, and their indifference to most governance reforms, will prevent forces in the private sector from providing much support here. But they would welcome action against high-level corruption on contracts, and against criminal gangs.

Scenario A: The private sector will find economic and governance reforms sufficiently attractive to become an active agent for change. **Very unlikely.**

Scenario B: The private sector will find some governance reforms (some from among deregulation, Citizens’ Charters, a Right to Information law and -- above all – speedier justice and action against criminal gangs which now enforce rough justice), appealing enough to support them while ignoring the rest. **Somewhat likely.**

Scenario C: So few governance reforms will emerge that the private sector will remain largely passive and alienated from the state government. **Somewhat unlikely to somewhat likely.**

4. GENERAL PROBLEMS THAT MIGHT PROVE DISRUPTIVE

Several potential problems that might prove disruptive are unlikely to become serious. Mr. Naidu will probably remain as Chief Minister until his present term ends in 2004. Popular protests against further economic reforms will probably not become unmanageable. The insurgency by the ‘People’s War Group’ is containable and in decline. The Indian economy will probably not undergo a sustained, severe slump.

It is possible that the present government in New Delhi will fall before 2004, and that this could cause Mr. Naidu problems, but this is not a likelihood. A tendency towards ‘make believe’ in government about successes in development will probably persist, but not necessarily disrupt governance reforms.

The only major worry is the emerging Telengana separatist movement. It will not gain a separate state while the present government in New Delhi holds power. But it could acquire enough force to undermine the Chief Minister’s capacity to undertake many reforms – partly by distracting him from reform. But Mr. Naidu is adroit and can bring substantial resources to bear against the movement, so it is very hard to predict how potent it will become.

5. Which Governance Reforms Are Most Feasible Politically? Which Are Most Pro-Poor?

Part 5 contains a Figure indicating both the political feasibility and the pro-poor character of eight governance reforms – plus brief notes explaining the placement of each reform in the Figure. Half of the eight are clustered in the quadrant representing lower feasibility but greater pro-poor impact (tackling corruption, and promoting transparency, accountability and decentralisation). Two others (legislative reform and enlisting private sector support for reforms) are in the quadrant indicating lower feasibility and less pro-poor impact. One (judicial reform) is in the quadrant indicating higher feasibility but less pro-poor impact. This leaves just one (enlisting the support of civil society for reform) in the quadrant indicating higher feasibility and greater pro-poor impact.

6. How Can Donors Encourage Reforms?

The government's actions have often diverged from its publicised agenda on governance. It should therefore be monitored periodically, in advance of the release of later tranches of funding. Social audits should often be used, especially to monitor the impact on the poor.

Chief Minister is eager to be the first leader in India to undertake reforms. This is worth stressing to him, when appropriate. He is understandably preoccupied with his and his party's short-term interests, and with tactical rather than strategic matters. Donors should conduct their dialogues with the government with these things in mind. They will also make more headway by focusing on specific issues rather than generalities.

They should concentrate on the need for downward accountability, which often appears to be of very limited concern to the government.

They should also stress that nearly all of the governance reforms discussed here would be popular, and would ease the short-term pain felt by many groups when economic reforms are first introduced. If Mr. Naidu can show that governance reforms help on that front, other leaders in India will get the message.

‘A Development Risk Assessment: Andhra Pradesh’

1. Introduction

1.1 Objectives

This report is submitted in response to a request from the New Delhi office of the U.K. Department for International Development (hereafter ‘DFID’) for an independent assessment of risks that might delay, dilute or prevent a number of governance reforms in the Indian state of Andhra Pradesh. These reforms are intended to feature strongly in a budgetary support programme which DFID may help to fund.

DFID requested an assessment of the state government’s political commitment to and capability of achieving pro-poor governance reforms. The main political risks and constraints that might confront pro-poor reformers were to be identified, and strategies that might manage or mitigate these risks were to be suggested.

1.2 Sources and Methodology

This writer consulted a substantial number of textual materials. These included reports, laws and notifications by the state and Indian governments, and reports to the state government by various committees and consultants. They also included position papers and studies by DFID and other donor agencies, and studies done by independent analysts for these agencies. Material from civil society organisations and social scientists in the state, and numerous press reports, were also examined. So were research notes compiled by this writer and close colleagues while studying governance and development issues in Andhra Pradesh over recent years.

Evidence was also collected by means of interviews. Care was taken to consult both supporters and critics of the state government. Leading (and middle-ranking) figures within the government, the opposition, civil society, the media, the academic community, and the private sector within the state were consulted. This writer also had access to notes on similar interviews conducted by leading social scientists.

In examining this evidence, this writer has analysed patterns from the recent past as guides to what is likely to occur over the near-to-medium-term future. The skills, behaviour and attitudes of civil servants, politicians and actors outside the government were assessed. So were extra-governmental actors’ access to and influence upon people in government. The past and potential roles of actors external to Andhra Pradesh – especially in the donor community and the Government of India – were also examined.

Analyses of such past patterns and trends – and especially projections into the future – necessarily lack the rigour of, say, exercises in micro-economics. What is sought here are not rigorous proofs, but arguments that have strong plausibility.

In Part 3 of this report, possible future scenarios in which risks may figure have been ranked according to a four-level system: "very unlikely", "somewhat unlikely", "somewhat likely", and "very likely". Four levels are preferable to three, since if three are used, rankings often cluster in the middle category.

1.3 The Structure of the Report

The remainder of this report consists of five parts.

- ◆ Part 2 analyses the political context within Andhra Pradesh, and its implications for DFID and other donors with an interest in pro-poor reforms in the governance sector.
- ◆ Part 3 examines specific issues raised by DFID – that is, specific themes within the governance sphere, the potential for certain specific reforms, and the potential roles that specific social or political forces might play in the reform process. On each of these various issues, risks are explained, multiple future scenarios and their likelihood are set out, warning signs are identified which might imply that reforms are at risk, and suggestions are offered for strategies that might help to maximise reform. On each issue, Andhra Pradesh is also briefly compared with other Indian states.
- ◆ Part 4 discusses a number of more general problems that might impede or stifle the reform process. It also estimates the risks posed by each.
- ◆ Part 5 assesses – in tandem – which potential reforms are most feasible politically, and which are most pro-poor.
- ◆ Part 6 concludes with general comments on what donors might do to encourage reform in Andhra Pradesh.

2. The Political Context in Andhra Pradesh and its Implications

2.2 Centralisation and the Chief Minister's Personal Dominance

Andhra Pradesh probably has the most highly and effectively centralised state government in India. Despite his dominance over the system, Chief Minister N. Chandrababu Naidu occasionally remains uninvolved in areas where he does not perceive his government's political interests to be directly or significantly affected. But this is very unusual. In nearly all of the areas discussed in this report, he is very extensively engaged as the dominant voice in decisions.

So we have here not just a case of centralised governance, but a highly personalised form of dominance. In his dealings with most institutions, the Chief Minister has not sought to undermine or destroy them, as some personally dominant leaders like Indira Gandhi have done. Instead, he seeks to exercise very substantial influence – and if possible, control -- over most of the important institutions of state, and over the officials and politicians who work within them. His remarkable energy and management skills have enabled him to succeed in this effort to a very considerable extent. It has gained him great influence over certain institutions that stand outside the executive – for example, the judiciary (see section 3.2 below), the legislature (see section 3.4), and the print and electronic media.¹ Those institutions that he cannot dominate – and turn to the partisan advantage of his party -- (such as *panchayati raj* institutions) he deprives of power and resources.

2.2 Implications and Concerns for Donors

The implications of this for international development agencies (hereafter ‘donors’) are complicated. On the one hand, if difficult reforms are to be introduced, it is helpful to have a dominant figure at the apex of the system who is committed to reform. This was evident during 2000 when the Chief Minister introduced increases in electricity charges on individual consumers -- a departure from his earlier practice of imposing large increases on industry but not on the great mass of households. Even those who oppose this measure must concede that it was a bold political decision. (His partial relaxation of prohibition, which is also seen as a bold stroke, is actually somewhat more ambiguous.²)

On the other hand, Mr. Naidu's mode of dominance makes some of the reforms which donors desire – and to which he also claims to be committed – difficult or impossible. This is particularly true of several of the governance reforms that are assessed in this report.

His vigorous drive for dominance has several consequences that should be noted by donors, with reference not only to governance reforms, but also to economic reforms.

¹ See also the recent efforts by the state government to ensure that friendly persons capture control of the state Wakf Board which huge sums that are used for the welfare of Muslims. One day before the election of the Board, a Government Order "drastically" changed the electoral rules which made it possible to include in the electoral college persons (reportedly beholden to the government) who were reportedly defaulters on contributions to Wakf funds or persons involved in the illegal sale of Wakf property. The Hindu, 7 and 27 May 2001; and Deccan Chronicle, 24 May 2001.

² Prohibition was only partially lifted in that the main alcoholic drink of choice, arrack, remains prohibited. The only spirits which were allowed to be sold were IMFL (Indian Made Foreign Liquor). Since most consumers prefer arrack, this has triggered smuggling from neighbouring states and illicit production of arrack or arrack-like drinks within the state. Both of these things deny the state exchequer substantial sums, and the latter constitutes a serious health risk,

2.2.1 The Problem of 'Ownership'

The first problem relates to the question of the state government's 'ownership' of reforms. When donors interact with, say, the Governments of Madhya Pradesh and Karnataka, they are dealing mainly with institutions which possess considerable corporate substance in their own right (and which include numerous civil servants and a few politicians who identify with them as institutions). But when they interact with the Government of Andhra Pradesh, they are dealing mainly with an individual.

When agreements are made with those first two state governments, donors can be sure that the 'ownership' of them is shared by many civil servants and influential politicians in those various institutions. This is less true in Andhra Pradesh – because the Chief Minister dominates matters, and because many civil servants privately resent his dominance and his frequent and often severe public criticisms of bureaucrats.

Assertions that we sometimes see about a strong sense of government ownership of the reform programme there are thus erroneous. It is crucial to recognise that there is an 'ownership' problem in Andhra Pradesh.

A comment is in order on a separate issue -- the 'ownership' of reforms by the people of the state. Politicians in all Indian states and in New Delhi have not invested much effort in cultivating the popular 'ownership' of economic reforms. Thus, while mass 'ownership' of such reforms in Andhra Pradesh is not particularly strong, this situation is similar to that found in other states. It should be said, however, that most of the governance reforms examined here would be popular – and would swiftly become widely 'owned' by citizens.

2.2.3 The Dubious Reliability of Data Collected by the Government

There is clear evidence that many civil servants quietly refuse to comply with the Chief Minister's requests for accurate data on government performance. This evidence comes mainly from bureaucrats themselves – mainly from numerous people working at the district level who have stressed this point to this writer and other social scientists, but also from four officials working at upper-middle levels in the state secretariat who do not feel able to trust the data coming up to them. Non-compliance is especially common among bureaucrats at middle and lower levels.

The usual practice is to submit inflated figures on the government's (and their own) achievements in their sectors. Officials at successively higher levels sometimes compound the problem as the data pass upward, by inflating things further to provide those still higher up with good news. This is discussed in more detail in section 4.6 below, but in brief: this is done in the knowledge that such figures are seldom checked

and that the Chief Minister does not reprimand officials who submit over-estimates of accomplishments. Indeed, many bureaucrats believe that he finds this convenient – that, as one put it, “he wants only the figures and not the work”.³ If they are correct – and many of them are strongly convinced of this – then appeals to Mr. Naidu to tackle this problem may not succeed.

This is a serious matter for a Chief Minister who depends more heavily on quantitative data than almost any other leader in the less developed countries. It is also a serious matter for donors, who understandably focus on quantitative measurements of change. The state government’s *White Paper on Governance and Public Management Strategy* stresses the importance of introducing performance indicators for departmental functionaries at all levels. It is encouraging that in recent months, the government has made substantial headway in developing performance indicators. This has persuaded many government departments to think more about outcomes and impact, and to plan and allocate resources more effectively.

But there is still a difficulty with this. It may do little or nothing to address the basic problem here – the inflation of figures provided from below on performance indicators, and their acceptance higher up. An increase in the number of performance indicators may just produce an increase in the number of variables on which inflated figures are submitted.

Until this basic problem is tackled, serious questions will remain about the state government’s plans to monitor (i) the extent to which critical public goods and services are reaching the poor and (ii) whether they are having an impact in helping to reduce poverty. Given these questions, it is imperative that other means of assessing these things be found. The optimal device is an arrangement for regular social audits conducted by a civil society organisation or a team of public-spirited individuals that is independent of the state government. Efforts by DFID to promote social audits are laudable, and deserve further encouragement.

2.2.3 *Testing Appearances against Reality, Often*

The problems noted just above make many acute observers in the state – in the private sector, civil society and academic institutions – wonder whether this Chief Minister

³ The Chief Minister supplements this information in two ways. First, he receives regular reports on all manner of things (including opposition parties and movements) from the Intelligence Bureau -- a common practice in Indian states. Second -- and unlike most other Chief Ministers -- he commissions private and confidential surveys from private market research agencies. The accuracy of Intelligence Bureau reports to all state governments is exceedingly dubious. The market research reports may be more reliable, but he is known to have received one dangerously erroneous report in June 1999, indicating that his party would win 50% of the popular vote in the state election of that year -- a huge over-estimate. So there must be serious doubt about these supplementary sources of information.

often prefers the appearance of reform to the reality. One compelling example arose in the late 1990s on an issue that is critical to economic reform.

During the late 1990s, Mr. Naidu presented himself – to donors and potential private investors -- as a new kind of leader who was determined to manage the state's affairs in a businesslike and fiscally prudent manner.⁴ But a study for a major donor agency in 1998 found that – with an election due the next year -- he was in reality exceedingly profligate with government funds. This continued until the October 1999 election, and the result is the extreme fiscal crisis which the state has faced since then, and which in part occasions donors' current negotiations with the state government.

There may be a certain utility in sustaining the appearance of prudence and reformist zeal (even if it is partly misleading), as an example for other state governments – although many of them are well aware of the pre-1999 reality. But given that episode, it is important (if substantial new support is now provided) that frequent, reliably independent checks be made to ensure that appearance and reality do not diverge markedly again.

2.2.4 *Accountability to Whom?*

The state government has repeatedly stressed the importance of enhancing accountability. This is admirable, but we need to ask to whom government officials are intended to be accountable (see also section 3.1.2 below).

In healthy democratic systems, two kinds of accountability are required. Bureaucrats should be accountable upward -- to their administrative superiors and ultimately to ministers. They should also be accountable downward – to citizens, directly and indirectly through elected representatives like legislators and elected members of *panchayats* at lower levels.

There is no doubting the state government's determination to strengthen accountability upward. It is patently apparent in its programmes for e-governance and in its future plans and recent efforts to achieve public sector reform -- although the dubious reliability of data passing upward through the e-governance system raises questions even about upward accountability.

But what about accountability downward, to citizens? Some steps to promote this have been taken, and they are noted later in this report. But they are greatly outweighed by evidence which suggests that the government is ignoring this matter, or seeking in some areas to prevent downward accountability – in, for example, its palpable hostility to

⁴ This writer saw the Chief Minister convey this message very clearly to a World Economic Forum meeting in New Delhi in that period.

genuine democratic decentralisation through *panchayati raj* institutions (see section 3.3 below).

2.2.5 A Forthcoming Initiative on Administrative Reform at Lower Levels

As this Report was being completed, two officials in the state government (acting independently of one another) contacted this writer to express concern about an administrative reform that is intended soon at lower levels. One of these officials holds a very powerful post in a district, and the other is an upper-middle-level officer in the state secretariat. Both are known by this writer to be intelligent and principled.

The proposed reform will place one village officer with every 350 families across the state. These new officers will take charge of several functions now performed by a diversity of officials. The two civil servants who have raised this matter are deeply worried that – while this change is proposed in the name of reform and of strengthening local administration – it will do damage, on three fronts.

First, they argue that it will produce a “very aggressive centralisation of power”. It will enable the influence of those high up in the administration to penetrate into local arenas more effectively and in a more tightly disciplined manner than before. It will not be attended by genuine efforts to provide citizens at the local level with greater voice – quite the contrary. The two officials specifically say that it is consistent with the state government’s hostility to genuine democratic decentralisation (see section 3.3 below), and with its drive for administrative and politically partisan “control”.

Second, they fear that it will create major problems for the state government’s plans to ‘downsize’ government. One district, for example, will require about 1,980 of these new village officers. It currently has around 810 minor officials working at or near the local level who could be reassigned to these new posts. That means that roughly 1,170 new employees will have to be recruited to operate the new system.

Third, they fear that this system (which is proceeding without any pilot phase) will create “chaos” with land records, and that this will produce a major increase in illegal land seizures.

Issues such as this – especially the allegations that this is a further effort at tightening centralised “control” – should be of serious concern to donors.

3. SPECIFIC ISSUES

3.1 Tackling Corruption, Promoting Greater Transparency and Accountability within the Public Administration

There is considerable overlap between efforts to tackle corruption and efforts to promote accountability and transparency. But in the interests of clarity, they are separated here into two sections.

3.1.1 Tackling corruption

Given the sensitivity and importance of this topic, it should be said that this section is based on very extensive interviews with people in the bureaucracy (including some senior policemen), the private sector, and civil society (especially lawyers, leaders of citizens' associations and journalists) – by this writer and other social scientists over the last three years. Documentary evidence on corruption is understandably scarce. But the evidence from interviews is abundant, fairly consistent, and strong.

Although the state government is in most ways highly centralised, corruption is not rigorously centralised -- as it has been at times in some other Indian states. Illicit 'fund raising' is not monopolised by those at the apex of the system. It goes on at three levels.

- ◆ Those at the top extract money mainly in the form of major kickbacks on huge government contracts for procurement, construction, etc.
- ◆ Bureaucrats and especially legislators at middling levels within the system are permitted by those higher up to enrich themselves – both by selling favours and through extortion.
- ◆ Bureaucrats (mostly minor, non-gazetted officers) below the district level extort a diversity of bribes from citizens for the provision of permits, certificates, benefits, etc. – and sometimes provide cuts from the profits to legislators and others higher up.

The Andhra Pradesh Taskforce on Good Governance advocated a policy of “Zero Tolerance” of corruption,⁵ and the state government has professed its willingness to tackle this problem – in part through its welcome to the noted corruption-fighter, Bertrand de Speville. Its interactions with him and other official initiatives may eventually yield results on this front. But the available evidence raises doubts about the inclination of key actors in the government to do much in this vein. Let us consider each level in turn.

⁵ *Report of the Taskforce...*, p. 14.

At the apex of the system, massive funds are seen as essential to the conduct of politics – especially during elections,⁶ but also to offer inducements to people as a matter of day-to-day routine. Since little money at this level is kept for private enrichment, ‘fund-raising’ tends to be perceived here not as wrong, but as ‘just business’.

Despite official pledges to improve transparency on tendering for construction, procurement, major contractings-out of services, etc., the benefit to senior leaders is so enormous that it is impossible to be optimistic about major progress here. A serious bidder for a major contract is often required to pay as much as Rs.10 million on a Rs. 50-to-100 million contract just to get a bid on the table. Larger kickbacks are demanded later for the award of the contract. There are a number of ploys to deny contracts to the lowest bidder. In numerous cases, documents have been doctored to make higher bidders appear to be the lowest. Such practices have been used in recent years in hundreds of cases for projects worth in excess of \$1 million. The rewards from these manoeuvres are thus staggering.⁷

At the middle level, profiteering is permitted by higher authorities, up to a point. Those at the top use their influence in this centralised system to limit the amounts of money that are diverted from government programmes and extracted from people seeking assistance. On one occasion, for example, the Chief Minister told a gathering of party activists – unwisely in front of civil servants who told others⁸ -- that he would permit them to “eat” one-third of the funds for a major government programme, but that those who went beyond that limit would be dealt with severely. So some restraints exist, but this is not “Zero Tolerance”.

The ‘one-third’ figure actually understates the problem. It is well understood at the apex that many legislators collaborate in acts of extortion with criminal gangs whose thugs mete out informal ‘justice’ when delays in the courts prevent the resolution of disputes. (See the discussion of gangs and ‘justice’ in section 3.2, and the examples of extortion suffered by private firms in section 3.6.) While the number of legislators involved with such gangs is considerably smaller than the comparable figure in Uttar Pradesh, it greatly exceeds the average figure for most Indian states. This number has grown markedly (to unprecedented levels) in recent years. It was once confined largely to the coastal area around Vijayawada, but in recent years, criminal gangs have extended their activities into other regions of the state – not least, Hyderabad.⁹ This, together with the soaring cost of election campaigns in Andhra Pradesh – higher than in

⁶ A study of spending at the 1999 election in a large number of constituencies across India found that the two parties which spent most were the AIADMK in Tamil Nadu and the ruling TDP in Andhra Pradesh. I am grateful to E. Sridharan for this information.

⁷ These comments are based on studies by non-governmental organisations, and on interviews with bidders in such projects.

⁸ Interviews with two civil servants, Hyderabad, 8-9 March 1999.

⁹ This is based on interviews with civil servants, police officers, civil society leaders, industrialists and farmers – by this writer and other social scientists over the last three years.

all but one or two other states¹⁰ – have persuaded many observers in a diversity of sectors that corruption is worse than ever before.

At the sub-district level, officials systematically and routinely force citizens to pay bribes – often in substantial amounts – for essential permits, documents, goods and services. Corruption also occurs in beneficiary selection at the local level. This impinges particularly heavily upon the poor. As we see in the comments on the Registration Department in section 3.2.1 below, the computerisation of government has not improved things and seems unlikely to do so in future.

Donors need to bear the comments above in mind when they hear news of the government's consultations with a man of the stature of Bertrand de Speville, and when they see its references to his Commission in Hong Kong as a model.¹¹ This writer lived in Hong Kong before Mr. de Speville developed the Independent Commission Against Corruption (ICAC). He had direct experience of many gross and wanton acts of extortion there. He is therefore vividly aware of Mr. de Speville's heroic achievement. But his success depended crucially upon unyielding support from people at the apex of the Hong Kong government. Given the prevailing perceptions of corruption among senior leaders in Andhra Pradesh set out just above, it is unlikely that anything approaching his achievement can be replicated in this state.

Despite all of these comments, it may be possible for donors to make some contributions to the struggle against corruption. Let us consider each of the three levels identified above.

At the apex of the system, the best solution would be an ICAC on the Hong Kong model, which is to say that it would have teeth and unyielding support from government leaders. Such a Commission may be created -- since it would be a 'first' in India. But it may lack teeth and, even if it has them, observers in a diversity of sectors do not believe that it will receive unyielding support from senior leaders -- because they see themselves as dependent on 'fund-raising' for the successful conduct of politics.

If the government does not introduce such a Commission, what can be done? In addition to some of the things suggested below under 'transparency and accountability', we might hope for better integration and perhaps the strengthening of the existing institutions that are intended to address corruption at high and lower levels. Some remarks on these are in order.

¹⁰ This is based on this writer's studies of eight Indian states for the World Bank, and on discussions with India's leading specialists on election spending.

¹¹ Government of Andhra Pradesh, *Vision 2020*, p. 329.

- ◆ The Anti-Corruption Bureau (ACB) faces numerous problems. It is entirely controlled by the police who are in turn controlled by politicians. Its powers are limited, and its procedures are slow. Its levels of probity are themselves unsatisfactory. In a typical year, it may investigate around 600 of the state's 1.2 million employees. Only around 300 will be charged with offences and of them, only around 30 will be punished – almost all of whom will be non-gazetted (very junior) officials.
- ◆ The Vigilance Commission can examine complaints of corruption against any official, recommend an ACB enquiry, and examine reports from the ACB. But its recommendations are not binding on the government, and in recent years it has achieved little.
- ◆ The Lok Ayukta is an ombudsman who can investigate charges of excesses, delay, inaction or corruption by all officials and ministers except the Chief Minister. But it has neither the machinery to fulfil its assigned tasks nor the authority to enforce its recommendations.

If the government does not integrate and/or strengthen these institutions, and fails to develop an ICAC with teeth and support from the top, two other more limited possibilities exist.

First, the government might decide to create an independent anti-corruption agency with jurisdiction over all employees (although including ministers may be too much to hope for). The IAS would protest, but this would be consistent with the Chief Minister's carefully cultivated image as the scourge of corrupt, inefficient bureaucrats.

Second, a new election funding law applicable to local government (*panchayats* and urban councils) might be passed – although curbs on 'fund-raising' and spending will need to wait until after the July 2001 local elections. This may turn out to be feasible. It would be consistent with the Chief Minister's hesitations about local government. And legislators share his feelings about local bodies, because they must part with some of the powers that flow to those bodies. Such a law would also be a 'first' in India – which is attractive to a government that likes to burnish its reputation for innovation. Such a law could become relevant to corruption at the apex of government because it would eventually create pressure for similar curbs on 'fund-raising' for state-level elections. (Note however that leading Indian authorities on election funding insist that action with regard to state elections would probably require changes in national legislation passed in the 1970s.)

At middle levels, some progress in combatting corruption could be made if donors persuaded the state government to encourage more genuine participation by independent civil society organisations. The most constructive approach here would be to draw them into (i) efforts to ensure that any new Right to Information law (see section 3.1.2 just

below) is properly implemented, and (ii) involvement in project management units of sectoral programmes, where corruption is now clearly present.

At sub-district levels, one further change could have a major impact. 'Non-gazetted' – that is, minor -- officials, who are mainly responsible for pervasive corruption at those levels, could be placed under the control of *panchayats*. *Panchayats* would thus acquire the powers to hire, promote and discipline these officials. In other states with strong *panchayats*, citizens have brought complaints about low-level officials to elected *panchayat* members who depend on them for re-election – and they have got results.

This proposal collides with the Chief Minister's hesitations about *panchayats* (see section 3.3 below). But it just might be accepted, since it resonates with Mr. Naidu's image as the people's champion against corrupt officials, and because legislators have little interest in protecting bureaucrats at those lower levels, even though they sometimes receive portions of the funds that the latter raise through bribes.

One last, rather delicate point should be made here. A significant number of objective and public spirited people in Andhra Pradesh have developed strong suspicions that substantial funds are being illegally diverted from donor-funded programmes in the state. They therefore conclude that increases in donor funding will lead to increases in corruption, and that more generous donor support will give a fillip to corruption. These people can be found in the private sector, the media, non-governmental organisations, academic and research institutions, and even within the government. They constitute an important part of the donors' 'public'. So -- lest donors be seen as unwitting accomplices in rising corruption -- it is critically important that donors develop (and be seen to develop) effective, independent monitoring processes to determine whether malfeasance afflicts programmes that they support. They should also be prepared to discontinue funding (i) when they find that corruption affects their programmes, and (ii) when the management of such programmes is so opaque that they cannot satisfy themselves that corruption is not a serious problem.

Comparisons with other states: A comparison of corruption in Andhra Pradesh with that in other Indian states cannot be made with scientific rigour, given the nature of the evidence (especially that on other states). But the evidence is plentiful enough to suggest strongly that corruption in this state is comparatively serious. It is, however, clearly less severe than in the most extreme cases. The state stops well short of the kind of plunder that was witnessed in Tamil Nadu under the last AIADMK government before the current one, or the systematic extortion that occurred in Maharashtra under Shiv Sena/BJP rule. Nor is corruption as far out of control as in a handful of states – including most notably Uttar Pradesh and Bihar at most times in their recent histories. But the very large sums being spent at elections in Andhra Pradesh, and the evidence on the recent spread of criminal gangs, strongly suggest that it stands in the upper-middle

tier within the league table of states on corruption (if the most corrupt are placed at the top).

Scenario A: The state government makes serious efforts – partly through the creation of a strong, independent Commission – to tackle corruption at the apex and at middle levels. On present evidence, **very unlikely**.

Scenario B: The government makes a serious effort to tackle corruption at low-levels, by placing non-gazetted officials at those levels under *panchayats*. **Somewhat unlikely to somewhat likely**.

Scenario C: The government passes a law curbing funding for local elections. **Somewhat unlikely**.

Scenario D: The government creates an Independent Commission but fails to provide it with the total support that it needs to be effective. **Somewhat likely**.

Warning signs: The government delays any visible action on these fronts; DFID enquiries with key non-governmental organisations -- about the impact of any official initiatives that the government does take on high-level kickbacks, criminal gangs, low-level extortion, etc. -- reveal little change.

How to maximise progress: Remind the government of its public commitments, and of the expectations that its encounters with Mr. de Speville have created; stress that action against kickbacks and criminal gangs will be hugely popular, not least with industry and will help to end industrial stagnation; stress that action against low-level corruption will be extremely popular among citizens.

3.1.2 Promoting Greater Transparency and Accountability

We have seen that governance at the state level is highly centralised and, as several official documents acknowledge, rather opaque. The government has pledged to rectify this.

If measures introduced to enhance transparency are to have substance, the government must make decision-making more visible and become accountable – accountable both for its decisions and for occasions when decisions are not transparently made.

We saw in section 2.2.4 above that official documents tend to stress accountability upward – by lower-level bureaucrats to their superiors – much more than accountability downward. And yet downward accountability – by those in government to citizens,

directly or through elected representatives – is the key to ensuring both transparency and responsiveness.¹²

Government documents often stress the promise of e-governance to enhance transparency and accountability. They say that a state-wide computer network, which integrates the administration and may someday give ordinary folk access to it, will make important contributions to accountability, responsiveness, and transparency. Those documents say nothing, however, about what the government's Taskforce on Good Governance described as the "real danger of decision-making getting concentrated at higher levels in the administration"¹³ – something which appears to be happening. And they say very little about how the network will specifically promote accountability and transparency.

Let us try to divine how this might occur. Some gains are certainly likely to happen in 'transparency' – or at least they will if the government ever makes computer terminals available (see below) to literate citizens in the state, a category which fails to include most of the poor. Many laws, orders, rules and forms are to be posted on the government's e-governance system, as are details of the funds provided for various official programmes. This may eventually prove helpful. But the gains in transparency here will not be as great as those which would flow from serious democratic decentralisation. That helps ordinary folk see what decisions are being made by power-holders, and how they are being made – and it gives them direct influence over the makers of many decisions. E-governance may eventually let citizens see how decisions play out in terms of regulations and forms to be filled in – a gain, but a lesser form of 'transparency'.

Will e-governance make the administration more 'accountable'? The state government sees the publication of "Acts, Rules, Regulations" etc. as "leading to accountability".¹⁴ But if officials are to be accountable to citizens, lists of rules and regulations are not enough -- there must be mechanisms that require the former to answer to the latter. There is nothing in the government's publications on e-governance that indicates a role for it in providing such mechanisms.

We should also look briefly at 'responsiveness' – a key by-product of transparency and accountability which the government has also stressed. There are two dimensions to consider here – the speed and the quality of responses from government. 'Quality' is measured by the degree to which outputs or responses from governments conform to the preferences of ordinary citizens. It is thus more important than 'speed' – but swifter responses are clearly desirable.

¹² Crook and Manor, *Democracy and Decentralisation...*, chapter one.

¹³ *Report of the Taskforce on Good Governance* (Hyderabad, 2000), p. 20.

¹⁴ Government of Andhra Pradesh, *Strategy Paper on Governance and Public Management* (Hyderabad, n.d.) p. 5.

The new e-governance system in Andhra Pradesh has some potential for enhancing the ‘speed’ of responses. Since delays from the sending of forms by post will be removed, citizens should get responses more quickly. But if the ‘quality’ of responses is to improve – if they are to conform more to citizens’ preferences – accountability mechanisms must be created to permit citizens’ views greater influence within decision-making processes.¹⁵ And again, nothing in the state’s e-governance material refers to anything like that.

Insight into the impact of computerisation on transparency, accountability (and responsiveness) can be obtained by considering the most thoroughly computerised department in the government, the Registration Department. Officials in this department have continued their long-standing practice of squeezing poor farmers (and other citizens) for often huge bribes in exchange for routine documents. The extension of e-governance to fully 214 of this department’s offices has not enhanced transparency and accountability enough to curtail even slightly these traditional malpractices. There is very reliable evidence to show that the government’s claim that things have improved in this sector¹⁶ are false.

Finally, how assiduous has the government been at developing the network of kiosks that literate citizens can use – and which might enhance at least certain types of transparency? The total number of kiosks in the state is one. It is widely understood that this is partly the result of resource constraints. But since the government is reportedly depending on the private sector for the resources to build kiosks, many observers in the state believe that this is actually a low priority. Donors who have urged the government to move more proactively on this front are to be encouraged.

To reiterate: the state government’s main device for promoting downward accountability is apparently e-governance. But we saw in section 2.2.5 above that it is insufficient. The most assured means of ensuring downward accountability – on evidence from several other Indian states – is *panchayati raj*. But we shall see in section 3.3 below that the government takes a negative view of that option – a major lost opportunity.

Given these problems, and the government’s reluctance to empower *panchayats* – the most assured means of enhancing transparency and downward accountability – we are left with two main alternative devices – Right to Information legislation and Citizen’s Charters. Let us consider them.

¹⁵ R.Crook and J. Manor, *Democracy and Decentralisation in South Asia and West Africa: Participation, Accountability and Performance* (Cambridge University Press, 1999) chapter one.

¹⁶ Government of Andhra Pradesh, *Strategy Paper on Governance...*, p.4.

The Taskforce on Good Governance pressed hard for a Right to Information law, and in a key document, the government committed itself to bringing a bill forward¹⁷, and it appears that this will soon occur. This is a very encouraging development.

The bill will inevitably be compared to those strong laws now in force in Karnataka and Goa, and that passed and now being implemented in Madhya Pradesh, but still awaiting presidential assent. If as informants suggest, the Andhra Pradesh law has considerable substance, donors should support efforts to inform citizens of its contents and of how to make use of its provisions. They should also support efforts by civil society organisations – some of which helped to press for this legislation – to ensure that its provisions are used, and to inform citizens about this.

A few government departments have issued Citizens' Charters, but all have been vague and rather unhelpful except one, that for urban local bodies – and not, as some key documents state, the one for the Water Supply and Sewerage Board.¹⁸ (The distinction is important, since the latter might wrongly be used as a yardstick for others.) A further 15 or so will be issued by the autumn – again, a very encouraging sign if they resemble the reliable Charter for urban local bodies.

In assessing all Charters – present and future – donors and others should look for several things. For every service, the public servant responsible should be clearly identified. How citizens may obtain the service should be unambiguously stated. Performance standards, including the time frame, should be explicitly prescribed. The penalty, payable to citizens for non-performance or delay, should be stipulated.

Donors should seek to encourage the government in its apparent intention to produce more Charters of substance. They should also seek to publicise Charters that have substance, and support the creation of an independent, accessible monitoring mechanism. The state's Lok Ayukta is too remote and ineffective, but two other strategies have promise. An independent agency might be created in each district. But more feasible and promising is the use of existing consumer committees in each district for this purpose. That would require bringing many of the services covered by Citizens' Charters under the Consumer Protection Act. Donors could again support civil society organisations in their efforts to make these processes work.

¹⁷ *Report of the Taskforce...*, pp. 1-2 and 30.

¹⁸ The abstract of the notification for this Charter has been republished by Loksatta. Inaccuracies about Citizens' Charters in certain key documents need donor's attention. One cites the Charter of Hyderabad's Water Supply and Sewerage Board as an example of best practice in India. In reality it falls well short of this – it has perhaps been confused with the urban local bodies' Charter, the only example of pioneering in the state. The head of the Water Supply and Sewerage Board has said that he cannot implement its Charter for lack of resources.

Finally, DFID and other donors should establish websites giving detailed information on these and other constructive activities in Andhra Pradesh. They should contain information in both English and Telugu.

Comparisons with other states: If we compare Andhra Pradesh with other states on transparency and accountability, we find it somewhere near the middle of the league table. It does less well than the four-to-six states that have supported *panchayati raj* strongly (see section 3.3 below), since that enhances both of these things. It also falls short of a small number of states which have made (imperfect) efforts to promote the right to information (although that may soon change). It has done better than most on Citizens' Charters where most other states' efforts are unimpressive. It is far better than states like Uttar Pradesh and Bihar where public accounts are opaque even to senior civil servants and the Reserve Bank. But its highly centralised administration and its unusually strong aversion to *panchayati raj* make it somewhat less transparent and much less accountable than many other state governments.

Scenario A: The government takes bold steps on a Right to Information law and/or Citizens' Charters. **Somewhat likely.**

Scenario B: The government introduces a rather weak Right to Information law, and introduces more Citizens' Charters that fall short of the one for urban local bodies. **Somewhat likely.**

Warning signs: Delays occur on both fronts, possibly as the Telengana separatist movement gains momentum and distracts the government; a weak Right to Information law is passed, or (more likely) key non-governmental organisations indicate that a strong one is going unimplemented; more weak Charters are introduced.

How to maximise progress: Stress to the government that gains on these fronts cost little money and will be very popular; stress that a Right to Information law was recommended by the Taskforce; stress that such a law is needed to keep pace with other states, and that it will not overburden the government with new pressures; appeal for more Charters like the exemplary provision for urban local bodies; stress that the pressures felt by both types of initiatives will mainly be felt by bureaucrats and not politicians.

3.3 Reforming the Justice System

The state government has acknowledged that several serious problems afflict the justice system. It is clearly interested in taking some action on certain fronts to improve matters. But its main actions in relation to the courts, have thus far have been aimed at extending its influence over them.

The judiciary in India is genuinely autonomous from the executive, but an adroit Chief Minister can sometimes acquire substantial leverage with justices. Several leading lawyers and retired judges have stressed in interviews that this has happened as a result of Mr. Naidu's clever handling of the High Court of Andhra Pradesh. He has made very intelligent use of a reliable Advocate General who sets the tone for formal, institutional relations with the Court – and who has won respect and cordiality from justices. He has also carefully cultivated warm ties with justices.

To say this is not to claim that anything illegal has occurred, or that Mr. Naidu controls the High Court – he does not. But he has substantial influence there. This never manifests itself in day-to-day matters – about which the Chief Minister cares little. But when the vital interests of the state government are affected by a case before the Court, it usually receives support. Mr. Naidu's influence has also grown lately because he was able to use his warm links to the Chief Justice to ensure that two lawyers who were his close allies – some say “cronies” – were given seats on the High Court. One of the two was seen as an embarrassing lightweight, and both were highly partisan.

This is good politics, but it is not about judicial reform. It has little to do with swifter justice, backlogs of cases, the corruption that permeates district courts, poor people's access to legal redress, etc.

The available evidence indicates that the government may be willing to seek to remedy several deeply serious problems.

- ◆ Corruption among judges and court officers is rife at the district level (as in nearly every Indian state), but it also occurs at times higher up in Andhra Pradesh. This disproportionately affects poorer people, who cannot afford bribes.
- ◆ The huge backlogs of cases and the immense delays that result, deny justice to large numbers of citizens. This has persuaded many litigants in this state to turn to criminals who will sort out cases informally by deploying thugs – a flourishing industry in Andhra Pradesh. The poor, who are less able to pay thugs, again suffer disproportionately.
- ◆ At present, whatever party rules in the state enjoys complete power over the criminal investigation machinery. It can arrange for charges to be dropped against some accused, and for unwarranted investigations to proceed against others. Here as in many other states, these powers are often abused for partisan purposes.
- ◆ The failure of the state government to undertake genuine democratic decentralisation is matched by a failure to decentralise responsibility for local policing matters like traffic regulation, patrolling and the control of petty crimes and public nuisances. This means that there is little or no local accountability for the handling of such matters.

- ◆ Poor people do not have access to the legal process, and often cannot even imagine that the courts might help them.¹⁹

How might these various problems be tackled?

- ◆ The state government could be encouraged to undertake the sort of campaign against corrupt judges seen very recently in Maharashtra, which has led to 144 judges being forced to resign. Attention also needs to be paid to offices of the court, in which the power to prioritise among cases is routinely abused for profit.
- ◆ Action to curb the activities of criminal gangs might be worth trying. But it would not have much effect because delays in the courts create a thriving market for their services. And it is unlikely to be tried, because many criminal gangs are well-connected to all of the main political parties.
- ◆ A more promising approach would be to tackle backlogs by increasing the number of courts and judges. This would cost money, but it would be a splendid investment, as the government's Taskforce on Good Governance observed.²⁰
- ◆ Backlogs could also be eased by adopting the model for local courts, set out in the Indian Law Commission's 114th report. A law to create something similar was passed by the present ruling party under its previous leader, N.T. Rama Rao, and sent to India's President for assent. But after Mr. Naidu took over in 1995, it was withdrawn and has disappeared.
- ◆ An independent wing of the police could be created, to operate under the control of independent prosecutors, to end the partisan manipulation of criminal investigations.
- ◆ Local policing matters could be placed under the control of elected *panchayats*, which would make the police locally accountable for these rather mundane matters.
- ◆ Energetic efforts are needed to inform citizens, especially the poor, that (1) they have various rights, (2) the courts are available to them for redress, even in cases against the authorities, and (3) that legal assistance is available to them. To make this third notion more real, support for legal advice and representation needs to be increased substantially. (Given the large number of unemployed and underemployed lawyers, it may not be necessary to develop para-legals to play this role.)

Comparisons with other states: Most Indian states – including Andhra Pradesh – have done very little on judicial reform. Maharashtra in recent times is (as noted above) a clear exception. A few others have taken modest steps, but most are clustered together in a condition of near-inertia. There is plenty of room here for Andhra Pradesh to win *kudos* for innovation.

¹⁹ For detail on this in the case of urban slum dwellers, see J. Manor, *Power, Poverty and Poison: Disaster and Response in an Indian City* (Sage, 1990), chapter six on the courts and the legal process.

²⁰ *Report of the Taskforce...*, p.3.

Scenario A: The government takes strong action on several of the seven fronts listed above. **Very unlikely.**

Scenario B: The government takes firm action on one or two of these fronts. **Somewhat likely.**

Scenario C: The government takes no firm action on any front. **Somewhat likely.**

Warning signs: Little action on the various fronts listed above.

How to maximise progress: Remind the government of recent actions against corrupt judges in Maharashtra and of the need to keep up with that state, and stress that the High Court would probably welcome this since most problems are at lower levels; stress that action against criminal gangs would be popular generally and especially with industry and would spur industrial growth; stress that appointing new courts and judges would be popular; remind the government of the splendid initiative that the ruling party developed under N.T. Rama Rao; stress that turning local policing over to *panchayats* would liberate the main police force for more serious matters; stress that expanding legal advice and aid would be popular, especially among the poor, and among under-employed lawyers.

3.3 Accelerating Decentralisation, Encouraging Popular Participation

When democratic decentralisation works well, it can help mightily in achieving many of the goals which DFID favours and to which the Andhra Pradesh government has made public commitments.

It substantially enhances the transparency of government, and accountability to citizens. It stimulates increased popular participation and enlivens civil society. It can reduce absenteeism by the lower-level employees of key ministries, and thus enhance service delivery in (for example) primary health care facilities and schools, at no additional cost to the public purse. It increases the uptake on crucial programmes like ante- and post-natal care, because elected local councillors can explain the rationale for these services to ordinary folk more effectively than can bureaucrats – so it prevents illnesses and saves lives. It empowers government by increasing – hugely – upward information flows, from citizens through elected councillors. It can reduce corruption at lower levels by making malfeasance more obvious, and by giving citizens chances to complain about bureaucratic corruption to elected representatives with the power to curb it.

And crucially, it enhances the responsiveness of government – especially in the vitally important area of the quality of responsiveness, with 'quality' being a measure of the

degree to which responses conform to popular preferences. For these and other reasons, democratic decentralisation erodes popular apathy and cynicism, and enhances the legitimacy (and, not incidentally, the popularity) of a decentralising government.

It is also clear from abundant evidence that it is far easier to make democratic decentralisation work well in India than in most other less developed countries.²¹ Most state governments in India (Andhra Pradesh is not alone here), in failing to provide decentralised bodies with the essentials needed for such systems to work well – substantial powers and resources – are missing a major opportunity.

It is of course true that even empowered and well-funded *panchayats* need capacity-building and changes in state administrative and financial systems in order to flourish. But before those issues arise, leading figures in government must decide to devolve substantial powers and resources. As we shall see, the Andhra Pradesh government has refused to do these things.

The government has committed itself in basic policy documents – for example, *Vision 2020*²² -- to the empowerment of *panchayati raj* institutions. In practice, however, it has been hostile to them. This is apparent in that same document from its false assertion the “Experience demonstrates...” that the process takes “10-15 years”. The evidence points in the opposite direction.²³

The state government initially devolved only a few of the 29 subjects which the 73rd Amendment to the Indian Constitution recommended for transfer downward to *panchayati raj* institutions. It justified this by saying that the *panchayats* had failed to perform, when it was the government’s own approach that had guaranteed failure. Then from 1997 onwards, government diverted most *panchayat* powers and (illegally) central government funds to its *janmabhoomi* programme (which has never been audited).

Then in 1999, it agreed to devolve responsibility for a further 16 subjects, but only after a group of *panchayat* leaders threatened to commit collective self-immolation in front of the Chief Minister’s residence. There was, however, much less to this decision than met the eye. Two things, either of which is fatal to decentralised bodies, occurred. First, civil servants were given powers to over-rule *panchayats*’ decisions – which has become common practice. Second, funds continued to be channelled unlawfully to

²¹ J. Manor, *The Political Economy of Democratic Decentralization* (World Bank, 1999).

²² *Vision 2020*, p. 325.

²³ *Vision 2020*, p. 326. The reference is to Latin America where decentralisation has often occurred quite quickly. See in this connection, Manor, *The Political Economy...* Convincing evidence that the very substantial devolution of powers and resources onto *panchayats* can occur very swiftly (with impressive results) is available from several other Indian states, including two that border Andhra Pradesh – Karnataka and Madhya Pradesh.

janmabhoomi, leaving *panchayats* with numerous unfunded mandates. This is a very weak, badly abused set of institutions, as World Bank studies have acknowledged.²⁴

The state government prefers to engage society at the local level through *janmabhoomi* and through the 'user committees' in various sectors, because it can ensure that most of these consist mainly of supporters of the ruling party. It regards *panchayats*, which are popularly elected, as less amenable for partisan purposes. The ruling party actually controls a solid majority of *panchayats*, but that is insufficient in the eyes of the state government. (DFID should be aware that recent reports claim that some 'user committees' have damaged the interests of poorer groups.²⁵)

The state government's public statements about decentralisation have often been misleading – as (*inter alia*) a World Bank study indicates. The authorities claim that the *janmabhoomi* programme is intended to enhance the devolution of funds to *panchayati raj* institutions, when in reality it diverts funds from them. The government states that the Panchayati Raj Department performs an array of functions, but in practice these “are being executed by the line departments”.²⁶ Its financial reports show substantial funds being provided to *panchayati* institutions, but in reality these are released to district Collectors (senior bureaucrats) who then pass them to bureaucrats lower down.²⁷ *Panchayats* at the sub-district level are said to supervise *janmabhoomi* activities within their bailiwicks, but in fact bureaucrats over whom they have “no control” dominate.²⁸ There is much more in this vein.²⁹

The emerging campaign for the separation of the Telengana sub-region from Andhra Pradesh has generated some sentiment, both within the state cabinet and in the extremely influential *Eenadu* media group, for greater democratic decentralisation as one device to ease pressure for a separate state. The Chief Minister takes this seriously enough to have appointed a cabinet sub-committee on decentralisation which has

²⁴ One of those studies, by the present writer, makes this point but is not a public document. But see also World Bank, *Overview of Rural Decentralization in India*, volume II, *Approaches to Rural Decentralization in Seven States* (New Delhi, World Bank, 2000) p. 39.

²⁵ Specifically, Water Users Associations are said to have excluded washermen and shepherds from village tanks. And in watersheds, the absence of well-defined institutional spaces for the landless and small landholders is said to have been exploited by more prosperous groups to exclude them. See the analysis by Rajesh R., 16 May 2001 in the 'dnrm-pri' discussions at www.panchayats.org. Several social scientists in Andhra Pradesh also argue that many of the local-level Self Help Groups with which the government works are dominated by prosperous local elites.

²⁶ World Bank, *Overview of Rural ...*, p. 34

²⁷ *Ibid.*, p. 37.

²⁸ *Ibid.*, p. 41.

²⁹ As the same World Bank study indicates, the government purports to provide funds for road construction and water supply schemes to the *Zilla* (District) *Panchayats*, but the money actually goes straight to the Engineering Department whose officers have strong ties to the ruling party. Village *panchayats* are said to have numerous sub-committees to oversee various development activities, but in reality none is operating. Committees function instead under *janmabhoomi*, over which *panchayats* have next to no influence. All of this has left *panchayats* at all levels severely demoralised. At the sub-district level, frequent meetings of *panchayats* are not considered necessary because there are insufficient functions to discuss and inadequate funds.

recommended the transfer of full responsibility for seven government programmes to *panchayats*. These include the District Rural Development Authorities, which have thus far been controlled by district Collectors, but which may now be taken over by *Zilla Panchayats* (district councils).

It is difficult to believe that a state government which has been so hostile to *panchayats*³⁰ will actually let this devolutionary process go very far. One clear warning sign that it will again be subverted is the plan to coopt onto *panchayats* members of local Self Help Groups, which are powerfully influenced by the ruling party. This would indicate the government's continuing determination to deny *panchayats* the autonomy they need to work well and thus produce the benefits listed above. But policy changes in the near future still bear watching.

One step that DFID and other donors can take to support serious democratic decentralisation is to encourage two organisations that bring elected local government leaders together. These are the Chamber of Panchayati Raj and the Chamber of Municipal Chairpersons. These bodies provide elected leaders with self-confidence and network them, so that they begin to acquire collective strength. They also facilitate the sharing of information about developmental successes within otherwise isolated localities, and about potential solutions to common problems.

Comparisons with other states: Indian state governments can be divided into three categories in their approaches to *panchayati raj*. (1) A few (between four and six) have generously devolved powers and resources. (2) A majority have been rather reluctant, but have devolved some significant powers and resources. (3) A small number are clearly hostile to decentralisation. This group includes (*inter alia*) Tamil Nadu, Bihar and Andhra Pradesh. Bihar has flouted the law and the Constitution most flagrantly. But Andhra Pradesh has, more subtly, acted illegally in two senses. It placed *panchayats* under bureaucratic control and delayed elections for many months until public interest litigation established that this was in defiance of the Constitution. And it continues illegally to divert to other programmes central government funds which must, by law, go to *panchayats*.

Scenario A: The government takes firm action to devolve substantial new powers and resources onto *panchayats*. **Very unlikely.**

Scenario B: The government devolves a few extra powers in response to the Telengana separatist movement. **Somewhat likely.**

³⁰ For more evidence of this, consider the state government's persistent and successful efforts to delay *panchayat* elections from March 2000 (when they should have been held) until July 2001. One tactic that it used, although unsuccessful, was "incessant lobbying" for an Amendment to the Constitution which would have restricted direct elections to *panchayats* while giving state governments powers to decide how presidents to higher-level *panchayats* would be elected. See the articles by George Mathew in *The Hindu*, 17 April and 23 May 2001.

Warning signs: The government draws members of Self Help Groups onto village panchayats.

How to maximise progress: Stress the benefits which comes from serious democratic decentralisation (listed at the top of this section) and stress that it enhances the delivery of some key services, empowers the government with increased information flows, and makes decentralising leaders and parties more popular; stress that Andhra Pradesh lags badly behind Karnataka and Madhya Pradesh on decentralisation; stress that those states show that it can be done quickly and well; stress that the discontents which fuel the Telengana separatist movement can be eased somewhat by decentralisation.

3.5 Enhancing the Capacity and Effectiveness of the State Legislature

It is exceedingly difficult in any parliamentary system in the world for legislators to exercise significant influence over the executive – or, in the words of the Terms of Reference for this study, “to initiate...and amend legislation, and to hold the executive publicly to account”. This statement is true even when governments do not enjoy solid majorities in legislatures. It is especially true when they do, as is the case in Andhra Pradesh today. This comment applies not only to Indian legislatures, but to institutions such as the British Parliament.

The treatment by the executive of legislatures and legislators in India is more considerate than in Bangladesh or much of Commonwealth Africa. But Indian legislators still have few opportunities to assert themselves. For example, on no occasion in any Indian state since 1947 has a bill introduced by a legislator been passed.³¹ Efforts to enhance legislators’ capacity to “initiate” laws are – if we think realistically -- not worth pursuing in India. The same is true of their capacity to “amend” legislation.

There is a somewhat greater chance that Indian legislatures might become somewhat better able to scrutinise the executive and hold it publicly to account. This might occur if committees of the state assembly were to become more assertive and effective at questioning ministers and senior civil servants. Suggestions on how to promote such a change appear at the end of this section.

Unfortunately, one change now being contemplated by the national commission considering changes to the Constitution, is the adoption of the ‘constructive vote of no confidence’ used in Germany. This requires those seeking a vote of no confidence to demonstrate that they have an alternative leader who can command a majority in the

³¹ The same is true in the national Parliament, although in a tiny number of instances there, governments passed members’ bills after the latter agreed to withdraw them.

legislature before they can bring down a government. If this change is introduced in India, it will make it more difficult for legislatures to influence executives and hold them to account than at present.

How might legislative committees be strengthened? They are a comparatively recent innovation at the national and state levels in India. They have been decidedly ineffective in Andhra Pradesh – as appears to be true of all Indian states. How – in the real world of the state’s politics – might this change for the better?

Because no other state has strong legislative committees, a reform here would enable the Chief Minister to claim this as another ‘first’ – something which attracts him. He would not of course enjoy the greater scrutiny that committees would exercise over the executive, but he has other reasons for empowering legislators, at least a little, in this way. It would please them – and let us remember that the Chief Minister ultimately depends on them for political survival – and ease their discontent over two other things. The first is his over-centralisation of power. The second is the possibility that some powers might be devolved onto *panchayats*, which would deprive legislators of some influence. Stronger legislative committees might compensate for a little democratic decentralisation – if the latter ever happens.

If action is taken to strengthen these committees, it will need to include the scrapping of the inappropriate division of responsibilities among existing committees. New committees should be created covering all major subjects dealt with by the government – leading to between 15 and 20 committees. Ministers and civil servants dealing with a committee’s subject should be answerable to it in open and public hearings. Ideally, every legislator should belong to one such committee, and committees – not the executive – should freely choose their chairpersons. And – again ideally – the appointments of key civil servants should be publicly cleared by committees. (DFID should note, however, that practice at Westminster falls short of those last two suggestions – indeed, in early July 2001, the executive controversially arranged the ouster of two committee chairpersons.)

A reform of legislative committees might be reinforced by workshops to encourage legislators to make constructive use of the new system, possibly with support from donors. Such workshops would have the virtue of focusing on a specific issue which would speak directly to the self-interest of legislators. They tend to regard overly general workshops on 'good governance' themes with derision and mirth. But such a specific theme as a new committee system would help them to see that there they can do more than just supervising patronage distribution within their constituencies -- which is the overwhelming preoccupation of most legislators.

Comparisons with other states: So little has been done in any Indian state on legislative reform that it is difficult to rank states according to their achievements. But this might

also be seen by the Andhra Pradesh government as an opportunity to be the first state to make startling innovations. A small number of other states have reorganised legislative committees along departmental lines (a useful step) -- but no other state, nor Parliament in New Delhi has thrown committee meetings open to the press and the public.

Scenario A: The government creates a new system of committees in the legislature, with substantial powers. **Very unlikely**.

Scenario B: The government provides modest new powers to committees. **Somewhat unlikely**.

Scenario C: Parliament in New Delhi makes things worse by adopting the ‘constructive vote of no confidence’. **Somewhat unlikely** (because opposition parties will thwart it in the Rajya Sabha).

Warning signs: Inaction on all fronts, justified by the not entirely specious claim that other matters are more important.

How to maximise progress: Stress that reform in this vein would be a ‘first’ in Indian states, and would be popular among legislators on whom all governments depend; expose legislators to systems where legislative sub-committees have some influence.

3.5 The Role of the Main Opposition Parties as Change Agents

The opposition parties are reasonably promising forces here – although they will have almost no impact while in opposition to the present government. So resistance to governance reforms by the opposition cannot be used as an argument for maintaining the status quo.

The Congress Party is by far the most important element in the opposition. The only other such force with significant popular support is the BJP, but it is not entirely an ‘opposition’ party. It fought the 1999 state and national elections as an ally of the ruling TDP, and it will do so again in the local government elections in July 2001. The TDP sustains, but does not provide ministers for the BJP-led coalition government that currently governs in New Delhi. Within Andhra Pradesh, the Chief Minister excludes the BJP from any advantages, as if it were an opposition party – most of the time. But the dependence of the Vajpayee government in on TDP support means that the BJP cannot play much of an adversarial role in state politics. It sometimes acts as an opposition party, but not when the vital interests of the ruling TDP are at stake. The parties of the left and one Muslim party are marginal forces – although the Communists exercise influence over public debate in the state that is disproportionate to their tiny numbers in the legislature.

While the TDP remains in power, the Congress will criticise its economic policies and reforms – loudly but incompetently (see section 4.4 below). But it is likely to support most of the governance reforms that are the focus of this report. One exception might be an attempt by the government to place non-gazetted (low-ranking) state employees under the supervision of *panchayats* (see section 3.3 above). Those employees constitute a more potent interest group here than in most Indian states. But apart from that, Congress will be broadly supportive -- although not, on its own, an effective change agent. It is too incompetent and divided to play that role.

Congress is the only opposition party that could conceivably come to power in the state over the next few years. If it does so, it is very likely to continue with the current economic reforms – indeed, some respected observers believe that it might move more swiftly than the TDP. It will also proceed with some governance reforms, although its weak, unimaginative leadership may reduce its effectiveness in that vein (see section 4.8 below).

Comparisons with other states: When considering relations between ruling and opposition parties, and the potential role for the opposition as change agents, we can divide India's states into three categories. (1) In a few states, relations between rival parties are bitter. This can occur because of ideological differences, personal antipathies between leaders, poisonous relations between the social bases of different parties – or some combination of these factors. The most extreme examples of this are Tamil Nadu and Uttar Pradesh, but this is also true (for varied reasons) in Maharashtra, West Bengal and some others. In such states, changes of government tend to trigger major departures from the policies of previous governments. (2) In most states (including Andhra Pradesh), relations are not particularly cordial but there is enough commonality of outlook between ruling and opposition parties to ensure broad policy continuity when governments change. (3) Finally, in a very small number – the most salient example is Rajasthan – relations between ruling and opposition parties have long been remarkably cordial, no matter who governs. Again, policy continuity is strong in such places.

Scenario A: The main opposition parties (Congress and the BJP) remain solidly, though ineffectively supportive of all political reforms discussed here, and persist (again ineffectively) with such reforms if one takes power. **Somewhat likely.**

Scenario B: The main opposition parties broadly support political reform, but oppose any move to place non-gazetted officers under the supervision of *panchayats*, and reverse that decision if one takes power. **Somewhat likely.**

Warning signs: Since few problems should arise on this front, the only sign to watch for is an inclination by Congress (and possibly the BJP) to oppose action on non-gazetted officers.

How to maximise progress: Open a dialogue with all parties on governance reforms; explain to Congress leaders that placing non-gazetted officers under *panchayats*' supervision would reduce petty corruption and thus be popular. Opposing it would gain support from the officers, but might forfeit support from citizens on whom they prey for bribes.

3.6 The Role of Civil Society and the Private Sector as Change Agents

3.6.1 Civil Society

'Civil society' here means the totality of voluntary associations with significant autonomy from the state. It includes large non-governmental associations operating mainly at the state level, small and more informal associations at lower levels, and non-political organisations like sports clubs. It includes some 'user committees' or 'stakeholder committees' created in connection with development programmes. But it excludes those that are substantially coopted or controlled by a government or ruling party – which is often true in Andhra Pradesh.³²

Civil society is reasonably vibrant in this state. That is true at the state-level, in the sub-regions (especially but not only on the coast) and at the local level. But the government's attempts to foster associations which it can substantially control, such as certain 'user committees', raises doubts about its inclination to work with civil society. A recent Societies Bill has, however, created fresh opportunities and space for it. This very welcome change should help the state government and civil society organisations to develop greater synergy. The government might also consider inviting civil society to play the monitoring roles noted in sections above.

Comparisons with other states: It is possible to divide India's state governments' into three broad categories on the basis of their relations with civil society. (1) A very small number are open to and encourage civil society, and do not seek to control it. Madhya Pradesh stands out in that respect, and Karnataka has at most times fallen into this category. (2) Most governments have rather ambiguous feelings about it. They are

³² Individual businesses are not included in this definition of civil society, but business associations are included. However, one set of individual businesses – privately owned newspapers and television stations – are included here. We include them in that category here, and in 'the private sector' in section 3.6.2 below. Trades unions are included within 'civil society', unless they are controlled by the state – which is not the case in India. Political parties are in an ambiguous position, since their main role is as links between civil society (in which they have some roots) and the state. But parties that are in opposition (but not ruling parties) can, with some validity, be seen mainly as elements of civil society.

It is important to distinguish between genuine civil society organisations (with substantial autonomy from the government) and 'GONGOs' – 'government organised "non-governmental" organisations'. There are plenty of GONGOs in Andhra Pradesh, notably the Self Help Groups and some 'user committees' organised and often strongly influenced by the ruling party.

suspicious of large sections of it, do little to encourage it, and exclude it from most benefits – but do little to intimidate or control it. (3) A sizable minority of state governments seek either to intimidate or to control civil society – but the pursuit of both strategies simultaneously seldom occurs. Attempts at control usually entail both efforts to coopt existing voluntary associations with inducements, plus efforts to pack ‘user groups’ (connected to sectoral programmes) with loyalists from the ruling party. The present government in Andhra Pradesh has tended to straddle categories 2 and 3, but to lean towards 3 – pursuing control rather than intimidation. If the new Societies Bill indicates a change of heart, it will continue to straddle categories 2 and 3, but lean more towards 2.

Scenario A: The government reaches out to civil society organisations for assistance in ensuring that governance reforms are implemented effectively. **Somewhat unlikely.**

Scenario B: The government remains suspicious of civil society organisations beyond the GONGOs, but creates some openings – by way of a Right to Information law and at least some new and meaningful Citizens’ Charters – that will enable them to play a role in ensuring a greater degree of transparency and accountability. **Somewhat unlikely to somewhat likely.**

Warning signs: As the Telengana separatist movement rattles the government, it turns increasingly towards pliable GONGOs; when some of them (for example, some Self Help Groups which have lately become restive) become critical of the government, it develops a more thoroughly hostile posture towards all civil society organisations.

How to maximise progress: Encourage potential positive changes outlined in section 3.1.2 above on ‘transparency’ and ‘accountability’; support the work of leading civil society organisations; support dialogue between them and the government; stress that greater synergy with civil society can ease the discontents which in Telengana have given rise to separatist demands.

3.6.2 *The Private Sector*:

The private sector includes both individual businesses (which are not included under ‘civil society’ above) and business associations (which are). It also includes privately owned newspapers and television stations, which are seen here as part of ‘civil society’. Thus, there is (unavoidably) a little overlap between ‘civil society’ and ‘the private sector’.

The private sector includes (*inter alia*) both large and small-scale industries. Both have suffered greatly from state government decisions to impose very high power tariffs on them, in part to compensate for much lower tariffs on households and, especially, farmers. This trend was checked in 2000, but many industrialists harbour bitterness

towards the Chief Minister and blame him for industrial stagnation in the state. Their antipathy has deepened as a result of his public projection of himself as a business-friendly leader.³³ This message came through very strongly in interviews by this writer and other social scientists (including one industrialist-turned-scholar who has assisted this project) with numerous large and small industrialists and with leaders of business associations.

The bitterness is especially severe among small-scale industrialists. They are less able to bear increases in the costs of power than are larger enterprises, and they suffer outright harassment from the ruling party's politicians. For example, when a small industrialist recently proposed to build a cement plant, one legislator demanded a five percent cut from the total investment in the plant and another demanded exclusive control over the transport of cement to Bangalore. The legislators in question had links to criminal gangs that could provide them with the muscle to force the cement company to comply. Appeals to the Chief Minister for action in this matter were rejected. As a result, the plant was not built.

These sorts of problems have crippled small-scale industry in the state. When a delegation from the largest association of such industries went to Mr. Naidu recently to discuss power tariffs, he behaved (in their view) abusively towards them. The result is that most industrialists are disinclined to support anything that the government does.

They care little about many of the governance reforms discussed here. They would, however welcome some of them. But the bitterness that most of them feel towards the Chief Minister will prevent the private sector from doing much.

This might change if Mr. Naidu undertook serious efforts to curtail kickbacks to those at the apex of the system, or to tackle corruption in his party and criminal gangs often linked to it at middle levels. But industrialists (large and small) regard this as very unlikely.

Recent information indicates that the government may seriously pursue deregulation – cutting red tape and creating an enabling environment for investors. This would be welcome to the private sector, especially if it had some impact on high-level demands for kickbacks. But if it were not accompanied by action to tackle criminal gangs – which is difficult both logistically and politically – it might have only a limited impact on the mood of industrialists.

Comparisons with other states: At present, relations between this state government and the private sector are quite bad compared to most Indian states. Several other state

³³ The only industry in the manufacturing sector that has prospered in recent years is pharmaceuticals. Outside that sector, information technology, advertising and a few other service industries have made gains.

governments have similarly troubled ties to industry, and a small number are worse, but there is much room for improvement. Deregulation and continued efforts to avoid inordinate increases in electricity charges on industry could ease the current tension. But this will take a long time and require sustained effort from the government.

Scenario A: The private sector will find economic and governance reforms sufficiently attractive to become an active agent for change. **Very unlikely.**

Scenario B: The private sector will find some governance reforms (some from among deregulation, Citizens' Charters, a Right to Information law and -- above all -- speedier justice and action against criminal gangs which now enforce rough justice), appealing enough to support them while ignoring the rest. **Somewhat likely.**

Scenario C: So few governance reforms will emerge that the private sector will remain largely passive and alienated from the state government. **Somewhat unlikely to somewhat likely.**

Warning signs: Slow or very limited on government action on these various fronts; inaction on criminal gangs; Citizens' Charters and a Right to Information law that contain weak provisions or are poorly implemented.

How to maximise progress: Encourage government action on the fronts identified above; support dialogue between government and industrialists (large and small) on these issues.

4. GENERAL PROBLEMS THAT MIGHT PROVE DISRUPTIVE

In this section, we consider potential problems of a more general nature that might conceivably retard or stop such progress in some or all of the specific areas analysed in Part 3 above. Sections 4.1 to 4.6 below focus on the lifespan of the present state government which (if it lasts its full term) will extend until late 2004. Section 4.7 considers the period beyond that date.

4.1 Mr. Naidu Ceases to be Chief Minister

In theory, this could happen in several different ways.

4.1.1 The Chief Minister Dies or Becomes Incapacitated

This is very unlikely. Mr. Naidu is young and in robust health. Insurgents in the state would probably like to assassinate him, but he has been given the highest security protection by the central government and the state's security forces also go to great lengths to protect him.

4.1.2 Mr. Naidu Moves to a Post in New Delhi

This is very unlikely. It could happen if the current ruling coalition in New Delhi fell and a new coalition led by Mr. Naidu took power. But neither the BJP nor the Congress would welcome that, so a national election would be far more likely. Such a national election might produce a new Lok Sabha in which only a coalition led by Mr. Naidu could gain a majority. But his greatest enemy, the Congress, would probably make enough gains to prevent that.

4.1.3 A Revolt within Mr. Naidu's Party

This is very unlikely. There is some resentment among legislators against Mr. Naidu's centralised style. But his grip on the party organisation and his impressive skills will probably suffice to prevent any revolt from making progress. And at present, no alternative leader is visible in the ruling party.

4.1.4 The State Government Loses a Vote of No Confidence

This is almost inconceivable. Mr. Naidu's party has a very solid majority in the state legislature. The other two main parties, the Congress and the BJP are very unlikely to unite against him. The state-level BJP is unhappy with the Chief Minister, but since his support for the BJP-led government in New Delhi is crucial, the state-level unit of that party will not be permitted to vote against the Naidu government on an issue of importance.

Not enough by-elections can occur to deny the ruling TDP a majority. In the unlikely event that some TDP legislators wish to leave the ruling party, the anti-defection law will prevent them from doing so. It should also be noted that it is highly unusual for no confidence votes in Indian states to succeed, even when ruling parties are much more precariously placed than the TDP in Andhra Pradesh.

Verdict on the whole of section 4.1 above: It is very unlikely that Mr. Naidu will cease to be Chief Minister during his present term between now and 2004.

4.2 The Present Government in New Delhi Falls

For complex reasons, it is quite possible that the current coalition government in New Delhi will fail to survive for a full five years until late 2004. If the government eventually falls, it is unlikely that any alternative government can be formed within the current Lok Sabha (see section 4.1.2 above). A national parliamentary election will therefore be needed.

If such an election were to produce a government that did not include the Congress Party, then it would be unlikely to pose a threat to the present government in Andhra Pradesh. But if Congress were to head a ruling coalition in New Delhi, then Mr. Naidu could expect attempts from New Delhi to undermine him. If the leftist insurgency and/or the Telengana separatist movement created significant disruptions (see sections 4.3 and 4.5 below), this might serve as a pretext for introducing President's Rule in the state. This is now more difficult than before 1994, when it was often abused, but it could occur.

Verdict: The possible fall of the existing government in New Delhi is a matter for some, though at present not deep, concern.

4.3 The Telengana Separatist Movement Develops Greater Force

The movement for a separate state in the Telengana sub-region of Andhra Pradesh could become a serious problem for the Chief Minister. It is possible (though not necessarily likely) that it will seriously undermine his power to undertake economic and governance reforms, or distract him from that task. On the other hand, it may make a few specific governance reforms somewhat more likely.

The Chief Minister recently told a prominent person from outside the state that he is badly worried by the Telengana movement. He said that just when he had managed to get where he wanted to be – with power highly centralised in his hands, and with other parties rendered virtually powerless – this movement gathered some momentum. He will remain within the state and focus entirely on preventing a poor showing in Telengana at the *panchayat* elections until they are held on 12 and 15 July 2001.

Mr. Naidu said that he will oppose the movement on four main fronts, both before and after the elections. He will announce numerous major development projects for Telengana, even if funding for them is not yet in hand. He and his party colleagues will accuse the movement's leaders of inciting violence and being soft on the leftist insurgents in Telengana. He will deploy funds lavishly in an effort to undermine the movement. And he will argue that since the movement's leader comes from the prosperous Velama caste, it is a threat to disadvantaged groups.³⁴

It is difficult to predict how successful these tactics will be. The Chief Minister can take heart from divisions within the Congress Party on this issue. The BJP's national leaders, who depend on Mr. Naidu's support for their survival in office, have prevented their state-level colleagues from backing the separatists. Thus, despite the recent

³⁴ This is based on an interview by telephone with this person – who has good access to Mr. Naidu and who is a trusted informant of this writer -- in another Indian city, 23 June 2001. The Chief Minister has begun mobilising members of one Scheduled Caste organisation with which he has close ties to oppose separatism as a high caste phenomenon. Deccan Chronicle, 24 May 2001.

creation of three new states in other parts of India, the present government in New Delhi will not agree to separation for Telengana. But that will also mean that the movement's main grievance will remain, and this could enable the agitation to continue gathering force over many months to come. It has already organised a large number of district and local committees, and middle and lower ranking Congress and BJP activists have joined it.³⁵

The Chief Minister is acutely aware of all of this, and he may therefore agree to one further initiative which is relevant here. We have seen that a cabinet sub-committee has responded to the Telengana upsurge by proposing that a number of new subjects or mandates be devolved onto *panchayats*, in order to cultivate grassroots support. On the face of it, this proposal appears significant. It runs counter to Mr. Naidu's consistent efforts to starve *panchayats* of power, but the Telengana agitation may suffice to change his mind. Donors should nevertheless examine any change in this sphere carefully, to see if it contains devices to sabotage its effectiveness – such as the devolution of insufficient funds, or the cooptation onto *panchayats* of people from 'user committees' and/or Self Help Groups in which the ruling party loyalists loom large.³⁶

Verdict: This movement poses the most serious threat to the government and to any reforms that it might introduce. But it is difficult to predict how much force it will acquire.

4.4 Popular Protests against Economic Reforms

It is extremely unlikely that the governance reforms assessed here will be unwelcome to citizens and thus generate protests – although if *panchayats* are given oversight of non-gazetted officers at lower levels, this could trigger at least limited ructions from them. The main issue here is the potential for popular protest at economic reforms.

Andhra Pradesh witnessed sizable demonstrations, riots and strikes in mid-2000 in reaction to increases in power tariffs. More in this vein may well follow similar decisions in future. But leading analysts doubt that further government actions on the economic front will touch off protests that would severe enough to disrupt governance reforms. They might even encourage the government to make certain governance reforms that would be popular.

The main reason for this view is that several organisations and groups which once had potential as sources and catalysts for protest have lost much of that. The left parties can still put a few thousand protestors onto the streets of each main city, but they have far less pulling power than in former years. The Congress Party's organisation has

³⁵ Frontline, 22 June 2001.

³⁶ Deccan Chronicle, 12 June 2001.

degenerated badly, and it cannot summon substantial numbers of protestors. Most of those that attended its recent protest rallies were mobilised by the left. Students are far less inclined to protest today than in earlier times. Many workers in the organised sector belong to unions linked to the BJP or TDP and will thus not be invited by leaders to march.

Verdict: Mass protest is unlikely to disrupt governance reforms unless the government takes action that seriously offends popular sensibilities.

4.5 The People's War Group Sustains its Insurgency

Andhra Pradesh suffers from the most serious insurgency in India outside the Northeast and Jammu and Kashmir. It has arisen among severely disadvantaged groups, mainly in Telengana, and is led by the leftist 'People's War Group'.

Over the last decade, this insurgency has lost much of its force. It has less popular support than previously, its leadership is less formidable, and many activists have left it. Idealistic young people of the kind that once have joined it now tend to join the BJP.

It continues to commit violent acts, some of which are spectacular. But these are rightly seen as signs of desperation rather than strength. One potential but unlikely governance reform – the substantial empowerment of *panchayats* – could eventually undermine the insurgency quite substantially.

Verdict: The insurgency will probably not subside anytime soon, but it is unlikely to create major problems for governance reforms.

4.6 'Make Believe' in the State Administration

Both the Chief Minister and civil servants at all levels of the government are engaged in a good deal of 'make believe' -- about the imposition of discipline upon the administration, and successes in managing development programmes.

4.6.1 The Chief Minister

The Chief Minister constantly conducts personal inspections of government programmes and projects – great and small -- on the spot, and in video conferences. He routinely identifies bureaucrats responsible for mistakes and then upbraids them. This is especially common when representatives of the media (especially the electronic media) are present. Footage of such incidents has proved popular among citizens who are sceptical of the bureaucracy.

The odd thing about all of this is that in almost all cases, scarcely any punitive action has later been taken against the civil servants whom he harangues on these occasions. Bureaucrats have therefore come to understand that this is mostly political theatre. They wearily endure his momentary outbursts, in the knowledge that this will be the end of the matter. They then resume their previous habits, so that little or no improvement in bureaucratic performance occurs.

4.6.2 *Civil Servants*

The Chief Minister frequently uses quantitative data from his supposedly formidable computer database to demonstrate achievements in development. To sustain the database, he requires civil servants to submit frequent progress reports on the number of projects or benefits provided.

In many instances – especially but not only since the financial crunch bit after the October 1999 election – little or no money is actually provided by the state government to fund these development initiatives. This creates huge problems for bureaucrats, but they have gradually realised that in most cases few checks are made to ensure that the numbers reported are actually correct.

So as we saw in section 2.2.2 above, inflated numbers indicating success are often reported. The Chief Minister apparently finds inflated figures convenient in publicising government ‘successes’.

Verdict: These tendencies towards (i) empty pretence about administrative discipline from the Chief Minister and (ii) significant non-compliance within the bureaucracy are very likely to continue. They should cause donors very serious concern. They will cause at least moderate difficulties for many government programmes -- including some governance reforms being examined here and many pro-poor programmes.

4.7 The Indian Economy Suffers a Sustained, Severe Slump

This writer is not an economist, and many readers will be better able than he to estimate the likelihood of the current industrial slowdown becoming a severe slump. But if one occurs, it will exacerbate problems in Andhra Pradesh which at present appear manageable. It could trigger substantial public protests, and bring simmering resentments against Mr. Naidu among civil servants to the surface. It might cause the Chief Minister to lose the support of the hugely influential *Eenadu* media group. These and other problems could damage his capacity to undertake reforms of any sort.

Verdict: A severe slump could create major problems for whatever governance reforms the state's authorities may wish to attempt.

4.8 The Congress Party Takes Power in the State after 2004

The Congress Party's organisation is (as usual in the years since 1980) in wretched shape. So if it wins the state election due in 2004, this will occur because the ruling TDP becomes unpopular in the interim. Ruling parties have lost state elections before in Andhra Pradesh – in 1983 and 1994.

If Congress were to take power, it would (despite its current rhetoric) broadly sustain the economic reform process. Opinion is divided on exactly how this would play out. Many think that Congress would be more reformist, others suspect that it might be less inclined to cut subsidies. Because no single Congress leader could achieve the kind of one-man dominance that prevails under Mr. Naidu, there would be broader 'ownership' of reforms within a Congress government, and a more institutionalised reformist thrust than at present. It might well undertake some of the governance reforms discussed here, perhaps on decentralisation. It would pursue policies similar to the present Congress governments in Madhya Pradesh and Karnataka – but less coherently and effectively than in those states, and with far less able leadership. It would almost certainly suffer from corruption and especially instability as a result of unbridled factional infighting.

Verdict: A Congress government would perform poorly in general. But more specifically, it might undertake modest governance reform, especially some decentralisation.

6. Which Governance Reforms Are Most Feasible Politically? Which Are Most Pro-Poor?

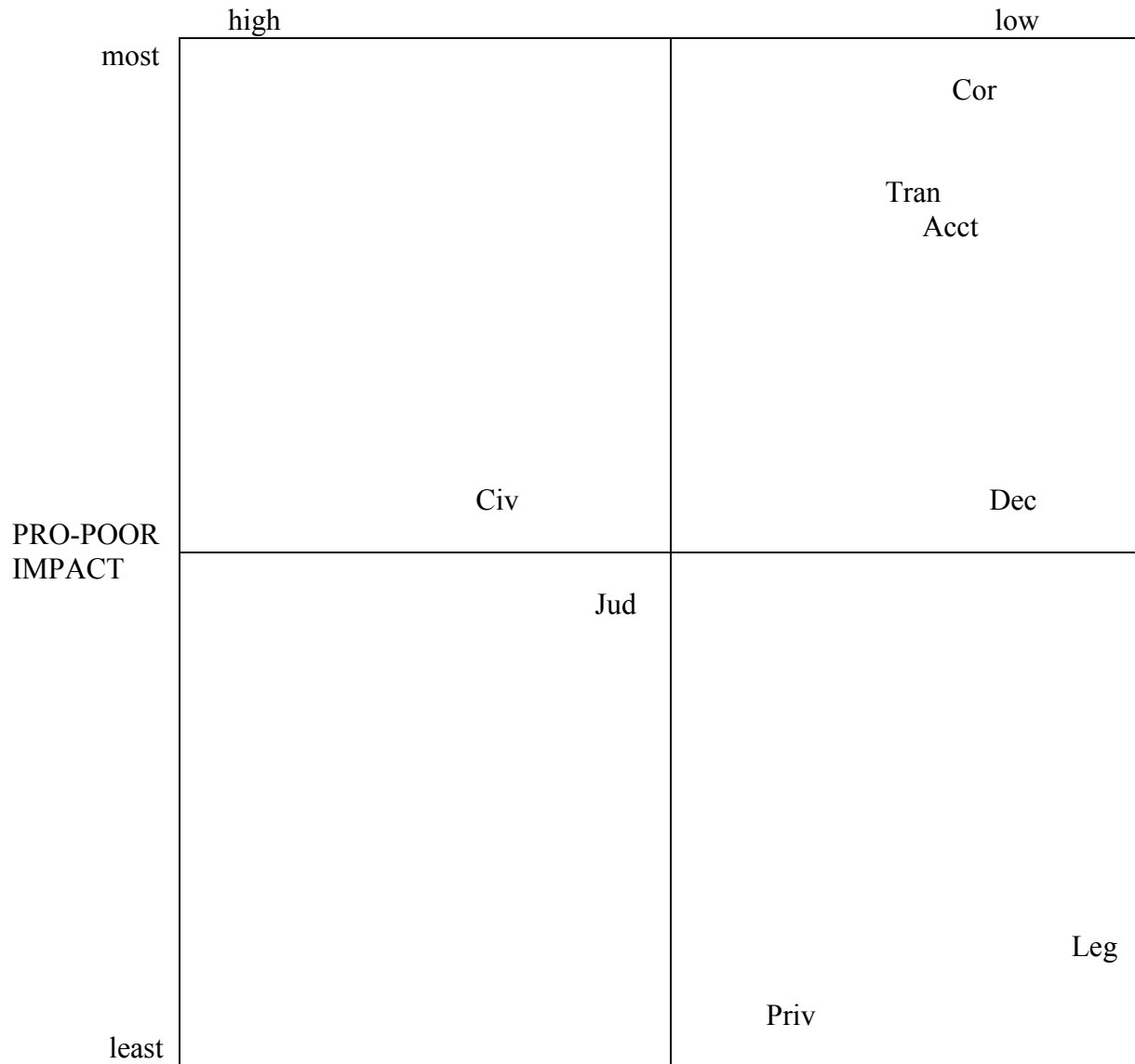
To help DFID and other agencies decide how best to deploy their funds and efforts, let us consider the two questions set out just above. Figure 1 below offers a rather crude simplification of assessments set out in much more ambiguity and detail in the various sections of part 3 above. It indicates the likelihood – that is, the political feasibility -- of significant headway being made during the lifetime of the present state government – in eight areas.

These areas – and their abbreviations in Figure 1—are as follows.

Reducing corruption:	“Cor”
Promoting transparency:	“Tran”
Promoting accountability:	“Acct”
Judicial system reform:	“Jud”
Promoting democratic decentralisation:	“Dec”
Legislative system reform:	“Leg”
Enlisting support from civil society:	“Civ”
Enlisting support from the private sector:	“Priv”

Figure 1:

POLITICAL FEASIBILITY, LIKELIHOOD



Brief comments on the placing of these various abbreviations within Figure 1 are in order.

Reductions in corruption would greatly help the poor, since they are least able to pay bribes or hire criminal gangs to give them ‘justice’. But for the reasons set out above, it appears unlikely that substantial progress on corruption will be achieved.

Promoting transparency and accountability would also benefit the poor significantly, although less dramatically than reducing poverty because many of the gains would be seized by more prosperous groups. Enough is being proposed in the way of a Right to Information law and Citizens' Charters (if they resemble the one good Charter now in force for urban local bodies) to make action of these fronts somewhat more likely than reductions in corruption.

Judicial system reform would yield less benefit for the poor, since they seldom use the system. That could change somewhat if efforts were made to acquaint them with the possibility of going to law, and if legal advice and aid were provided. But this writer's discussions with slum dwellers on this issue indicates that it would be hard to persuade many of them of this. At least some judicial reforms seem politically feasible. They would be welcomed by senior judges and private sector, and would enable the state to be seen to keep pace with Maharashtra on this. The main concern here is that less evidence has emerged about the state government's intentions in this area than in others – which may suggest that less will actually happen.

Promoting democratic decentralisation does not always help poor people, mainly because prosperous groups sometimes dominate local bodies. But it is possible to place the 'Dec' above the median line in Figure 1 for two reasons. First, Andhra Pradesh has such an effectively (over)centralised system that decentralisation there would have a greater-than-usual contribution to transparency, accountability and responsiveness – and the poor would partake of enough of these gains to make advances. Second, we find more areas of Andhra Pradesh than of several other Indian states in which poorer groups are reasonably well organised to defend their own interests. International comparisons have shown that when that is true, decentralisation tends to benefit the poor more effectively. However, given the state government's consistent hostility to *panchayats*, it is difficult to be very optimistic about much decentralisation occurring – although the worries about the Telengana movement may make a difference here.

Legislative system reform is unlikely to have produce much of value to the poor – its virtues lie almost entirely within the 'governance' rather than the social sphere. It also seems very unlikely that much change will occur in this sector. Those comments are as true of nearly all other Indian states as of Andhra Pradesh.

Enlisting support from civil society is likely to yield some benefits for the poor, in part because (as noted just above) poorer groups in some parts of this state seem comparatively well organised. But prosperous elites loom large enough in civil society to prevent the pro-poor effect from being dramatic – they will seize many of the new opportunities. Headway in this area seems more feasible than in others, mainly because of the new Societies Act and the attitudes within the government which brought it into

being. There remains, however, the determination of the state government, much of the time, to seek to control civil society.

Enlisting support from the private sector is very unlikely to benefit poor people very much, because leaders in the private sector are not interested in pro-poor reforms. An important exception to that comment might be support for action against criminal gangs. Industrialists would strongly back it, and it would help the poor. The main worry on that front is that the government appears unlikely (and it might also be less than able) to tackle that problem, which is where feasibility comes into the picture. The enlisting of the alienated private sector is more likely to occur as a result of government initiatives on deregulation (and that is unlikely to have much pro-poor impact).

6. How Can Donors Encourage Reforms?

Numerous specific actions to encourage reforms are suggested in part 3 above, but a few brief comments of a more general nature are in order here – partly to reiterate some of those points, but also to supplement them.

The actions of the Andhra Pradesh government have diverged from its publicised agenda on governance often enough that it is prudent for donors to submit its performance on the reforms discussed here to periodic, independent monitoring. If funds are provided to the state government in tranches, monitoring should be timed to precede decisions on the release of each tranche.

On many governance issues – possible increases in transparency, accountability, responsiveness, etc. -- independently conducted social audits are advisable (as the government-appointed Taskforce on Good Governance suggested³⁷). These will be especially useful in estimating the impact of reforms on poor people, which is rightly a central concern of DFID.

Perceptive observers of the Chief Minister have called attention to his eagerness to be the first leader in India to undertake a particular reform – because it bolsters his image as an imaginative innovator. When seeking to encourage the state government to introduce a particular reform which has not been attempted in other states, they should stress this point – and perhaps concentrate much (though not all) of their efforts on such reforms.

Events often compel this state's Chief Minister, like political leaders everywhere, to concentrate on his and his party's short-term interests. Mr. Naidu is also temperamentally inclined to focus on these things more than most leaders – notwithstanding the official literature on long-term aims. He also tends strongly to

³⁷ *Report of the Taskforce...*, p. 5.

concentrate far more on tactical matters (where is he a brilliant operator) far more than on broad strategic issues.

In their dialogues with the state government, DFID and other donors are likely to be most successful in encouraging reform if they base their actions on that awareness. Donors may prefer to focus their comments on general issues, long-term interests, and the interests of the state as a whole -- but they should do so with an acute awareness of short-term, tactical, partisan considerations and of Mr. Naidu's preoccupation with them.

To say something rather similar: donors are more likely to make headway if they seek reforms on specific issues which may eventually yield a cumulative effect, rather than on broad strategic matters. Systems seldom undergo sweeping change – an incremental approach is more promising. If discussions focus mainly on strategy, the possibility of specific changes can easily be lost amid excessively vague and general agreements on broad principles, especially with this government.

This is not to say that broad issues of principle are of no importance. Donors should be prepared to speak candidly of their worries on such broad matters too, and to take action when in practice the government contradicts its own stated aims – as sometimes happens in Andhra Pradesh.

One major difficulty that stands in the way of governance reforms sought by DFID and others is the state government's preoccupation with upward accountability within this highly centralised administration – at the expense of downward accountability to citizens, directly or through their elected representatives. Unless downward accountability can be substantially enhanced, then progress towards important objectives like greater transparency and – crucially – responsiveness will be very limited at best. In donors' dialogues with the state government, this basic point should be borne in mind.

Finally, when less developed countries (or states within them) undertake economic reform, the initial phases often entail a degree of pain for several segments of the population – including the poor. Several of the governance reforms discussed here could ease the burden on these groups, because they enhance freedom and dignity, curtail corruption and much else. For this reason, measures such as Citizens' Charters, Right to Information legislation, decentralisation and attacks on corruption tend to be broadly popular. This should make governance reforms an attractive option to politicians who know that certain economic reforms are bound, initially, to inspire dismay. But politicians in India have been rather slow to recognise this. If the Government of Andhra Pradesh were to grasp and then demonstrate this point in action, it would perform a service to the nation -- as well as to its own citizens and itself.