

LOK SATTA
People Power

Public Governance – Tackling Road Blocks in India

IMC, Mumbai, 5th September, 2003

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The purpose of a government is to make it easy
for people to do good and difficult to do evil.

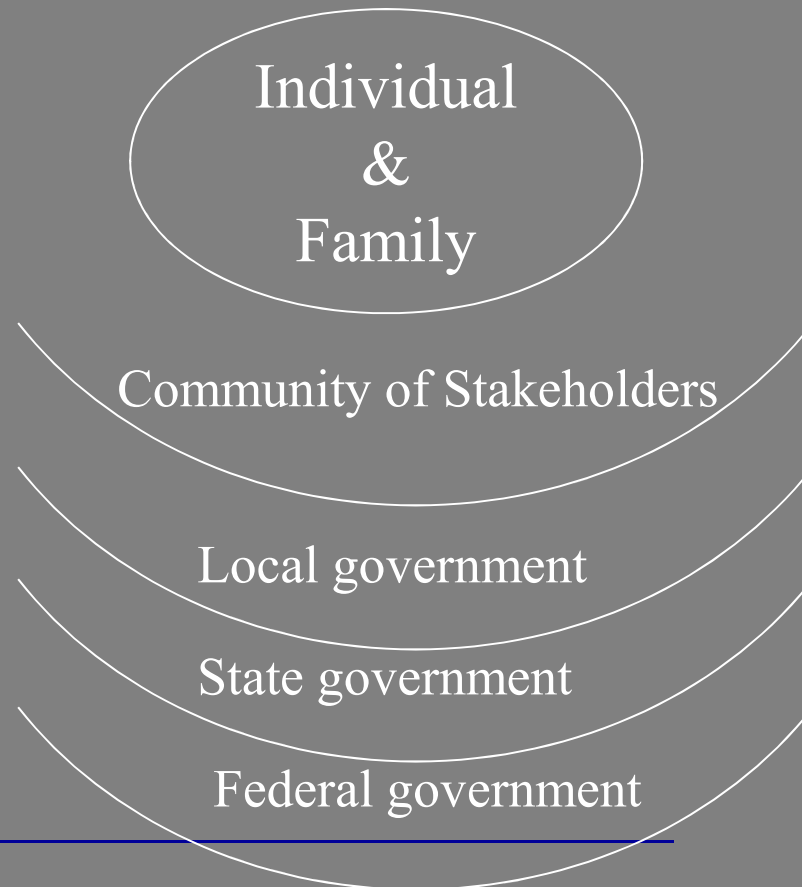
William Gladstone

State and Liberty

- **Defend Freedom**
 - Laws to regulate conduct
 - Laws to protect liberty (child labor etc.)
 - Laws and systems to protect property rights
 - **Common Services**
 - **Facilitate enjoyment of freedom**
 - Public order and peace
 - Education
 - Health care
 - Elimination of drudgery
 - Conditions for economic growth
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State vs Citizen

- Strong State → authoritarianism
- Weak State → anarchy
- Citizen-centered enabling state



Can Economic Reforms Alone Deliver?

- Smaller and more focused government will help
- But government still has large role

Irreducible Role of State

- Rule of law
 - Public order
 - Justice
 - Education
 - Health care
 - Infrastructure
 - Natural resources development
 - Social security
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Public Expenditure as % of GDP

Country	Public Expenditure as % of GDP
United Kingdom	36.4
Germany	32.6
United States	27.5
India	26.0

Priorities in Public Spending

Country	PE on Education as % of GDP	PE on Health as % of GDP
United Kingdom	4.5	5.9
Germany	4.6	8.0
United States	4.8	5.8
OECD	5.2	8.1
India	3.2	0.9

What the Reform Process has not Attempted so far

- Freeing ordinary citizens from shackles of government bureaucracy
- Strengthening agriculture
- Reducing corruption
- Promoting transparency
- Enhancing accountability
- Enforcing rule of law
- Building adequate infrastructure
- Improving public services

Persistent Regulatory Shackles

- The long arm of state hurting economic activity and livelihoods
eg: rickshaw pullers, hawkers etc.
 - Extortionary corruption debilitating industry
 - Customs
 - Central excise
 - Commercial taxes etc
 - Absence of reforms to generate demand for labour
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Unintended Consequences of Early Phase of Reforms

- One time grand corruption – golden goose effect
- Abdication of state in critical areas
- Corruption shifting to sovereign areas
- Continuing regional disparities

Way Out

- Genuine democratic reforms
 - Reinventing the state
 - Effective state – not weak state
 - Genuine liberal democratic paradigm in public discourse
 - High quality scholarship in non-marxist framework
 - Special package for low-growth regions
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Governance at a Glance

- Governments spend Rs. 1800 crores every day
 - Out of 27 million organised workers, government employs 70%
 - Fiscal deficit (Union and States) remains at 10 % GDP
 - 50% Union tax revenues go towards interest payment
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Is Money the Issue?

School Education

- 1.6 million classrooms needed
- Capital cost : Rs.16,000 crores – 9 days govt. expenditure
- Recurring expenditure : Rs.8000 crores – 5 days govt. expenditure

Sanitation

- 140 million toilets needed
 - Cost: Rs 35000 crores
 - Equals just 20 days expenditure
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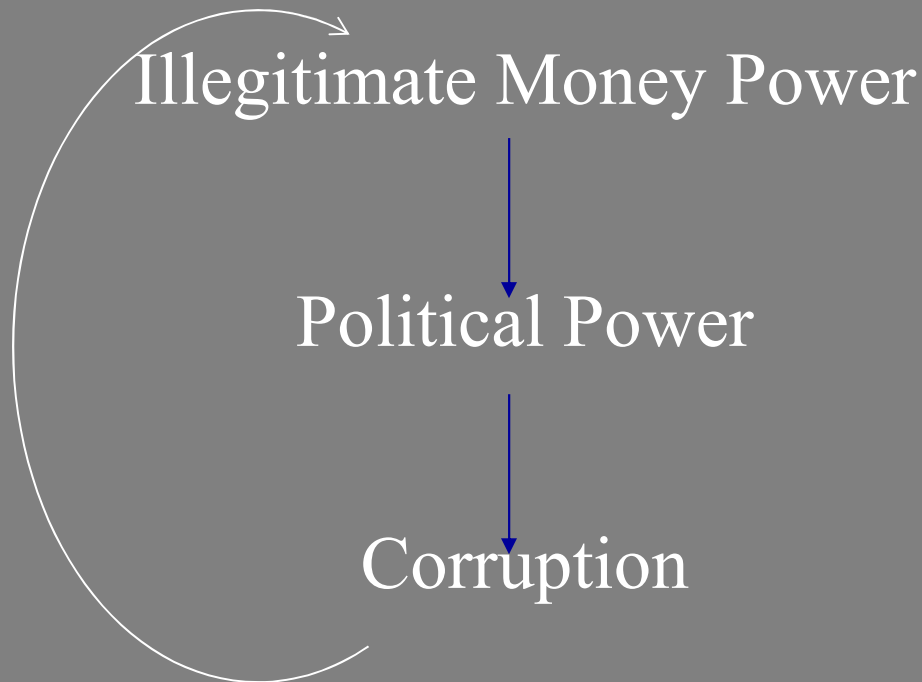
In a Sane Democracy

- Political process should resolve the crisis
 - Parties, elections and public office are the route to reform
 - In India a vicious cycle operates
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Failure of Political Process

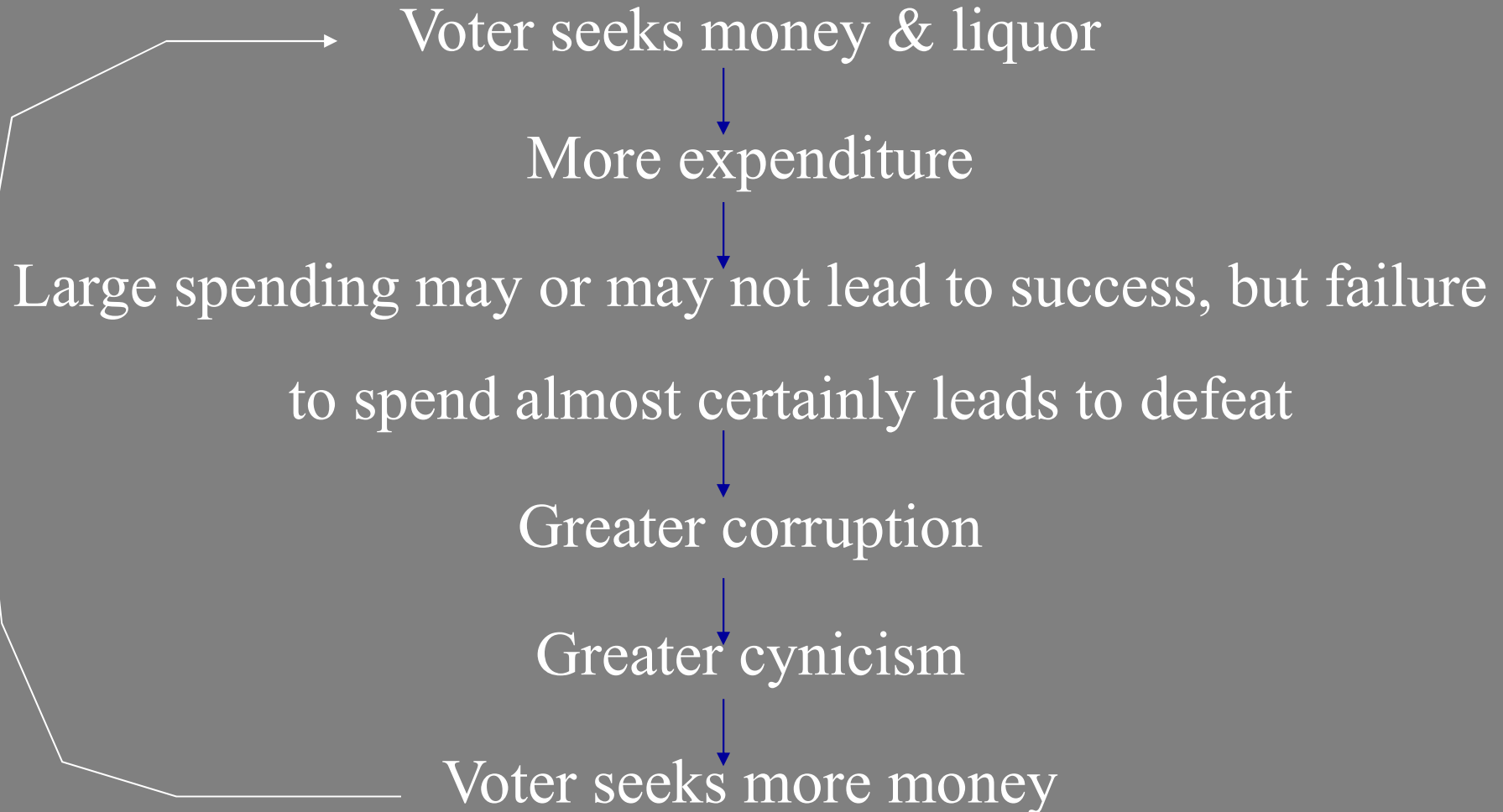
Interlocking vicious cycles

Inexhaustible demand for illegitimate funds



Interlocking Vicious Cycles

Most expenditure is to buy votes



Contd..

Rise of Political Fiefdoms

Need for money, caste and local clout



Parties are helpless in choice of candidates



Rise of political fiefdoms



Absence of internal party democracy



Competition among a few families in most constituencies



Oligopoly at constituency level

Vote delinked from public good

Centralized polity



No matter who wins, people lose



Vote does not promote public good



Voter maximizes short term gain



Money, liquor, caste, emotion and anger become dominant



Vicious cycle is perpetuated

Interlocking Vicious Cycles Taxes delinked from services

Only 16 % of GDP collected as taxes (union & states)

Fiscal deficits and crisis

Higher Taxes

Unacceptable because
of corruption and poor
services

Desubsidization

The poor do not see
alternative benefits for
the subsidies given up

Wage Reduction

Centralization and Art
311 preclude it

Deeper fiscal crisis

Poorer services and public goods

Perpetuation of poverty and backwardness

Contd..

Political survival and honesty not compatible

Parliamentary executive

Government survival depends on legislative majority

Legislators spend a lot of money to get elected

They need multiple returns to sustain the system

Corruption and misgovernance endemic

Government has to yield to legislators' demands

Corruption is perpetuated even if government has the will

Honesty not compatible with survival

What Ails Bureaucracy

- Life time security of bureaucracy
- Penchant for centralization and secrecy
- Lack of professionalism and specialized skills
- Absence of incentives for excellence
- No accountability
- Corruption and maladministration

Distortions of State Power

- Positive Power restricted
Negative power unchecked
 - All organs are dysfunctional
 - A system of alibis
Victims of vicious cycle
 - Change of players
No change in the rules of the game
 - Political process ought to be the solution
But has become the problem itself
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Keys to Resolution

- Crisis is systemic
- Most players are victims of a vicious cycle
- Change of players not enough
- Change of rules of the game needed
- Institutions are the key
- Resources are not a problem
- The way they are deployed is the key

Key Reforms

Electoral reforms	Funding
	Criminalization
	Voting irregularities
Electoral system	Proportional Representation
	Separation of Powers
Decentralization	Local Governments
Rule of Law	Judicial reforms
Accountability	Right to information
	Citizens' charters
	Independent crime investigation

Recent Reform Initiatives

- Disclosure of candidate details
 - Changes in Rajya Sabha Election
 - Anti-defection Law changes
 - Limiting the Size of Council of Ministers
 - Women's Reservation in legislatures
 - Post office as nodal agency for voter registration
 - National Judicial Commission
 - Right to Information
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Campaign Expenditure – India vs US

Expenditure for Lok Sabha + all Assemblies – all parties + candidates

Estimated : Rs.2500 + Rs.4500 crores

Total : Rs.7000 crores = \$1.5 b

70-80% is for vote buying

US election expenditure in 2000

Presidency + House + 1/3 Senate + 1/3 governors

Estimated expenditure: (Soft + Hard) \$ 3 billion

80% is for TV advertising.

Actual campaign expenditure :

50%

\$ 1.5 billion

Adjusted to our low per-capita income, and high purchasing capacity of Rupee, our expenditure is 60 times that of US!

Campaign Expenses – Vicious Cycle

- Illegitimate expenses are often 5-10 times the ceiling or more

(Assembly ceiling: Rs 6 lakhs

Lok Sabha ceiling: Rs 15 lakhs)

- Every crore spent illegitimately



Rs 10 crore returns

(to cover ROR, Interest, personal upkeep, supporters, family's future, next election costs)



Rs 100 crore collected through bureaucracy

(for every legislator, there are 2000 employees who need to collect 'rent')



people suffer ten times more.

Payment extorted, on pain of delay, harassment, humiliation, anxiety and greater loss.

Funding Reform Bill

- Full tax exemption to individuals and corporates for funding party
- Repeal of explanation 1 of Section 77 of RP Act - expenditure by parties will now come under ceiling limits
- Disclosure of party finances and contributions over Rs. 20,000
- Free air time for recognized parties in public and private channels

Funding Reform Bill

Impact

- Will help bring funding into the open
- Will help raise resources for legitimate campaign

Deficiencies

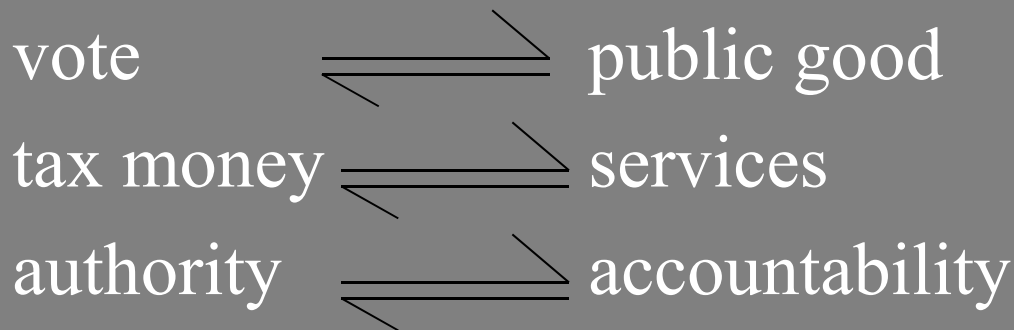
- No penalties to donor for non-disclosure
- No auditing of accounts
- No direct public funding

Current status

- Bill vetted by Parliamentary Committee. Revised Bill introduced in Parliament. Enjoys bipartisan support

Will Vote Buying Disappear?

- Not immediately
- People will continue to take money for voting
- Candidates will spend personal money for sometime
- Severe penalties will force disclosures
- Local government empowerment will reduce vote buying



- value of vote will then be far greater than the money offered

Other Reforms

- Proportional representation (German model mixing with constituency election)
 - Incentive to buy votes in a constituency will disappear
 - Interests of local candidate will run counter to party's need to maximise overall vote
 - Will give representation to small parties and legitimate reform groups, forcing change
 - Voting will be based on party image and agenda, not local expenditure
 - Ignored sections will find voice and get representation

contd..

Other Reforms

- Direct election of head of government at State and local levels
 - No one can buy a whole state electorate
 - Image and agenda of leader will be decisive
 - With separation of powers, there will be no incentive to overspend for legislative office
 - At state level, there is no fear of authoritarianism as Union government, Election Commission, Supreme Court etc., will act as checks
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Other Reforms

Political party regulation

- Membership
- Free, open and voluntary
 - Uniform, objective conditions / no restrictions
 - No arbitrary expulsion
 - Due process for disciplinary action

- Leadership choice
- By regular, periodic, free and secret ballot
 - Opportunity to challenge leadership through formal procedures with no risk of being penalised

- Choice of candidates
- By members at constituency level through secret ballot
 - By elected delegates through secret ballot
 - Central leadership cannot nominate candidates
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Other Reforms

Judicial Reforms

- Indian Judicial Service
 - Changes in procedural laws
 - Local Courts for speedy justice
 - Independent crime investigation
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Other Reforms

Bureaucracy

- Amendments to Art. 311 limiting security
- Parallel recruitment for key offices
- Tenure with accountability in key positions

Other Reforms

Local Governments

- Link between
 - Vote and public good
 - Taxes and services
 - Authority and Accountability
 - Responsibilities, resources and control over staff
 - Amendments to Art 243 to make transfer of powers mandatory (on par with 7th schedule)
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Other Reforms

Corruption

- Independent, strong, anti-corruption agency
- Law providing for confiscation of benami and own properties of corrupt public servants
- Mandatory jail terms
- Disqualification of all those named by various Commissions for corruption or abuse of office

Other Reforms

State Level

- Local courts
 - Local government empowerment
 - Stakeholder empowerment
 - RTI Act and rules and enforcement
 - Anti-corruption agency
 - Police reforms
 - Independent crime investigation
 - Citizen's Charters
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Window of Opportunity

- Deepening fiscal crisis
- Citizen's disgust and concern
- Unsustainable status quo
- Relatively sound private economy
- Demographic changes and rising expectations
- Communications revolution

Conditions for State-wide Movement

- A group of credible citizens with excellent track record
- Insights to political and governance process
- A practical agenda which unites all segments
- Professional, full-time, institutional approach

Approaches to National Campaign

- Identify reform groups and support
 - Focus on key goals and mobilize public opinion and bring pressure
eg: disclosure; funding; alternative model for women's representation; Post Office as nodal agency
 - National communication campaign
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National Communication Campaign

- What are the reforms needed and why
- What is there in it for me as a citizen
- How can I participate
- In all major languages
- Taking advantage of Radio and Cable TV penetration

Two Paths - Choice is Ours

German example vs USSR example

- Freedom enhancing
- Democratic
- Orderly
- Integrating
- Growth-oriented
- Tyrannical
- Chaotic
- Disintegrating
- Debilitating

“Never doubt that a small group of thoughtful
committed citizens can change the world.
Indeed it is the only thing that ever did ”

- *Margaret Meade*