

LOK SATTA
People Power

Governance Reforms, Development and Civil Society

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

- *Gladstone*

Crisis of Governance

- Increasing lawlessness
- Inefficient state apparatus
- Unresponsive bureaucracy
- Ineffective judicial system
- All pervasive corruption
- Criminalization of politics
- Money and muscle power in elections
- Political instability
- Erosion of legitimacy of authority

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

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

Is Money the issue?

Sanitation

- 140 million toilets needed
- Cost: Rs 35000 crores
- Equals just 20 days expenditure

School Education

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

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

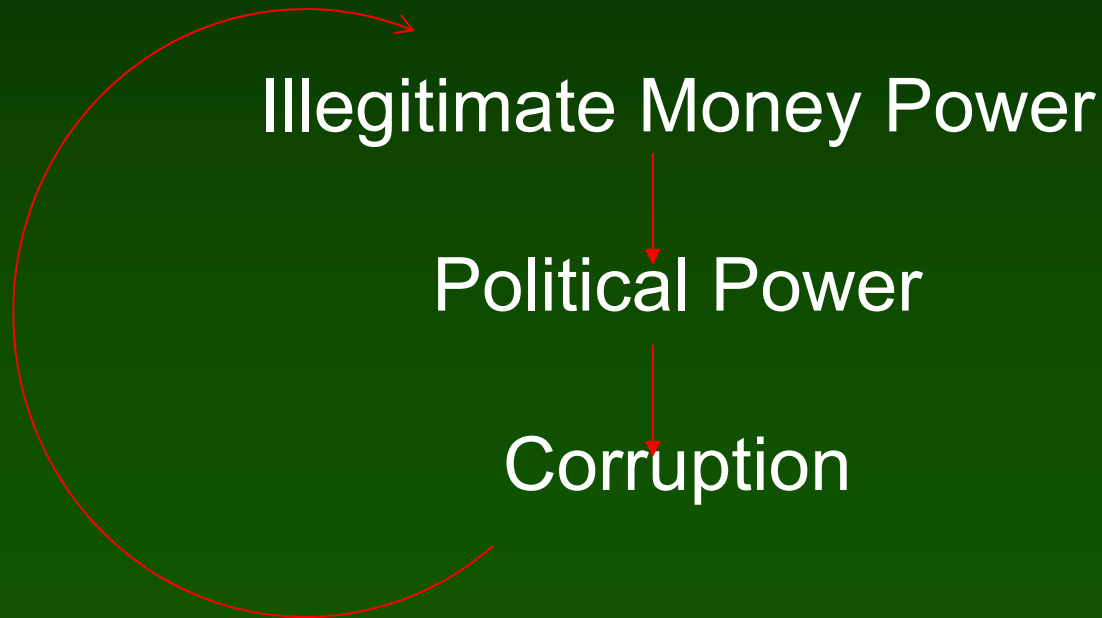
System Caught in a Vicious Cycle

- Inexhaustible demand for illegitimate funds
- Most expenditure incurred for vote buying
- Rise of political fiefdoms
- Vote delinked from public good
- Taxes delinked from services
- Political survival and honesty incompatible
- Social divisions exacerbated
- Competence and integrity excluded
- National parties marginalized

Failure of Political Process

Interlocking vicious cycles

Inexhaustible demand for illegitimate funds



Most Expenditure is to Buy Votes

Voter seeks money & liquor

More expenditure

Large spending may or may not lead to success, but failure to spend almost certainly leads to defeat

Greater corruption

Greater cynicism

Voter seeks more money

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

Contd..

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

Contd..

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

Contd..

Social Divisions Exacerbated

FPTP

↓
Scattered minorities unrepresented

↓
Marginalization and Ghettoization

↓
Strategic voting and vote-bank politics

↓
Obscurantists become interlocutors drowning voices of reason and modernity

↓
Politicians pander fundamentalists

↓
Counter-mobilization of other groups based on primordial loyalties

↓
Communal polarization and strife

Contd..

Competence and Integrity Excluded

FPTP



Need for money power and caste clout



Honest and decent elements have little chance



Bad public policy and incompetent governance



Deepening crisis

Oligopoly of Parties

FPTP

Only a high threshold of voting ensures victory

Parties with 35 - 50% vote, or social groups with local dominance get elected

Significant but scattered support pays no electoral dividends

Voters prefer other “winnable” parties

Marginalization of reformers, and national parties

Regionalization of polity & perpetuation of status quo

Contd..

Representational Distortions

FPTP



Women & deprived sections not represented



Reservation with rotation is arbitrary and leads to proxies



Perpetuation of dominance of traditional groups



Representational illegitimacy

Campaign Expenditure – 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)

Economic Reform

- Political consensus available
- Process irreversible
- Continuity of policy
- Stridency not to be confused with substance
- Young Indians (71% below 34 yrs of age) in favour of markets
- Rule of Law and sanctity of contracts - record is mixed
- Political games do cause delays
(eg. disinvestment)

Things are Improving

- Telecom sector
- Railway freight
- Improved highways – rapid execution
- 6-7% growth still sustained
- Population control in Tamil Nadu, AP, etc
- Governance and control of corruption are on the agenda
- States competing for investment and growth
- Young people are ambitious, educated and hungry for success
- Liberalization process has unlocked the economic potential of India

Can Economic Reforms Alone Deliver?

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

Irreducible Role of Government

- Public order
- Rule of law
- Justice
- School education
- Healthcare
- Infrastructure
- Natural resource development
- Social security

Inadequate Social Sector Spending

- Education – only 3.2 % GDP
- Functional literacy 30-40%
- Crisis of higher education
- Healthcare – only 0.9% of GDP
- Population growth rates still too high 1.94%

Inadequate Social Sector Spending

- 25 % of hospitalized Indians fall below the poverty line because of hospital expenses.
- 81 % of outpatient care is provided private healthcare
- Only 40% inpatient care is provided public healthcare
- Only 17% of Health expenditure in public sector
- Very high reliance on out-of-pocket expenditure
– Georgia, Cambodia, Myanmar and Afghanistan

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

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

What does the Citizen Expect?

- Justice
- Dignity
- Vertical mobility

Justice

- Not the esoteric or romantic concept of justice
- Even mere fair and speedy adjudication, reparation for rights violated, and swift trial to punish the guilty are beyond the reach of citizens
- The poor and the under privileged are the worst sufferers .
 - ➔ The case of dog-bite
 - ➔ The case of police van accident
- Yet simple solutions are available

Dignity

Elimination of

- Hunger
- Drudgery
- Public defecation
- Caste or religious discrimination
- Child labour
- Persistent regulatory shackles - the self employed in Delhi

Vertical Mobility

- Education as a tool of empowerment
- Health care:
 - 83% private, mostly out-of-pocket expenditure
 - Hospitalized Indians spend 58% of annual income on an average
 - 40% of hospitalized Indians are forced to sell assets or borrow at usurious rate (60 – 100%)
 - 25% of those hospitalized fall below poverty line because of hospital cost
 - 33% children have proper immunization
- Basic amenities
- Water

Way out

- Assert people's sovereignty
- Fundamental democratic transformation
- People centered governance

Key Governance Reforms

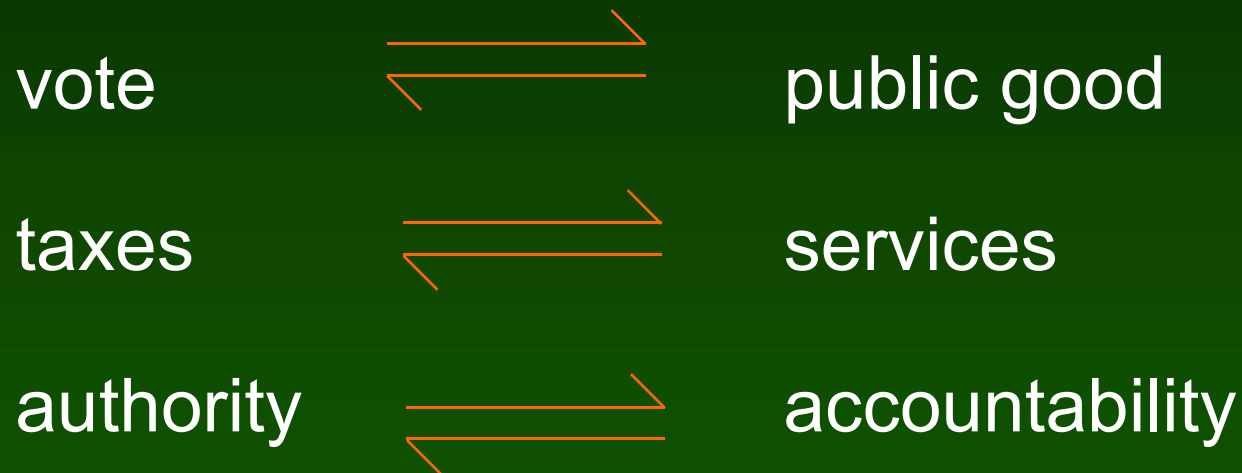
- Comprehensive electoral reforms
- Empowerment of local governments
- Instruments of accountability
- Speedy and efficient justice

Electoral Reforms

- Process Improvements
 - Preventing polling irregularities
 - Arresting and reversing criminalization of politics
 - Checking abuse of unaccountable money power in elections
- System Improvements
 - Political party reform
 - Proportional representation
 - Direct election of Chief Executive at the State level with clear separation of powers

Empowerment of Local Governments

- Transfer of funds, functions and functionaries to local governments
- Link between



Instruments of Accountability

- Right to Information
- Independent crime investigation
- Independent appointment of constitutional functionaries
- Independent and effective anti-corruption agency
- Term limits for public office
- Strict penalties for abuse of office
- Citizen's Charters
- Stakeholder empowerment

Judicial Reforms

- Local courts in local language (Gram Nyayalaya)
- Time bound justice
- Procedural improvements
- Removal of corrupt judges – Maharashtra pattern
- All India Judicial Service
- Independent crime investigation
- National Judicial Commission

What can Civil Society do?

- When political process fails, the ball is with citizens, the ultimate sovereigns
- Local assertion
- State-level reforms
- National platform for larger reforms

What can Citizens do?

- Resist misgovernance
- Check corruption
- Influence public discourse
- Channel resources better
- Enforce better services
- Bring pressure for reforms

Approaches to Citizens' Action

- Collective, informed assertion
- Wide dissemination of information
- Effective mass communication
- Strategic intervention

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

Citizens Initiatives – LOK SATTA's Experience

- Mass mobilization
- Think tank functions
- Effective advocacy

Window of Opportunity

- Demand for reform
- Relatively sound private economy
- Demographic changes
- Large, skilled, young, low-cost manpower
- Communications revolution
- Improved transport
- Power sector reforms in progress
- Road blocks to growth being removed
- Stable polity
- Mature financial system
- National mood upbeat

What Needs to be Done

- Political reforms
- Decentralization
- Judicial reforms
- Accountability measures
- Innovative mechanisms for management of education, healthcare and power sector
- Civil service reform

Two Paths - Choice is Ours

German example

vs

USSR example

– Freedom enhancing

– Tyrannical

– Democratic

– Chaotic

– Orderly

– Disintegrating

– Integrating

– Debilitating

– Growth-oriented

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

- *Margaret Meade*