

**Bihar's Exposure
To
Innovative Governance Practices**

**A REPORT OF THE
SPECIAL TASK FORCE
ON BIHAR**

**GOVERNMENT OF INDIA
NEW DELHI**

OCTOBER, 2007

FINAL DRAFT

BIHAR'S EXPOSURE TO INNOVATIVE GOVERNANCE PRACTICES

**A REPORT OF THE SPECIAL TASK
FORCE ON BIHAR**



**GOVERNMENT OF INDIA
NEW DELHI**

OCTOBER, 2007

SPECIAL TASK FORCE ON BIHAR

- | | | | |
|-----|--|---|-----------------|
| 1. | Dr. Satish C. Jha | - | Chairman |
| 2. | Shri Saurabh Srivastava | - | Member |
| 3. | Late Shri Rajender Singh | - | Member |
| 4. | Shri R.K. Sinha | - | Member |
| 5. | Dr. P.V. Dehadrai | - | Member |
| 6. | Dr. Nachiket Mor | - | Member |
| 7. | Shri Tarun Das | - | Member |
| 8. | Shri Deepak Dasgupta | - | Member |
| 9. | Prof. Pradip N. Khandwalla | - | Member |
| 10. | Prof. C. P. Sinha | - | Member |
| 11. | Chief Secretary, Government of Bihar | - | Member |
| 12. | Resident Commissioner, Government of Bihar | - | Member |

ACKNOWLEDGEMENTS

This Report is based on extensive survey of literature and analysis on issues of governance carried out by Special Task Force Member, Prof. Pradip N. Khandwalla (Ex-Director of IIM, Ahmedabad). He was assisted by Task Force Research Consultants Gordhan Saini and Sudhir Suthar. Prof. Khandwalla received support from Pravin Lahiri, Ex-Chief Secretary of Gujarat and Anita Karwal, IAS, on information/data related to a Gujarat innovation. He also received information access from Prof. Gopal Naik (of IIM, Bangalore), and comments of Hasmukh Adhia, IAS, former Principal Secretary to Chief Minister of Gujarat. The Task Force received valuable information and comments from the Government of Bihar and Kamla Prasad (Ex-Chief Secretary of Bihar). The other Task Force Members provided valuable comments. The Task Force was assisted by its officer M.P. Singh in giving final shape to the Report. Deep appreciation and thanks are extended to Prof. Khandwalla for his outstanding contribution in this work, and to all others who have rendered valuable assistance in the formulation of this Report.



Chairman

Contents

Chapter		Page No.
	EXECUTIVE SUMMARY & RECOMMENDATIONS	1
	PREAMBLE	13
CHAPTER ñ 1	BACKGROUND AND CONCEPT OF GOOD GOVERNANCE CAPACITY	15
CHAPTER ñ 2	INTERNATIONAL INNOVATIONS AND EXPERIENCES IN GOVERNANCE	23
CHAPTER ñ 3	INDIAN INNOVATIONS AND EXPERIENCES IN GOVERNANCE	46
CHAPTER ñ 4	BUREAUCRATIC REFORMS IN BIHAR VERSUS NPM-ORIENTED GOVERNANCE	57
CHAPTER ñ 5	GOVERNANCE RELATED POLICIES AND STRATEGIES FOR BIHAR	61
CHAPTER ñ 6	CONCLUSIONS	77
	REFERENCES	79

EXECUTIVE SUMMARY AND RECOMMENDATIONS

A. Executive Summary

The first chapter briefly describes governance experiences in the State of Bihar, explains the concept of governance capacity in Bihar's context, and illustrates how governance capacity can be dramatically improved.

Chapter 2 briefly reviews global innovations in governance and the evolution of what has come to be known as New Public Management (NPM) that was initially a response to governance failures in the West, but now has come to be practised widely also in the Third World. NPM is suitable for states like Bihar as it is designed, with appropriate local adaptations, to yield much better performance accountability, citizen service and satisfaction, productivity and quality of public services, and a continuing stream of improvements and innovations.

Chapter 3 briefly describes innovations that have been successfully implemented in some Indian states, such as creating a mindset change in government employees, handing over for management governance health facilities to bodies consisting of key stakeholders, e-governance, and the participation of civil society for improving municipal services. The chapter also draws on the experience of China in stimulating rural industrialization and agricultural productivity enhancement through improving the access of rural households to technical expertise.

Chapter 4 contrasts the way bureaucratic reform has been attempted so far and how public administration can be revamped through NPM and an innovative approach to governance. In particular, it contrasts the approach of Bihar's Administrative Reforms Commission and the NPM approach. It briefly summarizes the implications of governance innovations for Bihar's governance.

Chapter 5 outlines the governance-related strategies, policies, and initiatives that can revamp Bihar's public administration and form the basis of the Report's recommendations presented below.

Chapter 6 outlines the main conclusions drawn from the analysis contained in the Report.

B. Recommendations

A. Creating a Mindset Change in Bihar Government's Administrative Staff

- (1) The Bihar Government should launch a Vibrant Gujarat pattern mindset change program to enhance the personal effectiveness, achievement motivation, inter-personal competence

and leadership skills of all of its Class 1, 2, 3, and 4 employees through a public-private partnership. It should also get measured psychometrically various leadership change agency, communications and interpersonal skills related task achievement, ethical and social responsibility related analytical skills, creativity, resourcefulness and other relevant skills of the participants of the mindset change program to identify high potential persons. They should be given further training to develop their administrative competencies.

- (2) In parallel with the mindset change program, the Government should chalk out a strategy of harnessing the newly enhanced enthusiasm and skills of the participants. It should facilitate the creation of numerous quality circles along the Singapore pattern WITs, in which the mindset change program participants can contribute suggestions for workplace-related improvements.
- (3) The Bihar Government should launch a Total Quality Management (TQM) program along the Malaysian pattern to cover all its departments and agencies.
- (4) The Government should encourage departments to go in for relevant benchmarking to fix productivity and quality standards and then seek appropriate ISO certifications to standardize effective procedures.
- (5) The Government should institute performance incentives for high performers, including a fast track program and monetary and non-monetary incentives.
- (6) The Government should institute decentralization, the operating principle being that decisions taken at a given level at present should, as far as is practicable, be taken at least one level lower.
- (7) The Government should set up a number of task forces of innovative personnel and domain experts to achieve innovative breakthroughs related to administrative bottlenecks, and a number of cross-functional teams to improve inter-departmental coordination and collaboration.
- (8) The Government should restructure administration to create relatively small, multi-functional departments analogous to corporate divisions, and put dynamic staff members in charge of these departments.

B. Creating Greater Costs-Benefits Consciousness in Bihar's Administrators

- (1) Every department/agency of Bihar Government should change its accounting system appropriately to identify what its various activities actually cost. Thereafter, market tests should be performed to determine the gaps between what the current costs of the activities are and what the costs would be, if the activities were to be outsourced.
- (2) An ABC analysis should be performed of the activities: 'A' activities for which outsourcing would yield the maximum savings and other benefits to the government; 'B' activities for which the benefits would be moderate; and 'C' activities for which either there are no outsourcing benefits or it is not in the public interest (because of, say, security reasons) or it is not legally feasible to outsource them.
- (3) 'A' activities should be immediately outsourced on a competitive bidding basis, and if this results in significant redundancies in the department/agency, the transfer of redundant personnel to the bid winner should be one of the conditions on which the outsourcing contract is awarded.
- (4) For 'B' activities every attempt should be made to reduce costs in a time bound manner in order to reduce the burden on the exchequer, and if on a further market test, a significant gap still persists, the activities should be outsourced in the manner indicated for 'A' activities.
- (5) 'C' activities should continue to be administered by the department/agency, but with better management.

C. Handing Over the Management of Government's Health, Education, Welfare, and Other Such Commonweal Facilities to Empowered Local Councils of Stakeholders

- (1) Bihar Government should implement a phased program of handing over the management of government-owned commonweal facilities like schools, hospitals, PHCs, welfare, sports and sanitation etc. to empowered councils of local stakeholders of these facilities along MP's Rogi Kalyan Samiti model.
- (2) The stakeholders should include representatives of the community served, civil society leaders, domain experts, representatives of the concerned government departments and local self-government bodies, media, etc.

- (3) The stakeholders councils should be empowered to charge fees for the services rendered, borrow money, receive donations and grants, let out extra land for commercial purposes, etc., modernize and expand facilities, and appoint the CEO and other top executives of the facility on the basis of a transparent, competitive process.

D. What to Regulate and How, and What Not to Regulate

- (1) Regulatory impact assessment should be employed by the Bihar Government on a priority basis to the following:
 - (a) Regulations governing areas of large negative externalities which include pollution, drug and food adulteration, people's displacement on account of development/ industrial projects, and exploitation of natural resources (minerals, water bodies, land, and forests).
 - (b) Regulations governing collection of individual, property, and business-related taxes.
 - (c) Regulations governing the provision of key 'public' goods and services such as water, sanitation, education, health and welfare that significantly affect the quality of life of the masses.
 - (d) Regulations governing the starting and operation of businesses and civil society institutions like cooperatives, NGOs, media bodies, associations, teaching and health institutions, etc.
 - (e) The government's regulations for conducting its own business, such as notifications, personnel administration rules, awarding of contracts, purchasing, fixing fees and charges etc.
- (2) To scrap useless regulations and improve the implementation of necessary regulations, the Bihar Government should set up the Regulation Impact Assessment (RIA) Centre staffed by RIA experts. This Centre should classify regulations into those that are essential, those that are useful but disproportionately costly, and those that are irrelevant in terms of contemporary governmental priorities. The Centre should develop more effective options for implementing essential and useful regulations, and recommend to the Government what regulations to scrap.
- (3) The conclusions of the RIA Centre vis-à-vis the efficacy and need of a regulation should be circulated and debated widely, within the government and in the media, and an action

agenda should be developed under ministerial guidance that is part of the key result areas of the relevant ministry official in charge of the regulation's implementation. RIA should be driven by the Chief Minister's Office throughout all the ministries, and information on the progress of using RIA should be reported to the Legislature.

E. 'Agencification' of Bihar Government

- (1) Each Ministry should set up a small Team of Experts on public administration and management to scrutinize the activities and special purpose bodies of the Ministry. The following questions should be asked by the Expert Team for each activity and special purpose vehicle as a prelude to the formation of the Ministry's executive agencies:
 - (a) Does the activity/special purpose vehicle need to be carried on at all? Ministries often accumulate activities and bodies that have no use in the present context. Such bodies and activities need to be identified for closure, and their staffs should be re-deployed.
 - (b) If the activity/body is seen to be necessary in today's context, should the activity be administered by the ministry, in the light of the management capacities available in the civil society and corporate public and private sectors?
 - (c) If serious equity, security, or legal issues are not involved, many government activities can be safely outsourced to institutions in the civil society/corporate public or private sector, if this is more cost effective than the ministry carrying on the activity.
 - (d) If the activity/body *should* be administered by the Ministry, is administering it by bureaucrats necessary because of legal requirements or because the political masters want to monitor the activity/body closely through senior bureaucrats, or because of some other weighty reason? If the activity/body need not be administered by bureaucrats, then it can be assigned to an executive agency.

F. Role of Executive Agencies

- (1) Each Executive Agency, whether a new body or an existing departmental undertaking/agency/board/special purpose body etc. that is converted into an Executive Agency, is to be regarded as an executing body, policy-making being left to the Ministers and bureaucrats. It *must* be semi-autonomous and professionally managed under a mandate

and annual performance agreement (MoU) with the parent ministry. Its CEO *must* be selected on the basis of open competition and for a fixed term. The CEO's compensation *must* be linked to performance. Each executive agency should also have professional full-time functional directors as per need, and they too should be competitively selected in the same manner as the CEO.

- (2) Bihar Government should set up an Executive Agencies Selection Board, consisting of a management expert, an expert on public administration and a senior bureaucrat, to identify and short-list candidates for the positions of CEO and functional Directors in each Executive Agency, broadly along the lines of Public Enterprises Selection Board of the Union Government. Domain experts should be co-opted by the Board as per the need. This Board should invite applications/nominations not only from the public sector but also from the civil society and the private sector, and interview/test those meeting the prescribed criteria before recommending the short-listed candidates to the Government.
- (3) Every Executive Agency must install an appropriate performance management system that covers the performance of the Agency as a whole as well as that of its departments/divisions and decision makers. It should also design performance-based rewards and incentives that equal at least a third of the fixed emoluments component of the remuneration package of the decision makers (including the CEO).
- (4) Every Executive Agency should have an oversight Board consisting of its CEO as chairperson, the full-time functional directors, a representative of the parent ministry, a representative of the officers of the agency, a representative of the non-officer staff of the agency, a domain expert, a management expert, and two representatives of the agency's 'customers', as members.
- (5) A standing committee of the CEOs of all the Executive Agencies set up by the Bihar Government should be constituted to serve as a forum for exchanging learning and experiences, and serving as a platform for creating inter-agency committees to coordinate work that is of an inter-agency character.
- (6) An Executive Agency should be set up for each Centrally-sponsored scheme operating in Bihar in which only a relatively modest financial contribution by Bihar State is required. A State Council should be established for each such scheme, headed by the concerned State Minister, and with the representation of relevant Central and Bihar Government functionaries, relevant civil society institutions, domain experts, and the intended beneficiaries to provide overall direction, legitimacy, political and bureaucratic support, and visibility to the scheme.

- (7) The Executive Agency for the scheme should be given a mandate by the State Council, and be registered under section 25 of Company Act to provide it with the necessary operating flexibility and the ability to raise external resources.
- (8) The Chairperson and Managing Director (CMD) of the scheme's Executive Agency should be a competitively selected professional with strong credentials as a domain expert and manager, and strong social change, results, and stakeholders' participation orientation, and be appointed on contract with a fixed tenure.
- (9) There should be three or four full-time directors on the board of the scheme agency, all competitively selected professionals, representing finance, human resource management, and domain expertise, and be appointed on a fixed tenure contract.
- (10) The CMD and the whole-time directors should be selected by a panel of eminent professionals appointed by the State Council for the agency.
- (11) The scheme company should be board-managed. Besides having the CMD and the whole-time directors as members, the board should have on it (1) one or two representatives of the funding Central Ministry/Ministries, (2) two representatives of Bihar State, (3) two domain experts, (4) an expert each on development administration and management, and (5) two representatives of the intended beneficiaries.
- (12) The CMD should enter into an annual performance agreement (MoU) with the State Council and the relevant parent Ministry of the State, specifying the deliverables on both sides. The CMD and the whole-time directors should be paid as close to the market rates as possible, and there should be a performance-linked component of a third of their salary in their emoluments packages. The CMD must have the authority to provide performance-linked incentives to the other members of the staff. There should be a performance management system for the Executive Agency, its district level components and each decision-making functionary.
- (13) For funding local/grassroots projects under the scheme, it should be mandatory for the project proposing body to attach to the project a facilitating agency from among a list of accredited agencies for ensuring the necessary capacity building. The relevant gram sabha(s) should constitute a community-based organization/council with the participation of all the local stakeholders to supervise the projects and select the CEO for the grassroots projects.

G. The Use of Other NPM Tools in Bihar Government

- (1) A small *scrutiny team* in each *Ministry*, consisting of experts on good governance and a management expert, and reporting to the concerned Minister, should work with the *staff and head* of each non-agencified activity to help it identify *participatively* key performance indicators, staffing needs, training requirements, re-deployment from staff surplus functions to staff deficit functions, role re-definitions, the use of relevant management tools, and the use of more effective, more participative ways of making decisions.
- (2) Learning from the experience of the performance management system (PMS) utilized in the Central corporate public sector and the one implemented by the Andhra Pradesh Government, a computerized performance management system should be designed to cover *all* the Ministries, departments, and non-agencified bodies of the Bihar Government.
- (3) Each *Ministry* should set up a benchmarking cell staffed by a team of professionally trained bench-markers to do periodic benchmarking with the best administered Indian states and Third World governments for *each* of the major activities of the ministry vis-à-vis such dimensions as rightsizing, effective human resource management, quality and productivity, ITES applications and e-governance, and ‘customer-service’-related functions.
- (4) In combination with the PMS, benchmarking information should identify *key areas* of the activity where improvement is needed. These need to be included in the key result areas (KRAs) of the activity heads, so that progress can be monitored and remedial action taken. A cell in the CMO should drive the benchmarking effort throughout the government, collate the benchmarking information from the various ministries, and report it to the CM and the State Legislature, so that it becomes public knowledge, and the civil society and the Legislature can mount pressure for continuous improvements in governance.
- (5) Bihar Government has been operating a vast number of policies. An expert group should be set up in *each* Ministry to categorize existing Ministry policies into three groups: (a) policies of definite current and prospective relevance; (b) policies of uncertain relevance in the new scenario of equitable liberalization and globalization; and (c) policies that are incompatible with the Government’s priorities and therefore need to be scrapped after due scrutiny by the Minister concerned and the State Cabinet. *Formal policy evaluation* should be conducted for policy types (a) and (b).
- (6) Each Government body in Bihar should be encouraged to do an ABC analysis of its activities. ‘A’ activities are those, based on market tests, that are judged to be cost

effective; 'B' activities are those judged to be close enough to be cost effective and can be made cost effective through better management; and 'C' activities are those judged not to be cost effective under Government management and they should be considered for outsourcing.

- (7) In the provision of public services such as healthcare, school and college education, women and children welfare, sports facilities, in the award of various infrastructure construction projects, and in the provision of various municipal services like garbage removal, street lighting, billing, road maintenance etc., competition should be introduced between public sector units (through, for example, awards for best providers) and/or between public sector and private sector units. In case contracts have to be awarded, the same should be done by a body of credible experts, on the basis of transparent and well-publicized criteria.

H. Revitalization of Bihar's State-owned Enterprises

- (1) The management structure of Bihar's state owned enterprises should be revamped along the lines of the Central Public sector. A PESB type body, consisting of professionals, should be created to short-list candidates for CMD and full-time functional director positions for each SOE. The practice of appointing a politician as chairperson of the SOE board, and deputing without open selection an IAS officer to the SOE as MD should be dispensed with altogether.

I. Strengthening the Voice of the Civil Society in Bihar's Policy Making

- (1) Several types of deliberation councils along the Japanese pattern should be set up for (i) developmental issues that cut across ministries, like improving the state's quality of life indicators (per capita income, social justice and equality indicators, longevity, health indicators, literacy and educational attainment indicators); (ii) infrastructure development (roads, railway and airline network, telecommunications, internet access; etc.); (iii) agricultural development; (iv) development of the state's natural resources (land, water, forests, minerals and fossil fuels; etc.); (v) industrial development, especially the growth of export-intensive and employment-intensive industries and industrial clusters; (vi) provision of civic amenities like drinking water, power, waste disposal, housing etc. to the rural and urban poor; (vii) prevention of environmental degradation and promotion of sustainable development; and (viii) serving as Ministry Boards to advise the Minister in-charge on policy and regulatory issues pertinent to the ministry.

J. Periodic and Systematic Feedback from the Internal and External Stakeholders of Bihar

Bihar Government should widely use following mechanisms:

- (1) Annual sample survey by each department/agency to find out how satisfied the internal and external 'customers' and other stakeholders of the department/agency are with the services provided by the department/agency, whether improvement is needed in the quality and quantity of the services provided, especially to the disadvantaged sections of society, and suggestions of the stakeholders for improvement. The findings and the actions taken should be publicized.
- (2) For specific issues, the departments/agencies should be encouraged to conduct focused group discussions, and the conclusions along with the action taken should be publicized.
- (3) Each department/agency should publicize its annual report of targets and accomplishments, giving reasons for significant variances and the action contemplated to reduce future variances.
- (4) Each department/agency should be asked to prepare and publicize the citizens' charter, including in it the mission of the department/agency, the level of services citizens can expect from the department/agency, and redress mechanism in case citizens feel aggrieved at their treatment. Appropriate performance ratings of the officials dealing with the citizens' charter should be included in the performance evaluation of these officials.

K. E-governance

- (1) Every Ministry should set up an ITES (information technology enabled services) cell to identify and offer useful applications of ITES for more effective functioning of the department/agency, more effective inter-departmental/inter-agency/Centre-Bihar coordination, and more effective ways of servicing the department/agency's stakeholders.
- (2) A task force should be set up to benchmark with the computerized departments of Third World states like Malaysia or Indian states like AP, Gujarat, and Karnataka that have extensively computerized their government departments, and measure administrator to clerical and support staff ratios and other relevant ratios to develop standards (with suitable modifications) for those Bihar Government Ministries that have computerized their operations.

- (3) The gaps in managerial, technical, and other expert personnel in Bihar Government should be filled by secondments from the Central/State corporate public sector on attractive terms, and from the civil society and the private sector by contractual appointments for fixed terms at rates that are comparable to market rates.

L. Overcoming Political and Bureaucratic Resistance to NPM and Other Governance Innovations

- (1) All MLAs of Bihar should be offered a short 2-day course on New Public Management and Governance Innovations, and attendance by Ministers should be compulsory.
- (2) Class 1 officials of Bihar Government should be provided training in NPM and in making the required changes in their roles in an NPM-oriented governance system. A performance management system compatible with these new roles should be introduced for these officials, along with performance incentives. The system of management by objectives (MBO) should be introduced for all of these officials, and their promotion decisions should be based on their performance on their key results areas.
- (3) All vacant posts of the level of director/deputy secretary and above should be advertised to all the Central and State services personnel with the requisite qualifications and experience, and a panel with at least two outsiders, one a public administration expert and the other a management expert, should shortlist the candidates on a competitive basis. In the assessment, at least a third of the weight should be given to relevant domain expertise. In case a suitable person is not available from within the services, the post should be advertised and filled from outside the Government. The appointments to all these posts should be for a minimum period of three years.
- (4) The State Planning Board should accord its sanction only to those projects that have a management component along NPM lines both for the execution phase and thereafter. Further funding should be conditional on a satisfactory compliance with the approved management plan and the achievement of targets, as certified by an external professional management auditor.

M. Government's Facilitating Role in Rural, Agricultural and Industrial Development

- (1) Learning from the Chinese experience with rural industrialization, the Government of Bihar should empower, legally, financially, and technically, local government bodies like

panchayats, self-help groups, cooperatives, rural entrepreneurs, and households to start and run rural enterprises. It should simultaneously provide incentives and financial and technical support for environmental protection.

- (2) Learning from the Chinese experience with enhancing agricultural productivity, the Government of Bihar should design and operate a scheme for trained scientists and technicians to visit rural areas and enter into performance enhancing contracts with rural households and local bodies, including training them in more productive farming methods, for a commission that is based on the fulfillment of agreed upon increase in farm and/or factory productivity.

N. Setting Up a Centre for Good Governance

Bihar Government should set up a Centre for Good Governance with a mandate along the lines of the one set up by the Government of Andhra Pradesh, as an Executive Agency staffed by experts and headed by a professional who is a domain expert, and give it a comparable role in designing good governance initiatives along the lines of the preceding recommendations. The CM of Bihar should chair its board.

Preamble

Bad governance leads to such malaises as corruption, time and cost overruns, insufficient and poor quality public services, frequent breakdowns of law and order, militancies, etc. On the other hand, global research indicates that good governance makes a huge, positive contribution to indicators of the quality of life like per capita income, longevity, infant mortality, literacy, etc. Research also indicates that a significant improvement in public administration can raise the growth rate of per capita income appreciably (according to one study by as much as 70%). Good governance, therefore, is a necessity. For governance to improve, it is necessary to increase the governance capacity of the State. This Report draws on the experience of global innovations in governance as well as on governance innovations that have worked in the Indian States to sketch some ways which can dramatically increase governance capacity of Bihar.

Governance embraces a vast area: the executive, legislative, and judicial branches of the state; governance at the Central, State, and Local levels; inter-governmental relations; the regulatory apparatus; policy making versus policy implementation machinery; the relations between the State and Civil Society, etc. This Report has focused on the functioning of the government at the level of the State's public administration, which currently is managed largely by the bureaucracy. There is only passing attention to the apex political and local self-government domains, and none to the judiciary. However, this domain is large enough and important enough, so that significant improvement in its functioning can speed up Bihar's growth rate and lead to noticeable improvements in the general welfare of the citizen.

BACKGROUND AND CONCEPT OF GOOD GOVERNANCE CAPACITY

A. Background

1. Bihar is a State within the Indian liberal, market economy oriented, democratic, developmental Nation that is committed to full employment and poverty alleviation. Any conception of good governance for Bihar must, therefore, be related to these basic characteristics.

2. As a developmental State, Bihar is expected to plough larger and larger resources into social and physical infrastructure, so that rapid economic development takes place. As a democratic State, Bihar is expected to strengthen the rule of law and due process, free and fair elections, civil and human rights of free speech, belief, association, movement, gainful employment, equality and freedom from discrimination, and to ensure people's participation and participation of civil society institutions in governance. As a liberal State, Bihar needs to be assessed on the access of people to affordable health care and education and civic amenities, and also on the criteria identified by the World Bank (Kaufman, Kraay, and Zoido-Lobatan, 1999), namely, voice and accountability (broadly the government's accountability to the people in a democratic setup); political stability and lack of violence (that is, absence of civic strife and militancy); government effectiveness, that is, the ability of the government to execute its policies; regulatory quality, that is, effective and appropriate regulation that meets the ends of public policies and does not over-regulate and does not breed corruption and inertia; rule of law; and control of corruption.

3. As a market economy, Bihar needs to be assessed on how business-friendly and investment-friendly it is.

4. Finally, as a State committed to poverty alleviation, Bihar needs to be assessed on the magnitude of the efforts it makes for affirmative action and poverty alleviation, and how effectively its programmes are implemented, that is, on how much of the benefits of such programs reach the poorest and the most disadvantaged.

5. Bihar is widely believed to have been a 'bimaru' (sick) State. Starting from approximately the same economic base as several States in western and southern India in the early 1950s, Bihar has lagged far behind (Ahluwalia, 2000; Nagaraj, Varoudakis, and Veganzones, 2000). For instance, its per capita income in 1970 was about half of that of Gujarat; its current per capita income is only about a quarter. Bihar's per capita income virtually stagnated between 1965 and 1992, while it doubled in Punjab, and increased by about 50% in India as a whole. Investment as

a percentage of the gross state domestic product was only 20% in Bihar versus 35.5% for 14 Indian states. According to a recent World Bank report on Bihar (World Bank, 2005), nearly 40% of Bihar's population lives below the poverty line; during the 1990s, poverty did decline but only marginally (by 7 percentage points, well below the national average); the average annual growth rate in the state's GDP was barely 2% in the 1990s, and there was practically zero growth in agriculture, Bihar's mainstay.

6. Growth appears to have slowed down in Bihar after liberalization began in earnest in 1990-1: while the growth rate was 4.7% per annum during 1980-1 to 1990-1, it fell to 2.9% in 1991-2 to 1998-9, while the growth rate of India spurted from 5.5% per annum during the 1980-1 to 1990-1 period to 6.5% during 1991-2 to 1998-9 and 7-8% during recent years. One reason for this appears to be the slowing of plan expenditure in the state: from 6.2% of gross state product during 1980-1 to 1990-1 (for 14 states this figure was 5.7%) to 2.9% during 1991-2 to 1997-8 (4.5% for the 14 states). Low rate of Centrally allocated development resources could be another factor for low rate of Bihar's economic growth. Another reason seems to be a climate uncongenial for private sector investment. Bihar could attract only \$167 m. foreign direct investment between 1994 and 2004 while nearly \$6 billion was attracted by AP; investment in export-oriented units was a mere \$4 m. in Bihar, while it was \$12 billion in Karnataka (Witsoe, 2006).

7. On the Composite Index of Economic Freedom, Bihar ranked 19th out of 20 Indian states (Debroy and Bhandari, 2005); on the sub-index of 'Legal Structure and Security of Property Rights', Bihar scored 0.14, versus 0.45 and above for the states of TN, MP, Kerala, Haryana, Chhatisgarh, Rajasthan, and AP. This tardy economic performance was despite Bihar being blessed with ample water, fertile land and, before creation of Jharkhand, with mineral resources (Witsoe, 2006). This could also be due to relatively poor economic and social infrastructure. On the Relative Infrastructure Development Index, Bihar scored between 75 and 85 throughout 1980s and 1990s, while Punjab scored over 185, Kerala above 155, and Haryana above 135 (Witsoe, 2006, Table 3). While there may be several factors contributing to Bihar's lagging behind the rest of India, including insufficient Central assistance and possibly unfair royalty payments by the Central Government for mining, poor governance may be a critically important factor.

8. On social indicators, too, Bihar's performance has been weak. In 1990-1, the literacy rate was 38 versus 52 for India as a whole, and even by 1997 while the literacy rate for India was 62%, it was only 49% for Bihar. Net enrolment of children in primary schools actually fell in the 1990s. Nearly 90% of the poor households did not receive food subsidies in 1999-2000, while 46% of the non-qualified (that is, relatively well-off) families received them (World Bank, 2005)!

9. There is a widespread perception of the Government of Bihar as having been deficient in the delivery of public services, and in controlling the diversion of funds meant for development

and poverty alleviation to the pockets of unscrupulous politicians and bureaucrats. Press reports over the years have highlighted Bihar's law and order problems, inter-caste strife, massacres of the dalits, private armies, militancy, and other symptoms of disorder (these disorders are not necessarily unique to Bihar). Again, though there may be many reasons for these shortcomings (including socio-cultural factors), poor governance may have been a critical factor.

10. There is, therefore, an urgent need to enhance Bihar's governance capacity. Fortunately, worldwide innovations in governance, especially those associated with New Public Management, provide hope for fairly quick improvement in Bihar's governance – given the political will to do so.

B. Concept of Good Governance Capacity

11. Governance capacity is the ability of the state to execute *effectively* its major functions of ensuring law and order and safety, stimulating economic activity, alleviating poverty, ensuring the observance of the people's fundamental rights, providing appropriate civic amenities to the people, creating appropriate health and educational facilities, meeting its contractual or treaty obligations, and ensuring the effective implementation of public policy (Grindle, 1996; Sarker, 2006). The enormous diversity of the tasks performed by a modern state requires the existence or development of a vast range of skills, and commitment on the part of those entrusted with discharging these tasks competently and honestly.

12. If a modern state over-relies on bureaucrats and politicians without domain expertise and/or professionalism for discharging its functions, its performance can be low. Therefore, systemic changes need to be brought about to enhance the governance capacity of the state. These changes require, not the abolition of the political system or the bureaucracy, but the influx of professionalism and of civil society in governance. Global experience with New Public Management (NPM) in democratic countries suggests that a happy confluence of a democratic political system, a dedicated bureaucracy, professional management, and civil society participation is possible for raising very significantly the governance capacity of the state. Malaysia during 1970 to 1995 provided an instructive example of how a Third World state that had inherited British public administration like India could dramatically enhance its governance capacity, and grow rapidly, in part by enhancing its governance capacity (Commonwealth Secretariat, 1995a; Hamid, 1995; Karim, 1992; Sarker, 2006).

13. Malaysia is an example of a parliamentary democracy and a Commonwealth country that has managed high growth and social capital building in a substantially democratic framework by enhancing its governance capacity. Malaysia is a relatively small country of about 25 million people but with the complexities of a large land. It is a multi-ethnic, multi-religious society (Malays, Chinese, Indians, tribals; Muslims, Buddhists, Christians, Hindus, animists). It got its

independence from British rule in 1957. Malaysia under British rule was primarily a tin, rubber, and palm oil economy. Malaysia grew at nearly 8% p.a. during 1970-1996, that is, its economy was some seven times larger in 1996 compared to 1970.

14. Attempts at administrative reforms began soon after Malaysia's independence from British rule. One early effort was to change the civil service orientation from the routine maintenance of law and order to socio-economic development. New institutions to galvanize this change were set up, such as the National Productivity Centre and the Malaysian Administration and Modernization Unit. Beginning in 1983, Malaysia instituted the Malaysia Inc. policy of close government-business relations to achieve national goals. Malaysia's economic success has been due to its rapid industrialization and exports-led growth drive beginning in the 1970s, its business friendly government, its innovations in governance that transformed it into a potent developmental state with a strong public sector-private sector partnership, and large foreign investment.

15. Malaysia's governance innovations in the 1980s and 1990s were driven from the top. The Prime Minister himself headed the Panel of Administrative Improvements to the Civil Service. This body coordinated the reform efforts and functioned as an overseer of reforms and also as a think tank. The government stressed several fundamental values, notably quality of services provided to the public, productivity, innovativeness, discipline, integrity and accountability, 'customer' service orientation, and professionalism. The attempt was to implement reforms and innovations through discussions and consensus building, extensive documentation, information dissemination, extensive training, careful monitoring and follow-up, and recognition, incentives, and rewards.

16. These reforms were initiated and implemented in the Malaysian public sector with the aim of transforming it into an efficient, dynamic and market-driven administration. Innovations and changes were multi-pronged and synchronized. Innovations were aimed at improving the quality of government services, productivity of government operations, innovativeness in government bodies, staff discipline, staff integrity and accountability, staff customer orientation, staff professionalism, streamlining of administration, and effective knowledge and expertise utilization. Malaysia's innovations in governance in a Third World setting assume great relevance for states like Bihar. Various policy and institutional measures for sound governance are outlined in the following paragraphs.

Improving the Quality of Public Services:

17. Videotapes were made on quality and productivity improvement management and widely distributed in the government. Formation of quality circles was encouraged in all the departments. 'Excellent Work Culture Movement' was launched in all the departments. Beginning in 1996, inspired by the experience of OECD countries, ISO 9000 certifications were sought for the entire government machinery, possibly a first among the Third World governments. A benchmarking

program was initiated in 1999, with a circular to all the government agencies containing detailed guidelines to identify benchmarking partners and implement best practices. Vision and mission statements were participatively evolved in government bodies. Quality standards were developed for various public services. Training was provided to those manning the counters where citizens came for services.

Improvement of Workplace Productivity:

18. Factors critical for improving productivity in government workplaces were identified and harnessed. Diagnosis of low productivity was done - departmental/activity productivity was analyzed in terms of required manpower, systems and procedures, organizational structure (control and command structure), management style, work environment, technology, inputs/materials, and equipment. Productivity indicators (quantity, quality, timeliness, and cost) were identified for each department/agency and productivity was monitored in terms of these indicators. Concerted efforts were made at improving all the factors. Productivity improvement processes, such as work measurement and simplification, office automation, computerization, performance-linked pay, and high productivity oriented training to over 20000 government employees per year, were resorted to.

Inducing Innovativeness in Government Bodies:

19. Staff suggestion schemes were instituted in departments to stimulate 'kaizen' (small, small innovations and changes). Innovation was also stimulated through brainstorming groups and prestigious innovation awards. Improvements and innovations in governance were widely publicized and distributed.

Discipline:

20. A disciplinary board with wide powers was set up— it could suspend immediately for a month any employee suspected of wrongdoing. To set an example, offences and disciplinary action were publicized.

Professionalism:

21. A new remuneration system was created that paid higher remuneration for elite services requiring higher orders of expertise. Merit based remuneration was stressed to usher in a culture of professionalism and meritocracy. To upgrade skills, informative videotapes on programs were disseminated to departments. An extensive HRD effort was mounted in which thousands were trained every year in some 250 training programs. Prestigious awards in various functional areas were given annually, such as innovation and service quality. Some awards were presented personally by the country's Prime Minister.

Integrity and Accountability:

22. Management performance audits for review of efficiency, economy, and effectiveness of government agencies were instituted. A public complaints bureau was created in the prime minister's office. An anti-corruption agency was also set up. A micro-accounting system that could provide information on the cost of each service provided by the government was instituted. As further measures, the government initiated programs like 'clean, efficient and trustworthy administration' campaign, the formation of management integrity panels at federal, state, and local levels, strengthening of the anti-corruption legislation, and the consolidation of the public complaints management system.

Customer Orientation:

23. A bugbear of many bureaucracies is the cold, often offensive, treatment of citizen-customers and businessmen by government officials. Malaysia made valiant efforts to make the government more citizen and business friendly. Single window clearance for industries was organized. The merger of several application forms into a single composite application form for the licenses issued by an agency made multiple visits to the agency unnecessary. Time taken to process applications was sought to be reduced. The extension of validity period of licenses led to fewer visits for renewals. Delegation to lower level officials to approve applications lowered the burden on senior officials. The Public Service Network provided computer facilities at post offices to renew driving and other licenses. The Civil Service Link provided information in computerized kiosks to citizens on various tax rates, licenses needed and fees to be paid, the objectives and functions of government departments, etc. Consultative panels for each agency, consisting of stakeholders, were set up, to advise management on improvements.

24. Consultative panels were set up at federal, state, and district levels for greater cooperation between the government and business. An annual dialogue was held with representatives of the department's customers. Client's Charter, based on the Citizen's Charter, a British invention, was ordered to be drawn up and publicized by all government bodies at all levels. Each such charter specified the delivery of services and outputs as per publicly stated quality standards. A grievance redress mechanism was also instituted in case of failure to provide service as declared to any customer. Further customer service measures were upgrading of counter services through better physical facilities and layout, a better queuing system, faster provision of services, and greater courtesy towards the customers. Value for money audits of service agencies were conducted to provide best value for money to their 'customers'.

Administrative Streamlining:

25. Several statutory bodies were given the freedom to adopt their own remuneration packages and incentive systems along the British pattern, and were granted considerable operating

autonomy within their mandates. Special incentives and grades were given to attract and retain personnel in critically important services. Between 1992 and 1997, 574 service schemes were rationalized to 274, with significant reductions in the number of posts, and re-classified into 19 groupings. The New Remuneration Scheme (NRS) introduced in 1992 eliminated several levels through the amalgamation of several salary and service groups and grades. Salary increases were tied to the need and importance of the service. The New Remuneration Scheme (NRS), introduced in 1992, attempted to make public sector pay and promotions more objective. It introduced performance linkage to remuneration. A matrix salary scale was introduced, which allowed greater flexibility in salary progression, so that salary could move in static, horizontal, vertical or diagonal direction, depending upon performance. High performers, for instance, would have a diagonal salary progression, with increments that were double those of the average performer.

26. A performance evaluation scheme was quickly introduced to make evaluation objective and transparent. Performance appraisal was decentralized to a panel. Financial management was revamped by the introduction of the Modified Budgeting System (MBS) that modified the earlier Program and Performance Budgeting System (PPBS). Under the MBS, all government bodies were required to enter into a performance agreement with the treasury. They had to specify the inputs going into their programs and the outputs and outcomes expected. The unit head, however, had the discretion to re-allocate funds budgeted among various activities under his/her charge to respond flexibly to local situations. The system enabled measurement of each government unit's performance in terms of quantity, quality, cost, and timeliness.

Knowledge, Expertise, and Technology Utilization:

27. High and low performing projects were carefully compared by experts to identify success factors in project implementation. Consultants were extensively used for strategic planning, structural reorganization, organization development, leadership and effective management style. Extensive use was made of IT, telecom technology, office automation, and networking. The Multimedia Super Corridor was established in 1996, and this was harnessed through an e-governance scheme to extend the use of IT in all government functions. The Public Service Networks (PSNs) have enabled post offices to act as one-stop bill payment Centres and provide other services like license renewal, stamping, and payment of road taxes. Many services began to be offered online, like driver and vehicle registration, licensing, summons, and payment of utility bills. Similarly, e-Perolehan provides a secure online to vendors and government agencies to deal with one another for tendering, payment etc. purposes. The government's Multi-Purpose Card facilitates cashless transactions, serves as an identification document and driving license, and contains passport and health information. E-Public Services is planned to provide various services to the public and to businesses by not only the government but also by NGOs and private sector organizations through interactive online channels.

28. Have all these reforms and innovations worked? According to Siddiquee (2006, p.350), “Generally speaking, the governmental efforts made during the past two decades, have produced positive impacts in terms of ensuring hassle-free and timely services to customers. A considerable progress has already been made in terms of rationalizing and reengineering of systems and work-procedures... The use of advanced technology and the simplification and standardization of forms have led to considerable savings in terms of time and cost. Likewise, the availability of online services has cut down paperwork...The launching of the Client’s Charter has brightened the prospect of improved services even further...”. If Malaysia, not known for good governance in the 1960s and 1970s, could dramatically increase its governance capacity and the quality of governance with a determined effort, why can’t Bihar? Having a will, Bihar can set standards for others to emulate.

INTERNATIONAL INNOVATIONS AND EXPERIENCES IN GOVERNANCE

Introduction

29. In the early 20th century, Western countries spent about 10% of the GDP on governance. With the institutionalization of the welfare state, that percentage rose to nearly 40% by the 1960s. Many Western countries began to experience fiscal imbalances and there were cries of mismanagement, abuse of the system, and diversion of funds. Politicians like Ronald Reagan in the U.S. and Margaret Thatcher in Britain came to power on the platform of public sector reform and making administration efficient. Governments in these countries turned to private sector management methods to cut back on 'waste'. They also innovated. A new paradigm of governance came into being that has been called New Public Management. This paradigm has been adopted, with suitable modifications, throughout Western Europe and North America, and also by several South American countries, Ghana, Thailand, Japan, Australia, New Zealand, Singapore, Malaysia, and to varying degrees, by other East Asian countries.

Features of the NPM Paradigm

30. Several features of NPM have been identified (Caiden and Sundaram, 2004; Sarker, 2006; Siddiquee, 2006) and these are:

- (i) A shift from emphasis on inputs and procedures, as in most bureaucratic systems, to outputs and outcomes in terms of quality of services rendered, social justice, etc.
- (ii) A shift towards precise measurement in terms of benchmarks and performance indicators.
- (iii) Preference for autonomous specialist organizations with professional heads, a clear mandate, accountability and operating autonomy, such as 'executive agencies'.
- (iv) Shift from a monolithic command and control structure to MoUs, contracts and the like with internal and external parties.
- (v) Much greater reliance on the market for outsourcing, privatizing, setting prices of government services on the basis of market rates, etc.
- (vi) Much more extensive public sector – private sector/civil society partnerships in providing public services, executing infrastructure projects, regulatory compliance, etc.
- (vii) Greater emphasis on productivity, efficiency, service quality, etc.

- (viii) Institutional rightsizing, that is, getting rid of excess manpower and hiring people with right skills.
- (ix) Due emphasis on serving citizen-customers and on providing choice to them in procuring government services.
- (x) Facilitating and securing the participation of stakeholders in public administration, such as by setting up advisory councils and boards with representation of all the major stakeholders.

Tools of NPM for More effective Governance

The major tools of NPM adopted for effective governance and of special relevance to Bihar are as follows:

Accountable Financial Decentralization:

31. Britain introduced the Financial Management Initiative (FMI) in 1982 after diagnostic scrutinies of the workings of government departments exposed glaring weaknesses (Commonwealth Secretariat, 1995b). This was a form of accountable financial decentralization. Traditionally, good financial management in a department meant sticking close to the detailed budget approval at the beginning of the year, since over-spending on particular budget heads had to be explained and under-spending could lead to budgetary reduction next year. Under the FMI, the heads of the government departments learnt clearly what their *objectives were*, what the *performance indicators* were, and *how* performance would be *measured*. They had considerable freedom to operate within overall sanctioned costs (that is, they could transfer a surplus under one head to a deficit under another) and manpower limits, but they also had personal accountability for results. Additional features were a computer-based management information system and a more accurate evaluation of the cost effectiveness of various government activities. *Assessment* of staff members got based on the concrete *contribution* the individual made to the achievement of departmental goals. The departmental *head* was given *greater powers* to decide on the level and quality of staff, authority to re-deploy, hire and fire, provide incentives, etc. FMI fused decentralization with even greater accountability than before.

32. Several other tools have been deployed to increase responsible financial management in the government. In Australia, ministries proposing policy changes involving additional spending have to propose ways of *offsetting* the additional spending ('spending offsets'), so that total government spending remains within the limits decided by the cabinet. Under the *user-pay principle*, as used in Australia, agencies have to pay for availing the services of other government agencies (Dawkins, 1995; Prasser and Northcote, 1992). For example, earlier the Attorney

General's department provided free legal advice to, and legal representation for, other government departments. Now, except for advice on constitutionality, these services have to be *paid for*, and the departments have the *choice* of getting legal services from other sources. Thus, such 'staff' departments now have to compete for survival, and have, therefore, to become more 'customer' friendly.

Benchmarking for Continuous Improvement

33. Benchmarking has become one of the most widely used management tools in the world (Auluck, 2002). It is especially useful for bureaucratic organizations because, thanks to preoccupation with existing rules, regulations, and procedures, bureaucracies tend to become inward looking, largely unaware of the innovations and changes happening outside. Benchmarking can help them see emerging gaps, watch them on a fairly continuous basis, and indeed, turn more innovative over time because of the opportunity, that benchmarking provides, of questioning the status quo.

34. Essentially, benchmarking is a process of identifying highly *effective* processes, structures, and systems in use within a system or outside it with a view to making such changes as are necessary to *close the gap*. It requires a careful comparison of quantitative and qualitative *performance measures* of different units or organizations (preferably comparable ones), the establishment of what could be considered *high standards* of performance and processes to *assess one's unit against*, doing the relevant comparisons to identify significant gaps, and the development of a strategy of closing the identified gaps. Since comparisons are painful, and may require painful decisions, it is essential to get the top management to support benchmarking. Benchmarking is likely to be seen as especially useful when it helps implement the organization's mission, goals, and strategy more effectively. *Participative benchmarking* is more likely to succeed than authoritarian benchmarking, and cross-functional benchmarking teams are more likely to come up with useful benchmarks than teams consisting of the same genre of specialists.

35. Benchmarking has become quite popular in the British Government (Auluck, 2002). The government has launched the Public Sector Benchmarking Programme to promote benchmarking across the public sector. Two principal tools of benchmarking are widely used in Britain. The first is peer review for establishing performance standards, and the second is the use of the Business Excellence Model. In a peer review, a team of outsiders who are domain experts is assembled to take a good, hard look at the government unit's processes and performance, compare them with best practices, and come up with recommendations. The Business Excellence Model is based on the European Quality Award framework developed by the European Foundation for Quality Management. The model basically provides a set of criteria against which any organization can assess itself to identify significant gaps.

36. A survey has indicated that nearly two-thirds of central government organizations in Britain use the Business Excellence Model or versions of it. Another survey by Price Waterhouse and Coopers of 3500 British public sector organizations also found that nearly 45% were using the model. The study also found that over 80% of the users thought that the model was an effective tool for their organizations, and that it enabled them to link together key policies and initiatives. According to another survey, over 90% of the users reported that their rate of improvement increased as a direct result of the use of this model.

37. Benchmarking has been found to be useful outside Britain also. It can provide dramatic improvements, especially in Third World contexts. For example, in Mexico, it used to take 112 days on the average for businesses to meet mandated regulations for starting a business; benchmarking by the government with other American countries revealed that it took significantly fewer days, and in Canada, only 2 days! This instigated a determined effort in Mexico to launch a system that greatly improved the situation (Kamarck, 2002).

Centre to Promote Good Governance Practices

38. Centres to study good governance practices in the country and outside and come up with suggestions for improving governance have been set up in various countries (Jayal, undated). Their structures vary, however. Some are located in academic institutions, such as the Governance Research Centre at the University of Hull in Britain and the Institute on Governance at the University of Ottawa. Some others are civil society initiatives. Some more are instituted by the government, such as the Centre for Public Service Innovation in South Africa and the Centre for Good Governance in Hyderabad set up by the Government of Andhra Pradesh. Some are set up through a partnership between donor agencies like the Asian Development Bank, UNDP, and the World Bank and the government, such as The Partnership for Governance Reform in Indonesia. Some are research oriented, such as the Brookings Institute Governance Studies Program, while others, like the institute in Hyderabad, are primarily advocacy oriented, though frequently based on survey and benchmarking sort of research. Such institutions are likely to carry greater credibility than government controlled bodies.

39. The activities of these Centres can include policy research, legislative drafting, monitoring and evaluation of new initiatives, strategic planning, future scenario building, civil service training and reform, developing innovative governance practices and encouraging their diffusion in the government, and benchmarking for best practices (Jayal, undated).

Competition in Delivery of Public Services

40. Many public services are delivered by a single agency that is more or less a monopoly, at least for local users of the services. Thus, a single board or government department may provide such services to the indigent as social security/pension/provident fund payments, schooling for

poor children, etc. Monopoly power tends to curb customer orientation and innovation, and can cause distress to those who avail public services. A number of governments such as of Britain, the U.S., and New Zealand have sought to introduce competition in the provision of public services ranging from social capital building (education, health, and welfare) to provision of policy advice to ministers. The fear, in the more extensive use of this device, is waste and duplication, but competition in the provision of public services can yield better service at lower cost, and, overall, may be quite useful to society.

41. Competition can be created in several ways: license private sector/civil society bodies to provide public services (Canada licensed retailers to dispense postal services); break up a large public sector service dispensing unit into a number of smaller public bodies that provide a choice to people as to from whom to get the service; get public service bodies do a 'market test', that is invite bids for providing one or more of the services they are currently providing, and outsource, if the bid exceeds the current cost, quality etc. parameters of the public service (such as a government employment agency inviting bids for finding employment for the unemployed in a particular city).

Corporatization of Government Services

42. Corporatizing even a not-for-profit government service offers some advantages. First, it sends a clear message to its management that the service is to operate efficiently (even when making money is not the prime consideration), that is, it is expected to be cost-conscious, productive, innovative, and 'customer'-friendly. Secondly, since it is a corporation, it has a different legal structure than a government department. In India, it would have to be registered, for instance, under the Companies Act, say under Section 25, and have an accountable board, with a CEO who is, in turn, accountable to the board. It would have flexibility in terms of raising financial resources from bodies other than the government, and developing its own personnel and operating policies. It is a device that can minimize political and bureaucratic interference.

Decision Support System (DSS)

43. Egypt has innovatively utilized a management tool called decision support system (DSS) for extending substantially the strategic decision-making capability of high government officials, including ministers (El Sherif and El Sawy, 1988). Developed by experts with active user participation, DSS uses information technology-based simulation models to offer alternative scenarios of situations for better appreciation of the consequences of alternative decisions. The issues considered by the apex organs of the state, such as the cabinet, are usually complex, ill-structured, interdependent, and multi-sectoral, with strategic impacts at the national, regional, and international level. In 1985, as part of Egypt's effort at developing its governance capacity, the Information and Decision Support Centre (IDSC) for the Egyptian cabinet was set up. It had implemented some 28 projects by 1988.

44. The power of DSS is that it introduces a professionalist, comprehensive decision-making culture in a government culture of deal-making and compromises, crisis management, public posturing, and 'disjointed incrementalism' (Braybrooke and Lindblom, 1963). It does so in a way that does not harm the decision maker - it provides much better information, and a much better appreciation of the consequences in quantitative terms of alternative policy decisions vis-à-vis major policy objectives. DSS does not supplant judgment; it improves the quality of apex level judgment. Nor does it supplant the decision maker's objectives; it instead clarifies them and their consequences. In Egypt, DSS has been extended to provincial governments (Kamal and Shaker, 1995).

Deregulation

45. The modern state pursues many goals, and enacts many policies for attaining these goals. An inevitable concomitant of each policy is a regulatory framework to ensure that the policy is effectively implemented. Often, however, policies and regulations are hastily designed, or their relevance is overtaken by a change in circumstances. Unless harmful or useless regulations are periodically removed or modified, administration can get mired in red tape, and large costs may have to be borne by business and civil society.

46. The British Government launched a deregulation effort in 1985 but it picked up steam only after 1992 when its Deregulation Initiative was launched (Commonwealth Secretariat, 1995b, 2002). The emphasis was on less regulation, better new regulation (if required), and better enforcement of regulations.

47. Several deregulation task forces of businessmen were appointed in 1993. They made 600 proposals for deregulation of which 60% were accepted. An innovation was that for every new piece of legislation, the cost to business of complying with it was required to be assessed. Such cost could be considerable - some American research suggests that for every dollar spent by the government on enforcing a government regulation, the cost to the private sector and individuals subject to the regulation may be as high as 10 dollars (Weidenbaum and DeFina, 1978). Around 20 partnerships of business and local authorities were formed to guide business on how regulations applied to them. All government departments were asked to review *all* their regulations to identify those that could be *simplified or abolished*. Nearly 900 regulations were so identified. Deregulation *ministers* were appointed in various departments, and a *deregulation unit* for implementing the Deregulation Initiative was formed in *each* department.

E-governance

48. E-governance is better delivery of government services to citizens, improved interactions of government with business, citizen empowerment, and more efficient governance through information technology (IT) (Madon, 2006). It includes such applications as the improvement of

government planning and administration of large rural development programmes, the delivery to citizens of entitlement certificates and licenses, the collection of taxes electronically, transfer of property, registrations of birth, marriage, etc.

49. E-governance has been spreading rapidly throughout the world. A U.N. study indicated that nearly 90% of the world's governments are using internet, and are rapidly increasing websites (Kamarck, 2005). A successful example comes from Mexico, where the National Development Bank electronically serves 300000 businesses. As a consequence the number of bad loans has declined from 3.2% to 1.8%.

50. In Britain, Office of the E-Envoy was set up in the Cabinet Office in 1999. The purpose was to enable the country to gain maximally from the knowledge economy. A campaign titled UK Online was launched to ensure that by 2005 everybody had internet access, and that all public services were available online. Direct Gov was setup to provide all the information needed by the citizens 'under one roof'. Information was organized on the basis of topics like education, health, travel, etc. Information was also specially organized for specific user groups like motorists, parents, disabled persons, job seekers, householders, the elderly, etc. E-Envoy extended the Direct Gov service to digital television so as to reach more than 10 million users.

Empowering the Citizen-Customer

51. Bureaucracies often sacrifice customer service at the altar of standardization, rules, and regulations. To restore a better balance between operating efficiency and customer service, the British Government launched the '*citizen's charter*' in 1991. Its basic aim was to empower the citizen-customer by creating a system of entitlement in the services on offer, and raise the standards of public service, that is, improve the quality of services provided by the government to the citizens. The four main thrust areas were higher *quality* of public services; *choice* to the citizen, to the extent possible, as to the providers of a service; publicly announced *standards* related to the offered service, and *grievance redress* if the standards are not met; and *value for money* for the taxpayer.

52. As of 1994, there were 38 published charters, covering patients' charter, parents' charter, rail passengers' charter, courts' charter, benefit agency customers' charter, job seekers' charter, taxpayers' charter, child support agency's charter, etc. In other words, for the first time the public had published standards of public services, information on how well these standards were adhered to, information on complaints procedures and redress, etc. Through such public knowledge there was both greater transparency and greater pressure on a government agency to perform. Later, an attempt was made to have *national* standards of services, that is, the same standard of service was expected to be delivered throughout the country.

53. To improve the quality of their services, a number of British Government agencies have gone in for 'charter marks', a kind of *certification* like the ISO certification. The initiative was started in 1991. The guiding principles of the process of obtaining a charter mark are: set standards and conform to them; actively engage with the customers, partners, and the staff; be fair and accessible to everyone; use resources optimally; improve opportunities for the community; and improve continuously (Sadagopan, 2006). Over 400000 employees are employed in departments and agencies of the government that have obtained a charter mark. The adoption rate is highest in courts, the police, housing, and the utilities. A recent study has found that the charter mark contributes to the improvement of government services delivery. Several departments have created *boards* to monitor performance, including review of outcomes, resources, customer experience, and organizational capacity.

54. A telephone help-line called 'Charterline' has been established for giving people information on charters on phone. The Charter Mark *award* was instituted for *excellence* in delivering public service and some 36 awards were given in 1992 to a variety of organizations including schools, hospitals, agencies, police services, etc. Agencies and departments were encouraged to *establish quality systems* for their services on the basis of research on *customers' perceptions* of the service and their satisfaction with it, the development of measures and realistic standards of quality, the *measurement* of the effective *delivery* of the service, the assessment of quality performance for setting new, possibly higher standards, and the continuing *monitoring of customer satisfaction*. A senior *cabinet minister* oversaw citizen's charters.

55. To provide best value for money to the taxpayer, Britain evolved a system of making market tests of the services its agencies and departments provided. This involved inviting bids for providing the service in question. By 1993 end, government bodies had invited bids for \$1500 million worth of their services. In the central government, all the departments and agencies were initially instructed to set targets for activities to be put to this sort of market test, although later this was made voluntary.

Executive Agencies

56. The most revolutionary step in revamping public administration is the migration from bureaucratic administration to the management of the bulk of government through professionally managed bodies called 'executive agencies'. Britain was the pioneer. Based on a study of the progress of changes in the civil service, the British government began setting up these agencies in the late 1980s (Commonwealth Secretariat, 1995b). The basic idea was that agencies should be carved out of government departments to carry out, under professional managers, specific executive functions within a framework of policy and resources provided by the relevant minister. The attempt was to separate policy making from implementation, and to bring in professional management for implementation. By the mid-1990s, about two-thirds of the *chief executives* of

these agencies were recruited on the basis of *open competition*, and over a half of these were from outside the civil service. Most CEOs were given *term contracts*.

57. A small 'Next Steps' *team* consisting of civil servants was created to *identify candidates* for agency status. Before forming an agency, however, some *tough questions* were addressed: *need the function be carried on at all; if yes, could it be privatized or contracted out; if no, would the agency be the best structure for it?*

58. Once the decision was taken to form an agency, its mandate, objectives, etc., were crystallized into a 'framework document' that spelt out the policy framework, the agency's mission and objectives, and the resources, pricing, and other operating constraints under which the agency was to operate. This was a very important document, because it constituted the *mandate* of the agency.

59. The annual budget and the annual targets of each agency were approved by the relevant minister. Thereafter the chief executive was *personally responsible* for the targeted performances. The agency's *annual report* provided information on its activities and achievements against targets. The agencies had to make their accounts as per commercial practice on accruals basis. Ministerial responsibility to the parliament was restricted to policy, not operations, and parliamentary questions on operations were answered by the chief executive, not the minister.

60. Earlier, annual pay increases in the government were not linked to performance. The agencies and departments of the government now got increased *autonomy* to hire and fire. After 1990, departments and agencies were responsible for recruiting over 95 per cent of their staff. As of the mid-1990s the government required all new pay agreements to have *performance-linked pay* as their basis. Agencies and departments had the freedom to negotiate with unions the extent of performance-related pay component.

61. '*Agencification*' has been a success in Britain and elsewhere. The running costs of the government as a share of public spending declined in Britain from 9% in 1992 to 8% in 1995, that is, by over 10%, partly because of the efficiencies implemented by executive agencies. A comprehensive review was commissioned by the government in 2002 (Alexander and others, 2002). The report dealt with 92 executive agencies managed by 'Whitehall' (U.K. central government) departments (the rest 35 were dealt with by the governance bodies of Scotland, Northern Ireland, and Wales). The report concluded: "... executive agencies...brought about revolutionary changes in the culture, processes and accountabilities of those services delivered directly by central government." (p. 5). Further, "The agency model has changed the landscape of government. Extremely flexible, it provides the most responsive and accountable framework for delivering executive functions from within central government." (p. 7), and "The agency model has been a success" (p.10).

62. The report concluded that the agency model has led to clarity and focus on specified tasks; a culture of service delivery; empowerment of frontline staff; greater accountability and openness; contextually appropriate structures and systems compared to the earlier standardized, monolithic government system; innovative thinking and action; development of brand for the services offered; better risk management; and greater tendency to expose problems rather than keeping them hidden (pp. 17-18). Given below is an example of the transformation in work practices that was brought about after agencification of a Canadian Government body.

Canada Communications Group:

63. Following Britain's lead in the 1980s in establishing semi-autonomous executive agencies with a professional head on contractual employment, Canada, too, set up numerous 'special operating agencies'. These were service units within departments and had greater direct responsibility and greater flexibility for results than before. They were expected to provide more cost-effective customer service.

64. The Canada Communications Group (CCG) is an interesting case of one such agency (Commonwealth Secretariat, 1994; Khandwalla, 1999). It was one among several agencies within the department of Public Works and Government Services Canada. CCG became an agency in 1990 and is a good example of how bureaucratic administration could get transformed into customer-oriented, efficient management under an agency structure.

65. Since its formation, notable changes occurred in CCG's operating environment, staff mindset, and organizational autonomy. In part these changes took place because, after 1992, most of CCG's services ceased to be mandatory. In other words, CCG's customers - federal departments and agencies - were no longer obliged to avail of CCG's printing and other communications related services. They had the choice to go elsewhere if they found CCG's services unsatisfactory or excessively priced. But CCG management also played a notable role in its transformation:

- (i) CCG management stressed openness with employees, keeping them informed of developments, and sought their participation in decision-making. Early on the CEO gave presentations and held coffee sessions with employees to explain the agency concept; an employee newsletter was started, and intermittently, information bulletins were issued.
- (ii) The message of customer service and entrepreneurial thinking was continually stressed, and employees were encouraged to take responsible and calculated risks. They were encouraged to share ideas for improving services. An Employee Advisory Board and a Customer Service Council, both having the participation of the CEO, were set up to eliminate communications barriers between the top management and the staff.

- (iii) Rewards were established for exceptional customer service, productivity improvements, performance beyond the call of duty, and cost-effectiveness efforts.
- (iv) CCG conducted employee satisfaction surveys to monitor morale and employee perceptions of the agency, its management and its responsiveness to staff concerns, etc.
- (v) In 1993 the employees ceased to be employees of the Treasury Board and became employees of the CCG. This implied that CCG was now responsible for personnel management relating to staffing, collective bargaining, service classification, etc. For instance, in 1993, CCG instituted its own service classification, and instead of the earlier 22 occupation groups (e.g., clerks, printers, purchasing agents, etc.) it set up just one service classification with 17 levels. This implied that a lowly clerk could aspire to reach a top management position – on merit.
- (vi) To become more competitive, CCG stressed product/service quality at competitive prices. CCG initiated a Service Quality Management training program for all staff.
- (vii) Partly on the basis of staff feedback, CCG restructured itself in 1993 from numerous product-based divisions (which often competed with one another and caused confusion to CCG's customers) to larger divisions consisting of similar products/services. A Business Development Division was created to coordinate marketing. A new sales structure was later under consideration involving the appointment of account executives for key clients and divisional sales representatives. These moves were calculated to make CCG much more responsive to its customers.
- (viii) CCG carried out customer satisfaction studies, with focus on CCG's business, competitiveness, product/service growth potential, etc. In a 1993 survey 90 per cent expressed satisfaction with CCG's services.

66. The Japanese experience with 'agencification' has, on the whole, been positive. In a questionnaire study of 57 agencies in 2003 in which the ratings were done by the CEOs and other senior functionaries, operational autonomy, autonomy in budget execution, in setting up the organizational structure, and in contracting out was perceived to be significantly higher than before the agency was formed. The employees were seen to be making greater effort to improve quality, reduce costs, and were more customer-focused than before. Significant improvement was also reported on all four measures of subjectively rated performance, namely, effectiveness, efficiency, quality, and accountability.

Government/Non-Government Partnerships

67. In many countries, government/non-government partnerships have become somewhat frequent in the launch of developmental or social capital or even commercial projects. Such partnerships result in joint ventures that are typically coordinated through a joint decision making mechanism like a board with representation of all the partners and other key stakeholders. The tool has the merits of pooling human and financial resources, advancing professionalism in the public sector, and increasing the participation of civil society in governance so that democracy is strengthened.

68. Both Britain and the U.S. have been strongly encouraging government-non-government partnerships. In the U.S., a law was passed in 1996 to expand the range of bodies the state could partner by letting it offer government-funded services to the poor. The partnering organizations included profit-seeking, not-for-profit, and even religious organizations (Kamarck, 2005). In Britain, in the mid-1990s there were extensive partnerships between the government and academic and business institutions (Commonwealth Secretariat, 1995b). For instance, 'Managing in the 90s' was a government initiative to help the managers of British companies to respond more effectively to change and innovate. Many academic institutions helped prepare the inputs for the programs of the initiative and organized seminars and events for businessmen. Also, some 20 local authority/business partnerships were created to give business clear and simple guidance on how various regulations apply to business and what services are provided by the local authorities.

69. The government also worked closely with business and local authorities to regenerate 'inner cities' (urban slums). Several task forces consisting of the representatives of the U.K. Government, local authorities and business bodies were created for this purpose. These set targets, spawned further partnerships, and involved local communities for capacity building. This mechanism was used in several other areas of challenge.

Innovations Diffusion

70. Many innovations occur in the vast labyrinths of the government but remain unknown to the rest of the government. Thus, the impact of the innovation remains limited. Thanks to high IT connectivity, it is possible to bring innovations anywhere in the government, and indeed in any government and even outside government, to the notice of all administrators for potential application. This is equally true of good practices. All it takes to diffuse the awareness of innovations and good practices in government is a national governance website for innovations and good practices, some encouragement and reward for logging these on to the website, with a software for sorting these out by function, and a cell in each ministry to bring significant relevant innovations and good practices to the notice of the ministry head. Innovation-sharing is being institutionalized in Italy, France, and New Zealand (Kamarck, 2005).

Management Information System (MIS)

71. A strong MIS is a sine qua non for successful decentralization. It gets the required operating information to the levels where decisions are taken and alerts higher management to emerging problem areas that may require its intervention. In Britain, each government department and agency established an MIS with four components, namely, personnel records, finance, physical facilities and resources, and purchases (Commonwealth Secretariat, 1995b).

72. An example was the MIS in the Department of Trade and Industry, which consisted of sub-systems called FINMIS (Financial Management Information System), PEMIS (Personnel Management Information System), PREMIS (Physical Resources Management Information System), and SAMIS (Selective Assistance Management Information System). FINMIS maintained detailed cost and income records, made forecasts, estimates, and budgets, received data from other bodies and systems, and provided 150 senior managers of the department and the managers of its various cost Centres with comprehensive financial information on a regular basis as well as, as per need. PREMIS kept a central register of staff, their academic qualifications, skills, job history, staff reports, age, grade, seniority, training, etc., and compiled forecasts and manpower statistics. It was used by about 400 persons. PREMIS maintained details of facilities, telephone numbers, premises, etc., and provided management information that could optimize utilization of physical resources. SAMIS collected, aggregated, and analyzed all the information needed to enable the department to assist and sponsor industry. It recorded information on various industry assistance schemes, manufacturing units in the UK, etc., and was used by about 200 persons within the department.

Outsourcing

73. International experience has shown that a very broad range of government services and activities can be beneficially outsourced (Khandwalla, 1999, Chapter 4). These include such services as meter readings of public utilities, the maintenance of public utilities, utility billing, waste collection and disposal, road repair and cleaning, building of roads and highways, fire prevention and control, crime prevention through patrolling, traffic signal maintenance, ambulance services, operation and maintenance of government hospitals, public housing, various welfare programs, maintenance of public parks and cultural Centres, government payroll and accounts, maintenance of computerized records, local tax assessment, billing and bill collection, slum development, recording of legal documents, accreditation of academic institutions so that they become eligible to receive state funds, binding conflict resolution (through lok adalats, for instance), improvement of accounting standards (such as through recognizing the Institute of Chartered Accountants of India for this purpose) etc., etc. The more developed the civil society and the private sector, the greater the possibility of outsourcing activities for improving quality, volume, coverage, and reducing costs.

74. There are many ways of outsourcing. The most common is contracting with private vendors of services; others are franchising; subsidizing private bodies to carry out government activities; providing eligible citizens (mostly the needy) vouchers to buy, say medicine, from a list of approved outlets, etc.

75. Outsourcing of government activities to business/civil society bodies/citizens is a more reliable tool than privatization for improving the efficiency of governance and/or reducing the costs of services provided by the state. This is because it is more selective – only those activities of a government body are outsourced that can be performed more cheaply and/or better than within the government body. Outsourcing also provides better control over outcomes because it is done through contracts that are enforceable at law. It can also be quite transparent if an open bidding process is followed. In the U.S. alone, some \$300 billion (rupees 12 lakh crores at the current exchange rate) worth of public services were contracted out by the early 1990s (Clements, 1994).

Performance Management System (PMS)

76. Accountability for inputs, processes, outputs, and outcomes is greatly strengthened by an appropriately designed performance management system (PMS) (Commonwealth Secretariat, 2002, pp.219-222; Mohanty, 2003). PMS needs to be designed for each decision-maker, section, agency, department, ministry, and indeed, the whole government. For each public service, the major components of PMS are the service's aims and mission, strategic objectives set by the organization offering it, breaking down of the objectives for the components of the organization, the identification of agreed upon targets of each individual manager and his/her key result areas, periodic reporting of performance against targets and standards, review by superior authority, and remedial action. At every level, the specific needs of the 'customers' of the service, as well as critical success factors and the closing of any capability or other gaps have to be kept in mind.

77. PMS in government is aimed at creating a performance culture, increasing accountability of staff and organizations for using resources efficiently and meeting objectives, empowering citizens to generate pressure for change and transformation through the publication of the performance review results, providing guidance for capacity building, and contributing to the overall developmental agenda (Mohanty, 2003, p. 1298). It permits a much greater level of decentralization. Andhra Pradesh (AP) has implemented a PMS (Mohanty, 2003). It was designed with the participation of all the stakeholders, and continued to involve them at all the stages of the PMS.

78. Merely setting up a PMS is unlikely to yield good results unless rewards are tied to superior performance. These rewards can be monetary (incentives, bonus, faster promotions) and non-monetary (public recognition, challenging assignments, opportunity for learning). Performance-

linked rewards are important because typically in the public sector, pay packages lag behind the private sector – in the U.S. for example, a study found that compensation in the public sector was about half that in the private sector for comparable positions, and in Russia it was about a fifth (Kamarck, 2005) – and performance-linked rewards can help make up the deficit at least partially. The incentive for the competent to abandon public service for greener pastures in the private sector would be weaker.

Policy Evaluation

79. Such is the nature of democratic governance systems, especially in developmental states, that policies tend to proliferate, both because of urgent social or economic pressures and for garnering popularity. Often, policies are hastily conceived and rammed through legislation without adequate consideration of long-term costs and benefits. Some of these ill-conceived policies become albatrosses and cause mischief for years before being abandoned or suitably modified. In India, China, and the former Soviet Block, the policies of centralized control of economic activities caused much economic and social hardship before they were sharply modified in the 1980s and 1990s. Better appraisal of policies, through inter-disciplinary teams, wide public debate, and the involvement of stakeholders and domain experts can surely reduce the dysfunctional consequences of public policies and increase the benefits.

80. Australia, New Zealand, Japan and other countries have set up a mechanism for careful policy evaluation. The idea is to evaluate a policy carefully when it is first proposed, and also evaluate periodically the relevance and costs and benefits of policies in force. Although policy review is the responsibility of each ministry, it can be useful to have an inter-disciplinary agency specializing in policy evaluation to do this on a continuing basis, and coach the ministries and departments in sophisticated policy analysis. For instance, in Japan the Ministry of Public Management, Home Affairs, Posts and Telecommunications tries to ensure uniformity, rigour, and objectivity in policy analysis throughout the Japanese government, and seeks broader lessons in the light of experience in policy evaluation (Azuma, undated). Policy evaluation criteria are necessity, efficiency, effectiveness, equity, and priority, and the use of these criteria is expected to throw up alternatives to proposed new policy and existing policies and practices. Some critical questions have to be asked: *Is the policy results-effective? Is there an alternative, better policy?*

Privatization

81. Privatization comes in many different forms, ranging from outright sale of a government asset and relinquishment of control over its use to the buyer, to sale but retention of at least some control through, for instance, the golden share device, to the award of a management contract to a private party without relinquishing government ownership.

82. Privatization has been controversial because of the possibility of allegations about malpractices. If the government divests an enterprise at a certain price per share, and after the divestiture the price of the share shoots up, there could be criticism of a sell-out to vested interests or cronies of the government in power. Thus, transparency in the divestiture process is very important. The book building process in the privatization of public enterprise is one way of being transparent because it invites bids for the purchase of shares from the public within a range of indicated prices. The process becomes even more transparent when it is managed by a credible outside agency rather than by the relevant ministry. Auctioning of small public enterprises has also some merit – tens of thousands of such enterprises were auctioned in Russia and Eastern Europe after the tilt of these nations towards a market economy (Rondinelli, 1995).

83. Privatization is not a panacea for improved governance performance. Research on privatized enterprises has yielded a mixed picture. In one study of 41 partially or fully privatized companies, there was, on the whole, improvement in profitability and internal efficiency, but there was no information on the costs of this improvement in terms of higher prices, layoffs, plant closures, cutbacks in corporate social responsibility spending, etc. (Country Economics Department, 1992). In a World Bank study of 12 privatized companies, while productivity increased in 7 companies, workers increased their pay in only 2 companies (Country Economics Department, World Bank, 1992), suggesting exploitation of the workers by the new owners. In a study of 20 government companies that were not sold but management contracts were given to private parties, profitability and productivity increased in 13 companies, while there was decline in the rest (World Bank, 1995).

84. On the other hand, in a World Bank study of 28 privatized companies in Guinea, only 4 were operated profitably after privatization, 2 were close to breaking even, 9 had got closed, and 13 were in financial straits (Country Economics Department, World Bank, 1992)! Other studies have found no difference between public and private sector firms vis-à-vis technical efficiency (Millward, 1988; Nellis and Kikeri, 1989; Ali Musa, 1994).

85. Privatization may work well when there is relative abundance of professional management in the private sector, there is an alert civil society that can mount an effective surveillance of privatized bodies, the public sector is mired in a regulatory nightmare, *and* the process results in handing over private assets to credible and effective private enterprises in a transparent manner. When these conditions do not prevail, wholesale privatization on the expectation of improved performance may not bear fruit.

Quality Management in Public Services

86. Quality in governance has been a cry that has had many takers, ranging from Britain and the U.S. to Malaysia, Singapore, and Mexico. The U.S. adopted customer service standards for

its federal agencies in the 1990s. Malaysia ordered total quality management (TQM) for the *whole* government; Singapore extensively used a version of quality circles called Work Improvement Teams to bring about over 23000 changes and innovations in government (Ng, 1990); and Mexico has been able to secure ISO-9000 certifications for nearly 700 federal government work Centres (Kamarck, 2005). Some good results have been reported. For instance, in a South American country in the area of redressing medical complaints of citizens, a standard time was fixed within which to decide on the complaint. After the standard was fixed, over 90% of the complaints were disposed off within the standard time, versus 30% earlier, and the number dealt with was 10% more without increase in budget.

87. Singapore came up with another idea of improving service quality. The mechanism was of bringing about continuous improvement in the public services through a dedicated unit. For this purpose it set up the Service Improvement Unit in 1991 to monitor the standard of public services, and catalyze their improvement by soliciting feedback from the users of these services (Commonwealth Secretariat, 1992; Quah, 1995). SIU was governed by a six-member political supervisory committee and managed by a nine-member committee consisting of senior civil servants. It had over 90 quality service managers. At SIU's prodding, the ministries and statutory boards reviewed needless rules and regulations. During 1991-92, for instance, around 200 rules were reviewed and about half were abolished. SIU got all its quality service managers trained. It catalyzed the training of some 11,500 officers in skills for managing public counters at the Civil Service Institute, and of some 1700 officers in telephonic skills under the Public Contact Improvement Programme. SIU played a catalytic role in using computerization to promote cashless transactions and reduce paperwork. It encouraged ministries and statutory boards to assess the quality of their services through service audits and exit interviews, and to set quality targets for achievement. SIU publicized the effort at improving public service. It encouraged various service providers to develop quantitative indicators of service quality such as waiting time of customers, time taken for approvals, and number of unanswered calls. SIU also analyzed the nature of complaints, suggestions and requests received from the public by various public bodies. Thanks to its efforts, there was a sharp decline in public's complaints.

Rightsizing

88. Modern developmental states tend to get very large, with an excess of clerks, menial staff, and 'babus' but are often short of the right kind of managerial, vocational, and technical talent, such as teachers and health professionals to serve the indigent, engineers and other professionals to set up and operate infrastructure projects, and competent professional managers to run state-owned enterprises, agencies, boards, councils, development programs, poverty alleviation programs, and the like (Commonwealth Secretariat, 2002; Kamarck, 2005). So they need to shed excess manpower in certain categories or re-deploy it for more useful ends, and also employ more people of the right sort.

89. Faced with chronic deficit budgets and public outcry about the poor quality of government services, many Western governments have turned to 'downsizing'. Britain, for example, reduced its civil service staff by about 20% during the 1980s and 1990s, primarily by privatization and transferring of staff to executive agencies. But they also have attempted 'rightsizing'. The Clinton administration in the U.S. let go of nearly 17% of the federal staff (about a million jobs), but added about 100000 to the police force to make America safer.

90. Among Third World countries, China has periodically tried to reduce the size of its federal staff by the millions, by transferring administrative personnel to service organizations, but also hired more technocrats. Mexico reduced clerical staff by about 50000 posts, but increased teachers, nurses, doctors, police officers, etc. In Uruguay, three out of four workers were employed by the state. Uruguay conducted a 'modernization' campaign in which it downsized, but offered incentives for voluntary retirement. The government funded the severance costs of its organizations, and they were allowed to keep whatever savings accrued from downsizing. The public enterprises owned by the Government of India and also public sector banks have periodically come out with voluntary retirement schemes and shed several hundred thousand staff, mostly in the clerical and menial levels. But to compete effectively with private sector organizations, they have also been aggressively hiring professionals. The Union Government ministries have also abolished several hundred thousand vacant posts.

Single Window Clearances

91. In the late 1990s, some progressive municipalities in Italy came up with the idea of 'one-stop shops'. These were created to cater to the diverse needs of local businessmen for a variety of services provided by diverse public bodies, such as access to the service of the local health care unit (in case of an accident at work), the fire brigade body (if there is a fire in the factory), securing of provincial or regional permissions, procuring of environmental clearances, etc. (Ongaro, 2004). The business approached the local one-shop body and made an application, and the one-shop body got the necessary permissions without having to run from pillar to post. This innovation became enabling law. It gave good results in some municipal areas and poor results in others. The success factors, based on, the experience in Bologna and Modena, appeared to be legal sanction, specified timelines for public bodies to provide the needed information, training provided to the staffs of the public bodies and the single window shops, commitment to the concept of the chief of the municipality and the single window body, computer networking of the single window body with the public bodies, standardized procedures, support of industry associations, etc. In the successful municipalities, processing time for issuing business licenses to entrepreneurs could be cut down by an average of 40%, and the local government was seen as business friendly.

92. The single window concept has also been used by a number of countries like Malaysia, Singapore, Mali, and China, and also several Indian states. It helps businessmen get all the needed clearances expeditiously and at one place instead of running from pillar to post for various permissions and greasing the palms of officials to make the files move.

Social Development Index

93. Hong Kong developed a social development index (SDI) in 1999 (Mok and Law, 2002). It consists of some 362 different indicators classified under 26 sectors of development activity. The index is computed for each of several groups of citizens (e.g. families, women, children, the elderly, people with disabilities, new arrivals, etc.). The development activity sectors include the rule of law, political participation, strength of civil society, health, education, housing, income security, transportation, population trends, employment, occupational safety, crime mitigation, public sector investment in social sectors, science and technology, social justice, social service, arts and culture, sports, entertainment, and recreation, environmental quality, economic growth and other economic indicators, subjective life satisfaction, and cost of living. Such an index pinpoints what is happening to different groups of people on matters connected with the quality of their life, especially to those that are disadvantaged or vulnerable, and therefore enables the state and civil society to take appropriate and expeditious action.

Strengthening People Power

94. Voting every five years or so is a pretty crude way of assessing what the public thinks of the state's activities. A healthy democracy requires a fairly constant monitoring of the actions and activities of the state, and mechanisms to ensure that the voice of the people is heard in the corridors of power. Public opinion polls provide some inkling of people's views on the issues of the moment, and they have become an important part of the civil society's pressure for good governance. The idea of polling the public can be turned into an effective governance tool. Some Indian NGOs have developed ways of assessing the provision of municipal services in cities and the levels of corruption in dispensing them. The state can use this tool widely as a homeostatic and fine-tuning mechanism for assessing the effectiveness of a wide range of its functions and activities. A number of mechanisms are available for enabling the people to be heard (Paul, 1995). Citizens' charters, publicizing the standards of services on offer to the people, and with effective grievance redress mechanisms in place, is one mechanism.

95. The right to information is another. Mexico, for instance passed in 2003 federal law on transparency and access to government public information. India recently passed the Right to Information Act. It is well to remember that that the Swedish Constitution has guaranteed the right of citizens to access official documents since 1766! Indeed, civil servants can disclose the contents of government documents to the media, and the media is forbidden to disclose the sources (Kamarck, 2005).

96. Public hearings on issues, organized by the state, is the third useful mechanism. Focused group discussions on issues, utilized by the Government of Karnataka, is yet another mechanism. Government surveys of the level of satisfaction of the ‘customers’ of public services, used widely in the U.K., is also an effective mechanism. The Philippines too has used citizen surveys of satisfaction with state health insurance, solid waste disposal, property taxes, and community radio (Kamarck, 2005). The participation of the representatives of the intended beneficiaries of developmental programs in designing and implementing them and in reviewing their progress is also a voice strengthening mechanism. People can be empowered if they do not have to deal only with state monopolies in procuring services. If there is competition in the supply of these services, then the people can exert pressure for better services by voting with their patronage. Special courts for hearing public grievances are also a mechanism. The capacity to enter into public interest litigation has been an effective empowerment tool in India and in the U.S.

NPM Tools and Key Governance Objectives

97. The foregoing is but a sampling of the tools and techniques in use in governments all over the world that appear to be especially relevant for building up Bihar’s governance capacity. But it indicates what a rich repertoire of choices of tested tools and techniques is available for a state like Bihar for tackling various problems of governance. Some key governance objectives and relevant NPM tools are as follows:-

Objectives	Relevant NPM Tools
1. Greater performance accountability of administrators	1. Accountable financial decentralization along Britain’s Financial Management Initiative pattern 2. Performance management system along Andhra Pradesh’s PMS pattern
2. Greater efficiency/productivity	1. Benchmarking studies, especially with of public sector employees efficient governments, and fixing of standards 2. Efficiency diagnostic unit to identify and measure mal-performance 3. Case studies of effective versus ineffective units to identify success factors 4. Outsourcing that cuts unproductive costs

Objectives

Relevant NPM Tools

- | | |
|--|---|
| | <ol style="list-style-type: none">5. Rightsizing to reduce redundancies and raise domain expertise6. Videos of best practices and their diffusion7. Set up professionally managed executive agencies8. Install a government-wide performance management system9. Step up human resource development based training |
| 3. Improved quality and delivery | <ol style="list-style-type: none">1. Widespread use of ISO 9000 certification and of public services Total Quality Management2. Periodic dialogue with 'user' groups for improvements3. Benchmarking for setting quality standards4. Publicize citizen's charters with grievance redress mechanisms5. Quality awards based on quality of service surveys of 'customers'6. Corporatization of commercial government services but with professional management |
| 4. Greater responsiveness to the needs of stakeholders | <ol style="list-style-type: none">1. Develop a social development index to identify the needs of various citizen groups along the Hong Kong SDI pattern2. Set up stakeholders' boards/councils for ministries, departments, projects and executive agencies3. Provide competing outlets for government services4. E-governance to empower citizens |

Objectives

5. Greater innovativeness in government bodies

6. More effective strategic decisions

Relevant NPM Tools

5. Single window clearance agencies in different regions

1. Benchmarking with excellent governments

2. Prestigious awards for significant innovations

3. Reward-based 'kaizen' suggestion schemes

4. Centre to promote good governance practices

5. Training administrators in creative problem solving, especially brainstorming

6. Quality circles along the Singapore WITs

7. Website to list global and local innovations in governance

8. Select innovative heads for professionally managed executive agencies and enterprises

1. Deliberation councils along the Japanese pattern for key social and economic issues, sectors, and industries

2. Policy evaluation studies

3. Decision support system along the Egyptian pattern for the CM and the cabinet

4. Stakeholders' council for advising each ministry

5. Deregulation along the British pattern to free time of ministers and senior bureaucrats for strategic issues

6. Centre for good governance to undertake policy and strategic studies

Objectives

7. More effective management of crises such as floods, earthquake, pandemic, inter-caste warfare, militancy, etc.

8. Containment of corruption

9. Reducing losses of state-owned

10. Reduction of time and cost over-runs of developmental projects

11. Expanding the government's resource base

Relevant NPM Tools

1. Senior Executive Service that is open to lateral entry of domain experts

2. Risk management to anticipate and mitigate risks

1. Regulatory impact assessment to modify irksome and corruption-breeding regulations

2. Citizens' surveys to assess the level of corruption in various public services

3. Increase the public's choice by outsourcing and breaking up public service monopolies into competing units

4. Performance management system for public services

5. Professionally managed executive agencies for delivery of public services

1. Professional management of enterprises enterprises along the Central public enterprises pattern

2. Privatization of non-strategic public enterprises to credible private parties in a transparent manner

1. Tools and techniques of project management - PERT-CPM and operations research

2. Turn projects over to 'missionary' executive agencies

1. Selective outsourcing and privatization

2. Government/non-government partnerships

INDIAN INNOVATIONS AND EXPERIENCES IN GOVERNANCE

98. In this chapter, several successful innovations of Indian states, particularly Andhra Pradesh, have been briefly described because of their direct relevance to Bihar.

A. Governance Innovations of Andhra Pradesh

99. AP began re-inventing governance along NPM lines in the late 1990s. One of the strategic initiatives for improving governance was setting up of Centre for Good Governance. It was formed in 2001 to provide analytical, research, and training backup to the reform effort. This helped to make several of the administrative reforms attempted in AP closely resemble the NPM agenda of reform. These reforms included redefining the structures and functions of government bodies, re-engineering business processes in government to improve policy making and service delivery, much greater e-connectivity and greater use of e-governance, attempts to make the government more accountable, responsive, and transparent, big social development and anti-poverty initiatives, and anti-corruption and legal reforms. The Advisory Commission on People's Empowerment was formed in 2002. It made several recommendations. The implemented reforms include the following (Mohanty, 2003; Naidu, 2003):

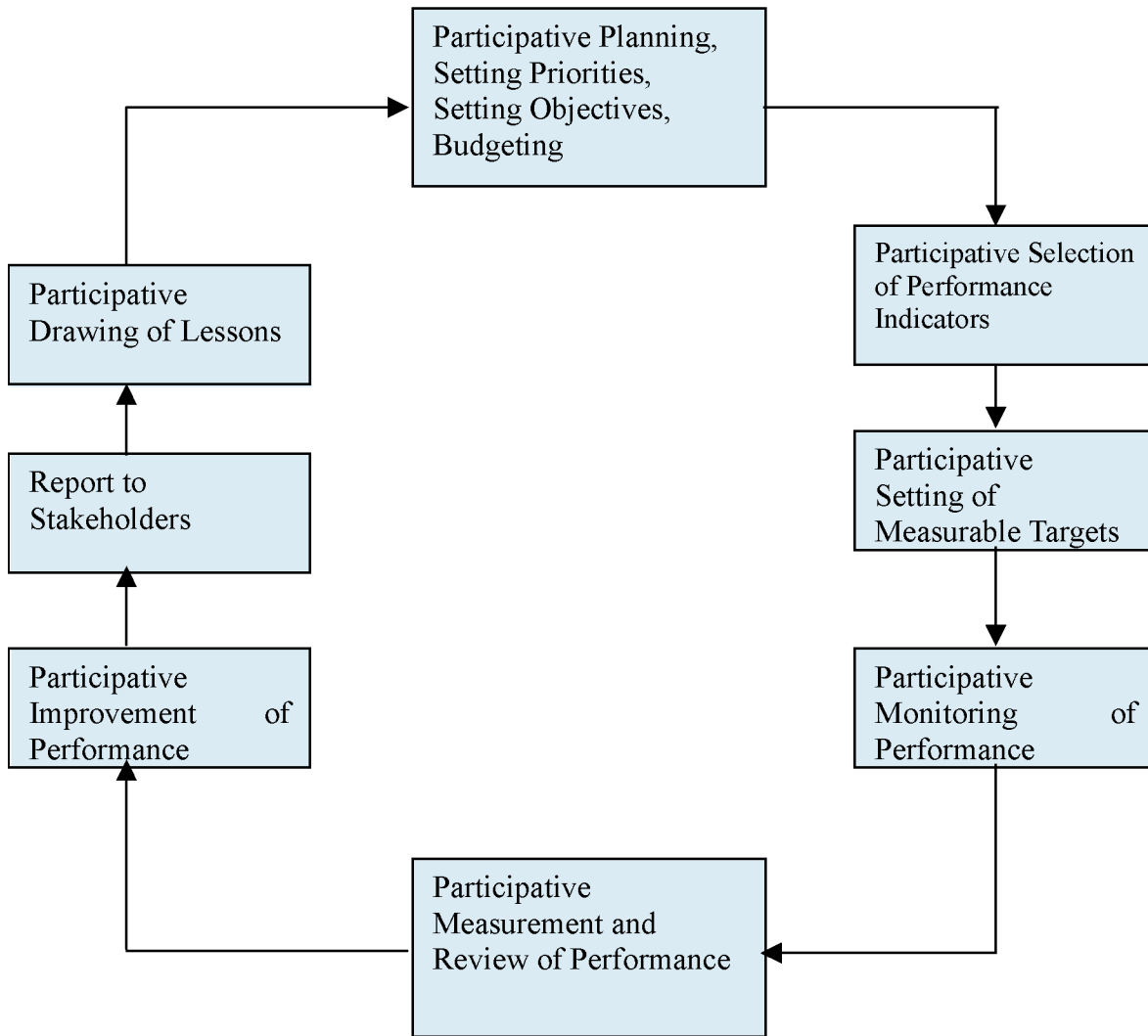
Performance Management System (PMS):

100. A governance-related PMS, a powerful NPM tool, can provide online invaluable information on the progress of the innumerable developmental programs and projects conducted or funded by the government (on physical as well as financial indicators, and outcome indicators for social justice and other qualitative goals), the performance of various ministries and departments against Plan allocations, budgets and so forth, comparisons for the previous quarter, the previous year, etc. Such a system would strongly reinforce the accountability of department heads for performance, and facilitate appropriate rewarding of high performance that can turn the operating culture of the government from one of adherence to rules and regulations and expenditures to one of getting results. Chart - 1 on page 47 shows the basic working of such a system.

Chart-1

Performance Management System Model

Performance Management System Model



101. In AP, government departments were classified into eight functional groups: economic development (primary sector); economic development (secondary and tertiary sectors); human development; welfare; local and urban bodies; infrastructure development; revenue generation; and governance (general administration, regulation, land records, law and order). A performance management system was adopted to monitor the progress of the eight types of government bodies. For this purpose nearly 1000 performance indicators were developed for some 200 departments. A performance grading system was developed to grade functionaries and departments every month. The performance measured was not only in terms of outputs, but also processes

like file disposal and days toured. An online performance tracking system was implemented that generated a number of reports. These reports were acted upon by decision makers at the appropriate level.

Change Management Programme:

102. A change management program was instituted titled 'Governing for Results'. For this, workshops were conducted for various departments that involved a SWOT (strengths, weaknesses, opportunities, and threats) exercise for each department and the development of action plans to improve functioning. Change agents were identified in each department and given training to push the reform agenda forward. Implementation of change agendas was monitored periodically by experts.

Innovation Units:

103. Innovation units were set up in such key departments as education, health, welfare, agriculture, irrigation, industry, local self-government departments, and police. These units would support the development of reform action plan by the department.

Citizen's Charters:

104. Citizen's Charter along the British pattern, another NPM tool, was announced by about 90 departments with large public interfaces, and a system was being devised to monitor the implementation of these charters.

E-governance:

105. Many initiatives were implemented in e-governance, an NPM tool that made AP a leader in this area. E-Seva offered 42 services to citizens under one roof, such as the payment of utility bills, issue of certificates and licenses, rail reservations etc. E-cops connected up police stations. For the hinterland, an online system was set up to connect 16 government departments to rural citizens, to provide such services as information on land records and transactions. The Police Department also instituted a performance tracking system involving nearly a dozen indicators of performance of senior police functionaries. A system was being installed to automate various functions of government such as providing energy, higher education, finance, transport etc. To reduce corruption and delays, the government set up e-procurement and a system for issuing driving licenses. During 1994 to 2002, some 100000 teachers were recruited through the use of information and communication technology, and not a single complaint or grievance was encountered.

Video Conferencing:

106. Through satellite communications and wide area networks, the government harnessed communications technologies to facilitate video conferencing between the chief minister and district administrators, enable people to converse with the chief minister on a designated day, extension services for agriculturists, provide training programs for disadvantaged groups, teleconferencing between top level functionaries, etc.

Public Sector Enterprises Reform:

107. A number of initiatives were taken. The loss making state electricity board was unbundled into power generating and power transmitting corporations. The transmission and distribution losses came down from 37% in 1999 to 26% in 2002-3. Metered sales went up from 38% in 1999 to 44% in 2002-3, and this cut down power theft. The performance of the state-owned enterprise sector was sought to be improved through restructuring, outsourcing to cut costs, closures, and privatization. Between 1999 and 2002, ten companies were privatized; eleven were restructured through voluntary retirement schemes; 22 loss making companies were shut down; and in 4 the government divested its stake. Singareni Collieries saved some Rs. 1600 crores after 1997 by partially outsourcing the over-burden removal in its open cast mines to private parties.

Outsourcing and Public-Private Partnerships:

108. Outsourcing, involving public-private partnerships is another powerful NPM tool. Nearly a third of the civic services provided by the municipalities were outsourced to foster public-private partnerships. These included garbage disposal, de-silting of drains, street lighting, maintenance of parks, finalization of accounts, and collection of advertisement tax. A scheme for self-assessment of property taxes due to the municipality was introduced in Hyderabad under which the city was divided up into valuation districts (valuation per square meter of construction). The rates were computerized and made accessible to the people, so that they could compute the tax due on their property and pay without bills being issued to them. Despite a steep reduction on the tax rate, the collections tripled between 1997-8 and 2002-3.

Single Window Clearance:

109. A single window clearance scheme was launched in 2002 to process and provide various permissions required to set up an industrial unit. By August 2003, over 80% of the approvals were issued within the prescribed time limits, and a further 3% or so were deemed approvals because no rejection was made by the government before the prescribed time limits. A single window cell was also set up to provide tourism-related permissions and clearances.

Budgeting Transparency:

110. An attempt was made to make Government budgeting transparent by disclosing well before the formal presentation of the budget in the state assembly the state's financial position

and performance budget. The information provided was of the budget performance up to the end of the year, the fiscal performance for the previous year, revised estimates for the year, and budget estimates for the next year. Also provided were key fiscal trends, such as vis-à-vis the expenditure on salaries and other establishment costs and interest payments as percentages of the state's own revenues and also total revenues, and capital expenditure, total debt, and fiscal deficit as percentages of the state's GDP. Also, every department was required to publicize its own performance review for the previous year.

111. It is too soon to assess the consequences of the wide-ranging and mainly NPM-inspired innovations in the governance system of Andhra Pradesh. There has been a change in the political leadership of the state, and it is not known how many of the innovations have withstood this. Also, Naidu apparently did not utilize the strategic tool of 'agencification' – the various departmental activities remained firmly in the hands of trusted bureaucrats rather than professionals and domain experts. Also, not enough was perhaps done to give voice to key stakeholders of the state's governance entities on their boards etc. Nonetheless, the AP case does demonstrate at the least the feasibility of using many NPM tools in Indian conditions.

B. Some Other Governance Innovations of Indian States

112. AP has not been the only state that has effected governance innovations. A number of other states like Gujarat, Karnataka, Kerala, Madhya Pradesh, and Maharashtra too have been innovative. For Bihar, it may be fairly easy to replicate, after due modification, successful governance related innovations of Indian states due to shared political, economic, social, and administrative conditions. Several illustrative wide-impact innovations of Indian states that can facilitate better Bihar governance and improve the quality of life of its citizens in key areas are briefly described below.

Creating a Mindset Change in the Administrative Rank-and-File

113. In government, while policies are planned at the top, implementation ultimately is done by the rank-and-file. If the staff members are apathetic, incompetent, or corrupted, implementation would suffer gravely. Also, as has been the experience in Singapore, thousands of suggestions for improvement can come forth, and can get implemented successfully, when the staff gets a sense of ownership through participatory modes of management like quality circles, task forces, cross-functional teams, mass skills upgradation through training, forums for participative decision making (called industrial democracy in industry), etc.

114. A notable attempt at changing the administrative mindset from one of apathetic observance of rules and regulations, indifference to citizens' needs, and petty corruption, to one of teamwork, concern for the citizen-customer, and conscientious discharge of one's duties was attempted by

the State of Gujarat The goals of this V-Gujarat program (V for vibrant) were defined in 2003 after widespread discussions between the Government and a private sector agency called Education Technology Services Ltd. (IETS), a division of Infrastructure Leasing and Financial Services (IL&FS). The objective was to impart training aimed at mindset change to all the half-a-million employees of the Gujarat Government.

115. The overall objective was to create a learning-introspect-respond mindset in administration through human resource development. The more specific objectives were to enhance self and work effectiveness by bringing about attitudinal change, sensitize staff to the needs of family members, citizens, and the organization, inculcate ownership and accountability vis-à-vis roles and responsibilities, and enhance self-worth and appreciation of the roles of others such as superiors, subordinates, and colleagues. Some 2000 volunteers were identified from the staff and trained to become trainers; IETS provided 250 trainers. The program was part of an attempt to bring about a change in understanding the role each member of the staff has to play for good governance, shift from following administrative routine to getting tangible results, more effective communication to get others' cooperation, greater personal and interpersonal effectiveness, helping participants become more pro-active, and improved workplace processes. Participants were trained in batches of 25 to 30 each. A creative pedagogy was used, which utilized case studies, role-plays, and visual aids. The cost of imparting training to 200000 government employees was less than Rs.5 crores, less than Rs.250 per person trained.

116. There was a close monitoring of the quality of the program. Weekly reports were sent by IETS to government bodies like SPIPA. A steering committee was formed and reviewed the program periodically. A top official of SPIPA held regular weekly meetings with district collectors. The CM frequently met the program officials and participants to get direct feedback. Questionnaire-based responses were secured from several thousand participants about the quality and usefulness of the program and their satisfaction with it. These revealed very high levels of satisfaction. Impact assessment was assigned to Centre for Entrepreneurship and Career Development, and assessment was done 45 days after training. For this purpose 360-degree feedback was sought from the participant's colleagues, superiors, and subordinates. Impact assessment was done on a random sample of 2500 trainees. The impact assessment revealed new confidence, the establishment of the credibility of training, high enthusiasm, and change in the mindset as desired. The training program has got extended to several enterprises owned by the Gujarat Government, the police force, and municipal corporations, and the State of Rajasthan, too, has taken to it in a big way.

117. Gujarat Government has taken a number of initiatives to harness the motivation of the participants. One initiative is the 'Swantah Sukhay' project, in which the alumnus of the program develops a personal plan of growth and contribution, such as cleaning the toilets, or greening the

office's environment, or women's empowerment. This is an annual program, and restricted to Class 1 and 2 officers. However, out of some 20000 staff members, only about a thousand have taken up projects. Another initiative is to have heads of departments to call periodic meetings, say, every Friday, for a lecture or discussion and to elicit suggestions for improvement. More obviously needs to be done to consolidate and build on the staff excitement generated by mindset change training, such as talent and leadership potential identification, further training, giving of greater responsibilities to high potential persons, administrative decentralization, formation of task forces for designing improvements, suggestion scheme for tapping the ideas of the staff, etc.

E-governance

118. IT is so versatile a tool that, when used well in e-governance, it can radically improve the facilities enjoyed by people in such areas as health, education, welfare, information about government schemes and taxes, access to documents, reporting and tracking of complaints, etc. The Bhoomi Project of Karnataka is a good example of the positive impact a well-conceived e-governance initiative can make (Manor, 2006). In Karnataka as in many other states, the record of rights, tenancy, and cultivation (RTC) is needed by villagers as a proof of ownership to get loans, government scheme benefits, etc. In Karnataka, as elsewhere, the age-old practice was to issue the applicants handwritten RTCs by village accountants. This was a major cause of hassles, delays, errors and bribes.

119. In 1999, the CM, Mr. S.M. Krishna, sponsored a new system. He ordered the establishment of computer kiosks in every taluk headquarters. He also put a committed civil servant in charge of the project. Some 180 kiosks were relatively swiftly put up, and Bhoomi was fully operational by August 2002. A full time employee was put in charge of each kiosk to help villagers get access to RTCs. A fee of Rs.15 was charged for each RTC, and this covered the costs of the system.

120. Kerala is another state that has pushed e-governance and computerization (Sreekumar, 2002), although with uneven results because of turf battles and ideological concerns. Computerization and internet connectivity has been attempted at district and sub-treasuries levels and also at the level of development blocks. Land records have been computerized, as also motor vehicles registration. Computer billing of Kerala Water Authority has been accomplished, and smart cards are being issued to citizens for availing of various civil supplies. There is an ongoing attempt to provide computerized information on various government schemes, programs, local bodies, and links to important sites for the rural folk.

121. Gujarat is another leader among the Indian states in e-governance. Computerization of planning began in the late 1970s for the administrative and planning functions (Madon, 2006). The attempt was to introduce decentralized information systems at the district level to facilitate

district-level planning, especially of anti-poverty programs. There has also been considerable progress in IT-enabled front-end service delivery to citizens, including computerized entitlement certificates for land, income, caste, ration card etc. for a nominal fee. One-day Governance Centres were opened in all the cities and towns of Gujarat to eliminate the need for citizens to travel to local revenue offices. Under the Mahiti Shakti project, information kiosks have been set up as a pilot project in a backward district to provide citizens with all relevant government information, and these have been given out on license to entrepreneurs. One can also get various application forms at these kiosks, and also the facility of making applications to the government, such as for permission to construct a building, or get financial assistance under some scheme or the other. The kiosks also offer many other services, such as photocopying, accessing information on the web, stationery, bus passes, etc.

122. The common man in Indian cities is finding it increasingly difficult to get the administration to even record a complaint, let alone do anything about it. The Bombay Municipal Corporation, in association with Praja Foundation has installed a complaint registering, tracking, and feedback system, without the need to visit or call the BMC ward offices during office hours (Praja Foundation, 2004). One can lodge a complaint at Praja Foundation's website or even phone in a complaint. A complaint tracking number is provided that enables the complainant to elicit the status of his or her complaint at the click of a mouse. BMC's citizens charter has stipulated a time limit within which complaints would be addressed. If the complaint is not redressed during the time limit, it is automatically escalated to a higher-level officer, progressively up to the Municipal Commissioner.

Catalyzing Better Civic Amenities through Government-Civil Society Partnership

123. Throughout India, an increasing number of people are living in towns and cities, and the demand for civic amenities is rapidly growing. Unfortunately, many municipalities are mismanaged and ridden with corruption. In this context, Bangalore Agenda Task Force (BATF) provides an interesting example of how the government and civil society can come together to improve the quality and delivery of municipal service and reduce the hassles of citizens (Manor, 2006). The work in the early 1990s of the Public Affairs Centre headed by Dr. Samuel Paul, former Director of IIMA, in assessing the level of corruption and dissatisfaction of the citizens of cities with municipal services, showed shockingly high levels of corruption, and considerable dissatisfaction, especially of the poor, with the dispensation of municipal services. The Government of Karnataka, with the very active support of the CM, set up BATF in 1999 to help and advise seven key government agencies in Bangalore providing civic amenities. The task force consisted of prominent members of industry, NGOs, heads of the civic bodies, and members of civil society. It was chaired by the CEO of Infosys, and the CM became a member.

124. BATF took the following steps:

- (i) It invited the elected members of the municipal corporation along with media and others twice a year to 'summits' of 700-800 people in order to help design the processes by which the city's infrastructure could be upgraded, help raise additional funds from the citizens for this purpose, and help enhance the quality of life in Bangalore by improving the capacity of the seven agencies to provide more and better services. At these summits, the senior bureaucrats of the agencies presented plans for the coming six months and reported the achievements of the preceding six months against targets.
- (ii) Every six months BATF conducted surveys to gather information on the extent of public satisfaction with the services offered by the seven agencies.
- (iii) BATF offered advice to the seven agencies on better budgetary control, on further initiatives they could take, and customer-friendly practices. It also provided technical skills to the agencies.
- (iv) BATF itself conducted a few self-financed projects.
- (v) BATF funded a publicity drive to highlight the efforts of a city agency to fill potholes. It also funded the contracting for limited periods of some people with special skills to assist the agencies' projects. BATF's suggestion to the municipal corporation to shift to a new way of collecting property taxes through self-assessment based on a simple formula was accepted. This reduced bribes, and the revenues soared. The property tax collection in Bangalore doubled to Rs.200 crores in three years. BATF also provided funds to computerize the financial systems of several city agencies, and to improve the accounting system. As a result the number of account heads of the metropolitan council declined from 600 to 30, and accounts could get finalized faster. BATF also catalyzed the construction of 23 clean public toilets built with private contributions. Some solid waste management initiatives were also catalyzed. It also catalyzed road signage and bus shelter improvements.

125. An Andhra Pradesh initiative also merits mention. The Metropolitan Water Authority of Hyderabad was set up in 1989 to provide water supply, but it got mismanaged, and the situation got fairly grim, with widespread delays in giving water connections and corruption. With World Bank assistance, the CM initiated reform (Kamalanathan, 2004). He brought in capable administrators to fill key posts in the Authority. Under World Bank pressure, the Authority became more business-like in its operations. The structure and operating procedures were streamlined, decision-making was decentralized, and measures were taken to check staff abuses. In 1998, face-to-face encounters were organized between water users and senior managers in various

locations in an attempt to make the management more open and responsive to customer needs. A new complaints-processing procedure was installed which involved the electronic feeding of complaints into a computer system. This increased transparency and speed of response. There was a dramatic increase in the number of complaints because previously apathetic citizens found that their complaints would be attended to. At the same time, survey results indicated that the satisfaction of customers with the behaviour of the Authority's staff increased dramatically. The backlog of water connection applications was tackled on a war footing. For this purpose, a single window facility was created, and teams of staff and contract workers were dispatched to install the connections.

Stakeholders' Management of Government Facilities

126. A remarkable example of government hospitals being handed over to the stakeholders of these hospitals for managing them has been reported from Madhya Pradesh (Mohanty, 2004). This experiment has wide implications for governance. In 1994, the so-called 'Rogi Kalyan Samiti' (RKS) was set up from within the Indore community serviced by the huge Maharaja Yeshwantrao Hospital, a decadent and mismanaged government hospital in Indore, to restore it to normalcy. The community representatives were selected from all sections of society. Without using government funds, RKS cleaned up the hospital and its premises of piled up garbage and rodents, and refurbished the hospital. The results were good enough that the experiment was repeated in 1100 other government hospitals in 48 districts in MP and other states.

127. The scheme consists of registering an RKS as a society but giving it the mandate to act autonomously, including raising funds and charging for its services, and using these funds without depositing them into government treasury. RKSs have been set up in medical colleges, district hospitals, and community health Centres. Each RKS includes the community's representatives, health officials, local district officials, representatives of the Indian Medical Association, elected members of local self-government bodies etc. – in short, all the stakeholders. The RKS is also given the autonomy to use the land available to the hospital(s) under its charge to construct shops and lease them out to raise additional resources. It is also authorized to take over other government facilities in the hospital complex such as canteens, rest houses, stands, and ambulance service. The RKS can use the funds under its control for repairs and maintenance, expansion, waste management, security, and to modernize facilities and equipment, buy medical supplies, and treat poor patients free while charging better off patients. It also has the authority to outsource services. Many politicians – MPs, MLAs, office-bearers of panchayats - have taken active interest in this program. Over 200 crores were collected by 2004 by way of donations and user charges, and funds from the MPs' earmarked funds have also been received. The Red Cross Societies too have extended substantial help. Not only have the facilities and treatment markedly improved, the number of patients treated has also significantly gone up.

128. The experiment of handing over the management of hospitals to empowered councils of stakeholders could well be extended to other facilities – government owned schools, sports facilities, sewage treatment plants, street lighting, cultural complexes, recreation facilities, etc. etc. In a society where governance has got corrupted and local self-government bodies are getting polarized on caste/community lines, it makes sense to bring in management by all the stakeholders, that is, management by committees or councils with the representation of the users of services, experts, representatives of the administration and the political system, civil society leaders, relevant NGOs, and the media. If these councils are clothed with the kind of operating and financial autonomy that the RKSs have in MP, and with the additional power of appointing professional managers with performance accountability and performance incentives for CEO and other top-level executive positions, there could be dramatic improvement in the performance of various governmental facilities.

129. The changes and innovations described in this chapter, some inspired by NPM, some of non-NPM origin, demonstrate what a large range of changes can be brought about in the administration of Indian states – provided there is a will to innovate and see the innovation through.

BUREAUCRATIC REFORMS IN BIHAR VERSUS NPM-ORIENTED GOVERNANCE

130. An attempt is made in this chapter to recapitulate the recommendations of Bihar's Administrative Reforms Commission (BARC), and compare them with the approach of NPM and innovations-oriented governance to demonstrate how wide ranging are the opportunities Bihar has for transforming its administration. BARC, set up by the Government of Bihar, has come up with a number of useful recommendations for streamlining Bihar's governance. The following is a summary of its main recommendations (based on the summary prepared by Mr. Sudhir Suthar of STFB):

- (a) Reduction in the number of departments to 44 from the present number of 47.
- (b) Creation of Department of Vigilance and Corruption Control instead of Department of Vigilance. The new department should be given status of an independent department.
- (c) Creation of State Vigilance Commission.
- (d) Recommendations regarding legal actions against government officials in cases of corruption or for other charges (the recommendations are to make the task more difficult so that it would be difficult for anybody to take arbitrary action against the officials).
- (e) The Internal Auditing System should be restructured with adequate work force so that it can work independently. The present State Auditing Organization works under the guidelines of Department of Finance.
- (f) Dismantling of Public Enterprises Bureau.
- (g) Restructuring the taxation system.
- (h) Dismantling of Department of Transport.
- (i) Restructuring of the planning process in the state. Merger of Department of Planning and Development and Department of Institutional Finance and Program implementation into a new department called Department of Planning, Development and Program Implementation.
- (j) Rethinking over the issue of State Planning Board.

- (k) Bifurcation of Department of Rural Development into Department of Rural Development and Department of Panchyati Raj.
- (l) Recruitment of administrative staff for effective functioning of panchayati institutions.
- (m) Infrastructure development for the Panchayati Raj institutions, formulation of 'Panchayat Government', creation of building for panchayat activities.
- (n) Outsourcing and contracting of pathological services and hospital sanitation.
- (o) The recruitment work of university teachers, their transfer and other such related matters should be transferred to the State Public Service Commission. Dismantling of College Service Commission.
- (p) Closing of State Minerals Development Corporation.
- (q) Mass recruitment for block level administrative units.
- (r) Creation of administrative structure on the basis of ministerial requirement and not on departmental basis.
- (s) Recommendations with regard to transfer of financial powers. The present system centralizes financial powers in the hands of the ministry. More powers are suggested to be transferred to the district magistrates, secretaries and ministers.
- (t) Transfer of water supply and sanitation responsibilities from *Nagar Vikas Vibhag* to the Public Health and Sanitation Department.
- (u) Recruitment of engineers at various levels.
- (v) In order to make the administrative system efficient a service-cell should be established in every department to be chaired by the secretary.
- (w) Many recommendations regarding reduction in the number of cases pending in various courts.
- (x) Provisions related to the powers to sanction leave and other administrative functions in the hands of secretary.

131. The Bihar ARC report focuses on several aspects. Firstly, on partial restructuring of the Government involving the dismantling of a number of departments that are either not functioning or not relevant any more, the merger of some departments, the closure of a few malfunctioning or redundant public enterprises, and outsourcing of some functions. Secondly, the report deals with the issues of transfer of various powers (including financial and administrative) from ministers or cabinet ministers to the secretaries. This would reduce the amount of time spent in decision-making on various issues. The third focus of the report is on recruitment at various levels. The fourth focus is on ways of reducing corruption. The report works within the extant bureaucratic framework and restricts itself to modifications in the existing structure of departments, rules and regulations.

132. On the other hand, NPM and an innovations-oriented approach to governance emphasizes (a) transferring a good deal of operational authority to competitively selected professional managers who are also domain experts, with relatively stable tenures, through the device of 'agencification'; (b) much greater involvement of key stakeholders and civil society in decision-making through representation on the boards/governance councils of government entities; (c) much greater stress on performance indicators and performance accountability at all levels of governance through a comprehensive performance management system; (d) much greater emphasis on productivity enhancement and the enhancement of the quality of public services through incentives, training, performance indicators and feedback from the users; (e) much greater emphasis on continuous improvement through benchmarking and innovating; and (f) much greater stress on 'customer' satisfaction and employee satisfaction.

133. Relatively untouched by the BARC Report are some key issues: how to ensure that the heads of various departments, agencies, and state-owned enterprises are selected for domain expertise and managerial competence, and on the basis of an open, competitive, transparent process when the prevailing practice to appoint civil servants with no special qualifications or domain expertise as heads of these bodies; how to ensure that they function for a fixed tenure when the prevailing practice is of seconding civil servants as heads with no guarantee at all that they would officiate for a reasonable period; how to ensure that these heads are effectively accountable for meeting quantitative and qualitative targets, especially targets for servicing the disadvantaged, and are suitably rewarded for meeting or exceeding targets in the absence of a comprehensive performance management system or a system that ties remuneration to performance, as prevailing in a number of countries that have opted for NPM; how to ensure that these heads have the requisite autonomy for delivering performance on agreed upon targets within a policy framework laid down by the Government, and they are insulated from political and bureaucratic interference; how to ensure that the stakeholders of these bodies, especially the intended beneficiaries, get representation on their governance mechanisms; how to ensure that regular feedback is obtained from the stakeholders on how these bodies are performing; how to

increase the participation of the civil society in decision-making by these bodies; how to ensure that only those Government bodies are retained in the public sector that are responsible for enforcing key Government policies, priorities and regulations; how to ensure that a culture of continuous improvements and innovations is institutionalized in Government bodies when the prevailing culture is one of resistance to change, and so forth. NPM, as it has evolved in a large number of First and Third World countries, has attempted to come to grips with precisely these concerns that are not effectively met within a framework of bureaucratic, departmental administration.

134. NPM and an innovations-oriented approach to governance, as briefly described in Chapters 2 and 3, emphasizes (a) transferring a good deal of operational authority to competitively selected professional managers who are also domain experts, with relatively stable tenures, through the device of ‘agencification’; (b) much greater involvement of key stakeholders and civil society in decision-making through representation on the boards/governance councils of government entities and public-private partnerships; (c) much greater stress on performance indicators and performance accountability at all levels of governance through a comprehensive performance management system; (d) much greater emphasis on productivity enhancement and the enhancement of the quality of public services through incentives, training, performance indicators, competition between service providers, and feedback from the users; (e) much greater emphasis on continuous improvement through benchmarking and innovating; and (f) much greater stress on ‘customer’ satisfaction and employee satisfaction. As demonstrated in country after country, some Indian states, and in the Central corporate public sector, when these tools and approaches are institutionalized in governance that good results become very likely.

135. NPM is not a magic wand that can sweep away all the problems of mal-governance. But it is a proven approach that has worked reasonably well in the public administration of a number of countries within the constraints and opportunities provided by a democratic political system. No major changes are required in the Constitution or the laws to utilize its various tools and techniques. Nor are huge monetary investments needed to implement them. But building up governance capacity in Bihar and other governance-deficit states through NPM and the various governance innovations tried out in India does require a mindset change: from finding fault with external factors or with politicians or with insufficient resources or with low investment by the private sector or with unfair treatment by the Union Government, to taking the bull by the horns and setting about finding the way forward. This is the task attempted in the next chapter.

GOVERNANCE RELATED POLICIES AND STRATEGIES FOR BIHAR

136. 'Innovate or perish', it has been said, in the 'corporate mantra' for our age to the State of Bihar, which is a late comer in the process of economic modernization. Today, each State in India is striving hard to compete for resources and investment and to bring the momentum of economic prosperity and welfare to the masses. Here lies the importance of 'good governance,' which impacts all sectors, human activities, and the quality of life of the people. States that lag behind in 'good governance' are likely to lose out in the long run. Therefore, Bihar must pay utmost attention to building up its governance capacity by incorporating successful Indian and global innovations in governance in its public administration and delivery of services.

137. Bihar needs to implement a vision of good governance that goes well beyond tinkering to make bureaucracy better. There has been a movement world-wide towards more efficient and responsive administration, and in terms of social impact, more effective governance, through NPM. NPM offers a set of powerful new ideas and a clutch of effective tools, techniques, and approaches that bring to governance some critical competences in short supply in the bureaucracy. There are also tested Indian governance initiatives and innovations that should become part of this new vision of governance.

138. Bihar, as also many other States, has been bedeviled by numerous problems of mal-governance – corruption, inefficiency, nepotism and lack of meritocracy, systematic discrimination against the disadvantaged, tardy implementation, poor quality of public services, siphoning off of funds meant for social development and poverty alleviation, frequent breakdowns of law and order, gross political interference, and so forth. Restoring good governance may seem almost utopian. And yet, there is hope because so many countries also suffering from mal-governance have reformed and innovated. These include not only many Western countries, but also such Third World countries as Malaysia, Singapore, Ghana, Thailand, and South Korea. Many Indian States, too, have been able to bring about numerous reforms and innovations that have spurred their economic growth rate through greater public and private sector investment and improved the quality of life of their people. A number of tested changes can, indeed, transform Bihar's governance, provided this transformation is pursued with passion by the political leadership and the senior bureaucracy.

139. To make governance effective and innovative, Bihar needs to examine the international and Indian initiatives in innovative governance described in Chapters 2 and 3 for creative adaptation. These initiatives imply a veritable transformation in the way Bihar is governed. They

imply a role for professional management, civil society participation, and voice for the stakeholders in the management of government bodies hitherto untried in Bihar on a systemic basis. If effectively adopted, after appropriate pilot testing and modification, the initiatives listed below would create a strong momentum in Government employees and the people for improved governance.

140. Bihar's Government needs to focus on the following basic changes to augment its governance capacity:

- (a) Creating a mindset change in Bihar Government's administrative staff.
- (b) Creating a greater costs - benefits consciousness in Bihar's administrators.
- (c) Handing over the management of health, education, welfare, and other such commonweal facilities to empowered local councils of stakeholders.
- (d) What to regulate and how, and what not to regulate.
- (e) 'Agencification' of the Bihar Government.
- (f) The use of other New Public Management (NPM) tools.
- (g) The revitalization of Bihar's state owned enterprises.
- (h) Strengthening the voice of civil society in Bihar's policy making.
- (i) Periodic and systematic feedback from the internal and external stakeholders of Bihar's various Government bodies.
- (j) Urgent focus on E-governance.
- (k) Overcoming political and bureaucratic resistance to NPM and other governance innovations.
- (l) Government's facilitating role in rural agricultural and industrial development.
- (m) Setting up the Centre for Good Governance.

141. For ***changing the mindset*** of people at all operating levels, the following need to be vigorously pursued:

- (a) Bihar Government should launch a Vibrant Gujarat pattern mindset change program to enhance the personal effectiveness, achievement motivation, inter-personal competence and leadership skills of all of its Class 1, 2, 3, and 4 employees through a public-private partnership. It should also get measured psychometrically various leadership, change agency, communications and interpersonal skills related, task achievement, ethical and social responsibility related, analytical skills, creativity, resourcefulness and other relevant skills of the participants of the mindset change program to identify high potential persons. They should be given further training to enhance their administrative competencies.
- (b) In parallel with the mindset change program, the Government should chalk out a strategy of harnessing the newly enhanced enthusiasm and skills of the participants. It should facilitate the creation of numerous quality circles along the Singapore pattern WITs, in which the mindset change program participants can contribute suggestions for workplace-related improvements.
- (c) The Bihar Government should launch a Total Quality Management program along the Malaysian pattern to cover all its departments and agencies.
- (d) The Government, while developing its strategies, should encourage departments to go in for relevant benchmarking to fix productivity and quality standards and then seek appropriate ISO certifications to standardize effective procedures.
- (e) The Government should also institute performance incentives for high performers, including a fast track program and monetary and non-monetary incentives.
- (f) The Government should institute decentralization, the operating principle being that decisions taken at a given level at present should, as far as is practicable, be taken at least one level lower.
- (g) The Government should set up a number of task forces of innovative personnel and domain experts to achieve innovative breakthroughs related to administrative bottlenecks, and a number of cross-functional teams to improve inter-departmental coordination and collaboration.
- (h) The Government should restructure administration to create relatively small, multi-functional departments analogous to corporate divisions, and put dynamic staff members in charge of these departments.

142. Another strategic thrust of innovative governance in Bihar should be creating **greater costs/benefits consciousness** in Bihar's Administrators at all levels. The major contents of this thrust should be:

- (a) Every department/agency of Bihar Government should change its accounting system appropriately to identify what its various activities actually cost. Thereafter, market tests should be performed to determine the gap between what the current costs of the activities are and what the costs would be, if the activities were to be outsourced.
- (b) An ABC analysis should be performed of the activities: 'A' activities for which outsourcing would yield the maximum savings and other benefits to the government; 'B' activities for which the benefits would be moderate; and 'C' activities for which either there are no outsourcing benefits or it is not in the public interest (because of, say, security reasons) or it is not legally feasible to outsource them. 'A' activities should be immediately outsourced on a competitive bidding basis, and if this results in significant redundancies in the department/agency, the transfer of redundant personnel to the bid winner should be one of the conditions on which the outsourcing contract is awarded. For 'B' activities every attempt should be made to reduce costs in a time bound manner in order to reduce the burden on the exchequer, and if on a further market test, a significant gap still persists, the activities should be outsourced in the manner indicated for 'A' activities. 'C' activities should continue to be administered by the department/agency, but with better management.

143. Policy direction should include handing over the management of Government's health, education, welfare, and other such commonweal facilities to **empowered local councils of stakeholders**. Bihar Government should implement a phased program of handing over the management of government-owned commonweal facilities like schools, hospitals, PHCs, welfare facilities, sports facilities, sanitation facilities etc. to empowered councils of local stakeholders of these facilities along Madhya Pradesh's Rogi Kalyan Samiti model. These stakeholders councils should include representatives of the community served, civil society leaders, domain experts, representatives of the concerned government departments and local self-government bodies, media, etc. The stakeholders councils should be empowered to charge fees for the services rendered, borrow money, receive donations and grants, let out extra land for commercial purposes, etc., modernize and expand facilities, and appoint the CEO and other top executives of the facility on the basis of a transparent, competitive process.

144. There is an urgent need to examine critically **what to regulate and how, and what not to regulate** with the framework of liberalization and market reforms agenda. Badly conceived/administered regulations are a breeding ground of corruption and mal-governance. Some sort of

periodic spring-cleaning is necessary to eliminate unnecessary regulations, modify defective ones, alter the mode of regulating, and bring in regulations that are needed in the public interest. Countries like the U.S. and Britain have engaged in massive de-regulation exercises from time to time, and the Government of India, too, after Liberalization, did do away with many irksome controls and regulations. The Indian states have been slow in de-regulating and in modifying the manner of regulating, but the time has come to mount a campaign of more effective regulation. The technique of regulatory impact assessment can be quite useful in estimating the costs and benefits of existing or proposed regulations, and in evolving more effective options in regulation.

145. **Regulatory impact assessment** should be employed by the Bihar Government on a priority basis to the following:

- (a) Regulations governing areas of large negative externalities. These include pollution, drug and food adulteration, people's displacement on account of development/industrial projects, and exploitation of natural resources (minerals, water bodies, land, and forests).
- (b) Regulations governing the collection of individual, property, and business-related taxes.
- (c) Regulations governing the provision of key 'public' goods and services such as water, sanitation, education, health and welfare that significantly affect the quality of life of the masses.
- (d) Regulations governing the starting and operation of businesses and civil society institutions like cooperatives, NGOs, media bodies, associations, teaching and health institutions, etc.
- (e) The government's regulations for conducting its own business, such as notifications, personnel administration rules, awarding of contracts, purchasing, fixing fees and charges etc.

146. To **scrap useless regulations** and improve the implementation of necessary regulations, the Bihar Government should set up **Regulation Impact Assessment (RIA) Centre** staffed by RIA experts. This Centre should classify regulations into those that are essential, those that are useful but disproportionately costly, and those that are irrelevant in terms of contemporary governmental priorities. The Centre should develop more effective options for implementing essential and useful regulations, and recommend to the Government what regulations to scrap. The conclusions of the RIA Centre vis-à-vis the efficacy and need of a regulation should be circulated and debated widely, within the government and in the media, and an action agenda should be developed under ministerial guidance that is part of the key result areas of the relevant

ministry official in charge of the regulation's implementation. RIA should be driven by the Chief Minister's Office throughout all the ministries, and information on the progress of using RIA should be reported to the Legislature.

147. One of the major ingredients of innovative governance throughout the world has been administrative revitalization by means of '**agencification**'. Bihar should take steps in this direction. 'Agencification' means the transformation of existing/new entities like departments, agencies, departmental undertakings etc. into professionally managed, semi-autonomous public bodies headed by competitively selected CEOs, and with a board that includes representatives of key stakeholders and full-time functional directors who are competitively selected professionals. These agencies are public sector *executing* bodies, and they operate subject to a mandate document and annual performance agreements with the parent ministries (MoUs). The pay of the CEO and other managers has a performance-linked component. Agencies generally develop effective performance indicators and install a performance management system, resort to benchmarking, 'customer' and employee satisfaction surveys, and other professional management tools and techniques. They also outsource functions if that improves their effectiveness and efficiency. The appointment of the CEO and the functional directors is a contractual one for a fixed term. 'Agencification' has been resorted to extensively in Britain (where two-thirds of former civil servants now are employees of executive agencies), Canada, Singapore, Japan, Thailand, etc. Research has indicated that this is a highly flexible tool of wide usage, and generally yields good results in terms of greater accountability, efficiency, service quality, innovativeness, 'customer' orientation, etc.

148. In India, while 'agencification' is yet in its infancy, the Union Government's public enterprises and banks have a board structure very similar to that of executive agencies. Overall the Central public sector has performed quite well after Liberalization, and has shown a healthy growth in profits and sales despite much more intense competition. On the other hand, a Planning Commission study has shown that the enterprises owned by the states, with a very different management structure (a politician as chairperson and an IAS officer as MD, with virtually no specialist full-time directors or independent directors), have demonstrated a declining performance (Planning Commission, 2002). A couple of case studies show the radical change in the way government entities function when they are 'agencified'.

149. Based on the experience of several countries like Britain, the U.S., New Zealand, Australia, Canada, Malaysia, Singapore, Japan, etc., the following eleven categories of state bodies could be potential candidates for 'agencification':

- (i) **General Administration** –e.g. accounts, treasury, personnel administration, estate maintenance, land records, land revenue, taxes (e.g. property tax, sales tax, VAT, etc.)

- (ii) **Security Administration** - e.g. prisons, civil defense directorate
- (iii) **Public Service Organizations** - e.g. employment exchange, legal aid, water supply and sewage collection and disposal, other municipal services like street lighting
- (iv) **Quasi-judicial Organizations** – e.g. tribunals, vigilance
- (v) **Sectoral Regulatory and Administrative Bodies** – registrars/boards for cooperative societies, industries, drugs, parks and gardens, education, pollution
- (vi) **Intra-governmental Services** – e.g. printing and stationary, government press
- (vii) **Development-focused Organizations** – e.g. directorates of agriculture, animal husbandry, social welfare; district industrial Centres
- (viii) **Specialist Academic or Quasi-academic Bodies** - e.g. State Sahitya Academy, training institute
- (ix) **Organizations Providing Inputs into Policy Making, Executing Policy, Monitoring, Reporting** – e.g. various commissionerates, such as of industries, tourism, health, education, etc.
- (x) **Project/Mission Organizations** – e.g. for watershed development programme, adult literacy programme
- (xi) **Departmental Commercial Undertakings** – e.g. the state transport corporation, electricity board

150. As noted earlier, these potential agencies fall into three basic types: those dealing with relatively routine administration; those dealing with managing change and development; and those that are academic or quasi-academic in nature. While the basic management structure for all three would be similar, the CEOs and top-level managers need to have differing orientations and qualifications.

151. Each Bihar Government Ministry should set up a small team of experts on public administration and management to scrutinize the activities and special purpose bodies of the ministry. The following questions should be asked by the Expert Team for each activity and special purpose vehicle as a prelude to the formation of the ministry's executive agencies:

- (i) Does the activity/special purpose vehicle need to be carried on at all? Ministries often accumulate activities and bodies that have no use in the present context. Such bodies and activities need to be identified for closure, and their staffs should be re-deployed.
- (ii) If the activity/body is seen to be necessary in today's context, should the activity be administered by the Ministry, in the light of the management capacities available in the civil society and corporate public and private sectors? If serious equity, security, or legal issues are not involved, many government activities can be safely outsourced to institutions in the civil society/corporate public or private sector, if this is more cost effective than the ministry carrying on the activity.
- (iii) If the activity/body **should** be administered by the ministry, is administering it by bureaucrats necessary because of legal requirements or because the political masters want to monitor the activity/body closely through senior bureaucrats, or because of some other weighty reason? If the activity/body need not be administered by bureaucrats, then it can be assigned to an executive agency.

152. Each executive agency, whether a new body or an existing departmental undertaking/ agency/board/special purpose body etc. that is converted into an executive agency, **must** be semi-autonomous and professionally managed under a mandate and annual performance agreement (MoU) with the parent ministry. Its CEO **must** be selected on the basis of open competition and for a fixed term. The CEO's compensation **must** be linked to performance. Each executive agency should also have professional full-time functional directors as per need, and they too should be competitively selected in the same manner as the CEO.

153. Bihar Government should set up an **Executive Agencies Selection Board** consisting of a management expert, an expert on public administration, and a senior bureaucrat to identify and short-list candidates to head each ministry's executive agencies, broadly along the lines of Public Enterprise Selection Board of the Union Government. Domain experts should be co-opted by the Board as per need. This Board should invite applications/nominations not only from the public sector but also from the civil society and the private sector, and interview/test those meeting the publicized criteria before recommending the short-listed candidates to the Chief Minister (for relatively large agencies employing over a thousand) or the concerned minister (for medium and small agencies). This Board also should be entrusted with the task of short-listing candidates for functional director positions in the same manner as for short-listing persons for the CEO position.

154. As in the U.K., every executive agency should be required to install an appropriate **performance management system** that covers the performance of the agency as a whole as well as its departments/divisions and decision makers, and to design performance-based rewards

and incentives that equal at least a third of the fixed emoluments component of the remuneration package of the decision makers (including the CEO).

155. Every executive agency should have an **oversight board** that consists of the CEO of the executive agency as chairperson, three or four full-time functional directors, a representative of the parent ministry, a representative of the officers of the agency, a representative of the non-officer staff of the agency, a domain expert, a management expert, and two representatives of the agency's 'customers'.

156. A **standing committee of the CEOs of all the executive agencies** set up by the Bihar Government should be constituted to serve as a forum for exchanging learning and experiences, and serving as a platform for creating inter-agency committees to coordinate work that is of an inter-agency character.

157. A **special mechanism** based on the executive agency idea is needed to administer mission-based programs like Sarva Shiksha Abhiyan that are designed and largely funded by the Central Government but administered by the States (a) to create a unified command and control structure in the State and (b) to provide the program the needed visibility and political and bureaucratic support. Through such programs, something like Rs.70000 crores a year are transferred from the Centre to the states. Bihar's share would be somewhere between Rs.5000 crores to Rs.10000 crores a year. A very substantial impact can be created on quality of life indicators of Bihar if these programs are well managed. The following suggestions are aimed at facilitating this:

- (i) A **'mission' executive agency** should be set up for each Centrally-sponsored scheme operating in Bihar in which only a relatively modest financial contribution by Bihar State is required. A **State Council** should be established for each such scheme, headed by the relevant state minister, and with the representation of relevant Central and Bihar Government functionaries, relevant civil society institutions, domain experts, and the intended beneficiaries to provide overall direction, legitimacy, political and bureaucratic support, and visibility to the scheme.
- (ii) The executive agency for the scheme should be given a mandate by the State Council, and be registered as a **Section 25 company** to provide it with the necessary operating flexibility and the ability to raise external resources.
- (iii) The Chairperson and Managing Director (CMD) of the agency should be a **competitively selected professional** with strong credentials as a domain expert and manager, and strong social change, results, and stakeholders' participation orientation and should be

appointed on contract with a fixed tenure. There should be three or four full-time directors on the board of the agency, all competitively selected professionals, representing finance, human resource management, and domain expertise, and also on a fixed tenure contract appointment.

- (iv) The CMD and the full-time directors should be selected by a panel of eminent professionals appointed by the State Council for the agency.
- (v) The company should be board managed. Besides having the CMD and the full-time directors as members, the board should have on it the representation of the funding Central ministry/ministries (1), Bihar State (2), domain experts (2), an expert each on development administration and management, and two representatives of the intended beneficiaries.
- (vi) The CMD should enter into an annual performance agreement (MoU) with the State Council and the relevant parent ministry of the state, specifying the deliverables on both sides. The CMD and the full-time directors should be paid as close to the market rates as possible, and there should be a performance-linked component of a third of their salary in their emoluments packages. The CMD must have the authority to provide performance-linked incentives to the other members of the staff. There should be a performance management system for the agency, its district level components and each decision-making functionary.
- (vii) For funding local/grassroots projects under the scheme, it should be mandatory for the project proposing body to attach to the project a facilitating agency from among a list of accredited agencies for ensuring the necessary capacity building. The relevant gram sabha(s) should constitute a community-based organization/council with the participation of all the local stakeholders to supervise the project and select the CEO for the grassroots project.

158. There are several **other NPM tools** that Bihar needs to consider for the innovative governance of its bureaucracy:

- (i) A small **scrutiny team in each ministry**, consisting of experts on good governance and a management expert, and reporting to the relevant minister should work with the **staff and heads** of each non-agencified activity to help it identify **participatively** key performance indicators, staffing needs, training requirements, re-deployment from staff surplus functions to staff deficit functions, role re-definitions, the use of relevant

management tools, and the use of more effective, more participative ways of making decisions.

- (ii) Learning from the experience of the performance management system (PMS) utilized in the Central corporate public sector and the one implemented by the Andhra Pradesh Government, a computerized performance management system should be designed to cover **all** the ministries, departments, and non-agencified bodies of the Bihar Government.
- (iii) **Each Ministry** should set up a benchmarking cell staffed by a team of professionally trained bench-markers to do periodic benchmarking with the best administered Indian states and Third World governments for *each* of the major activities of the ministry vis-à-vis such dimensions as rightsizing, effective human resource management, quality and productivity, ITES applications and e-governance, and 'customer-service'-related functions.
- (iv) In combination with the PMS, benchmarking information should identify *key areas* of the activity where improvement is needed. These need to be included in the key result areas (KRAs) of the activity heads, so that progress can be monitored and remedial action taken. A cell in the CMO should drive the benchmarking effort throughout the government, collate the benchmarking information from the various ministries, and report it to the CM and the State Legislature, so that it becomes public knowledge, and the civil society and the Legislature can mount pressure for continuous improvements in governance.
- (v) Bihar Government has been operating a vast number of policies. An expert group should be set up in **each** Ministry to categorize existing ministry policies into three groups: (a) policies of definite current and prospective relevance; (b) policies of uncertain relevance in the new scenario of equitable liberalization and globalization; and (c) policies that are incompatible with the government's priorities and therefore need to be scrapped after due scrutiny by the minister concerned and the State Cabinet. **Formal policy evaluation** should be conducted for policy types (a) and (b).
- (vi) Outsourcing has been proved to be a very cost-effective tool all over the West. Many Indian States, and the Union Government, too, have begun to use it in a variety of governance arenas. Opportunities for outsourcing need to be identified in the Bihar Government, and as in Britain, the outsourcing contract could make provision for the employment of Government personnel who may become redundant due to outsourcing, by the outsourced party.

- (vii) Competitive provision of government services has been tried out in various countries, especially in the provision of health, welfare, education, municipal services, award of road construction, dams, bridges, and other infrastructure projects, etc. Competition can be introduced between public sector entities, and/or between public sector units and private sector units, for providing the same service. Such competition gives choice to citizens, creates incentives for greater efficiency, and reduces corruption and oppressive practices stemming from monopoly power. A problem, however, can be corruption in the award of service. To mitigate this possibility, it would be desirable to set up a body of credible experts for awarding the contracts on the basis of transparent criteria. Bihar should consider options for introducing competition in the delivery of various public services.

159. In the light of available facts on poor performances of all the SOEs (**state-owned enterprises**) in Bihar and their financial burden, as evaluated by Dr. S.C. Jha-led Bihar State Finance Commission, it is high time for Bihar Government to undertake major steps for closure or revitalization of these enterprises. In post-Liberalization India, as a whole the Central corporate public sector has performed very well while the states' corporate public sector has performed badly. A key differentiating factor seems to be the quality of management: in the Central corporate public sector, the CEO and the functional directors are competitively selected professional managers with performance accountability in the form of MoU with the parent ministry, and the majority of board members too are professionals and domain experts; in the states' corporate public sector, by and large the chairpersons are politicians with no domain expertise, the CEOs (MDs) are generally IAS officers with relatively little domain expertise and short, uncertain tenures, and there are few professionals on the board. Bihar's SOEs need to be managed along the Central corporate public sector pattern and with similar autonomy.

160. The management structure of Bihar's SOEs should be revamped along the lines of the Central public sector. A PESB type body should be created, consisting of professionals, to short-list candidates for CMD position and full-time functional director positions for each SOE. The practice of appointing a politician as chairperson of the SOE board, and deputing, without open selection, an IAS officer to the SOE as MD should be dispensed with altogether.

161. It is high time for Bihar to help strengthen the voice of the **civil society** in Bihar's policy making. There is a great deal of expertise that is available in the civil society in Bihar and the rest of India. Japan has used such expertise very effectively for defining policy issues and evolving consensus policies. Given the complexity of Bihar's problems, it would be very useful to tap this expertise for policy making.

162. Several **types of deliberation councils** along the Japanese pattern should be set up by

the Bihar Government to improve the quality of policy-related decision making and strengthen policy review mechanisms:

- (i) Those relating to developmental issues that cut across ministries, like improving the state's quality of life indicators (per capita income, social justice and equality indicators, longevity, health indicators, literacy and educational attainment indicators); those relating to infrastructure development (roads, railway and airline network, telecommunications, internet access, etc.); those relating to agricultural development; those relating to the development of the state's natural resources (land, water, forests, minerals and fossil fuels, etc.), and those relating to industrial development, especially the growth of export-intensive and employment-intensive industries and industrial clusters.
- (ii) Those relating to the provision of civic amenities like drinking water, power, waste disposal, housing etc. to the rural and urban poor.
- (iii) Those relating to the prevention of environmental degradation and promotion of sustainable development.
- (iv) Those that serve as Ministry boards to advise the minister in-charge on policy and regulatory issues pertinent to the Ministry.

163. To strengthen the foundations of effective governance, global experience suggests that Bihar Government should widely use the following mechanisms:

- (i) **Annual sample survey** by each department/agency to find out how satisfied the internal and external 'customers' and other stakeholders of the department/agency are with the services provided by the department/agency, whether improvement is needed in the quality and quantity of the services provided, especially to the disadvantaged sections of society, and suggestions of the stakeholders for improvement. The findings and the actions taken should be publicized.
- (ii) For specific issues, the departments/agencies should be encouraged to conduct **focused group discussions**, and the conclusions along with the action taken should be publicized.
- (iii) Each department/agency should publicize its **annual report** of targets and accomplishments, giving reasons for significant variances and the action contemplated to reduce future variances.

- (iv) Each department/agency should be asked to prepare and publicize the **citizens' charter**, including in it the mission of the department/agency, the level of services citizens can expect from the department/agency, and redress mechanism in case citizens feel aggrieved at their treatment. Appropriate performance ratings of the officials dealing with the citizens' charter should be included in the performance evaluation of these officials.
- (v) For E-governance, every ministry should set up an **ITES** (information technology enabled services) **cell** to identify and offer useful applications of ITES for more effective functioning of the department/agency, more effective inter-departmental/inter-agency/Centre-Bihar coordination, and more effective ways of servicing the department/agency's stakeholders.
- (vi) A task force should be set up to **benchmark** with the computerized departments of Third World states like Malaysia or Indian states like AP, Gujarat, and Karnataka that have extensively computerized their government departments, and measure administrator to clerical and support staff ratios and other relevant ratios to develop standards (with suitable modifications) for those Bihar Government ministries that have computerized their operations.
- (vii) The gaps in managerial, technical, and other expert personnel in Bihar Government should be filled by **secondments from the Central/State corporate public sector** on attractive terms, and from the civil society and the private sector by contractual appointments for fixed terms at rates that are comparable to market rates.

164. One of the major challenges for Bihar would be to **overcome political and bureaucratic resistance to NPM** and several other Governance Innovations. Therefore, to face this problem, the following actions are needed:

- (i) **All MLAs** of Bihar should be offered a short **2-day course on New Public Management and governance innovations**, and attendance by ministers should be compulsory.
- (ii) **Class 1 officials** of Bihar Government should be provided **training in NPM** and in making the required changes in their roles in an NPM-oriented governance system. A **performance management system** compatible with these new roles should be introduced for these officials, along with **performance incentives**. The system of management by objectives (**MBO**) should be introduced for all of these officials, and their promotion decisions should be based on their performance on their **key results areas**.
- (iii) All **vacant posts** of the level of and **director/deputy secretary and above** should be **advertised** to all the Central and State services personnel with the requisite qualifications

and experience, and a panel with at least two outsiders, one a public administration expert and the other a management expert, should shortlist the candidates on a competitive basis. In the assessment, at least a third of the weight should be given to relevant domain expertise. In case a suitable person is not available from within the services, the post should be advertised and filled from outside the Government. The appointments to all these posts should be for a minimum period of **three years**.

- (iv) The **State Planning Commission** should accord its sanction only to those projects that have a **management component along NPM lines** both for the execution phase and thereafter. Further funding should be conditional on a satisfactory compliance with the approved management plan and the achievement of targets, as certified by an external professional management auditor.

165. Besides NPM-based innovations and reforms, Bihar may be able to benefit considerably from some of the **innovations of China** during the 1980s in promoting **rural industrialization** and in the application of **science and technology to agriculture** for raising farm output and profits on a mass scale. After 1978, China progressively devolved authority over investment, personnel, foreign trade, and resource allocation decisions from the Central Government to provincial governments, local governments, enterprises, banks, and households. It became possible for local government bodies and households to start enterprises. This sort of decentralization led to an upsurge of investment and economic growth through local enterprises in the rural areas. Township and village enterprises grew from 1.5 million employing 28 million people in 1978 to 25 million enterprises by the mid-1990s employing 130 million people (Xu, 1999). Rural factories began to produce such items as cement, chemicals, porcelain, bricks, paper, printing and dyeing services, metallurgy, brewing products, garments, etc. Some **70% of gross rural output** was from these rural enterprises, and led to a dramatic decline in China's rural poverty and rural under-employment (Wadhwa, 2006). It also created skills on a large scale related to the running of commercial enterprises.

166. Faced with stagnant harvests in the 1970s, China hit upon the idea of allowing scientists and technicians to enter into performance contracts with rural households (Jin-Sheng, 1994). Typically, a technician would deal with 10 to 30 farmers, and enter into a contract with each of them whereby the technician would promise an agreed upon increase in productivity (typically an increase of 5% over the average productivity of the previous three years) in return for a 1% to 3% commission on increased profits from farm operations. This was a change from the previous system of free technical service by government-employed technicians to farmers, which had been a failure. Under the new scheme, the technician promised crop protection, seed breeding, and/or increase in output or profits through new technology. He also promised to coach the farmer in some technical specifics. The commission was paid to the technician by the farmer or by the

local government from its increased agro-based revenues. By the early 1990s, nearly 5 million rural households were getting technical assistance from nearly half-a-million technicians. The technical assistance scheme was buttressed by massive training: nearly 120 million rural people received some kind of training between 1987 and 1993. Thanks in part to these initiatives, China could increase grain output by over 15% by the end of the 1980s as compared to the stagnant 1970s. The Chinese experience suggests:

- (i) The Government of Bihar should **empower**, legally, financially, and technically, local government bodies like panchayats, self-help groups, cooperatives, households, and rural entrepreneurs to start and run rural enterprises. It should simultaneously provide incentives and financial and **technical support for environmental protection**.
- (ii) The Government of Bihar should design and operate a **scheme for trained scientists and technicians** to visit rural areas and enter into **performance enhancing contracts** with rural households and local bodies, including training them in more productive farming methods, for a commission that is based on the fulfillment of agreed upon increase in farm and/or factory productivity.

167. Bihar Government should seriously consider setting up a **Centre for Good Governance** along the Andhra Pradesh pattern. The Centre should be staffed by an inter-disciplinary team of economists, management and administration experts, political scientists, sociologists, and seasoned administrators. The Centre should gather information on global innovations in governance, develop models of institutional change, engage in policy studies, promote the adoption of good governance practices, conduct high-level training for ministers and senior bureaucrats in NPM, pilot test innovations before their wider roll out, etc.

168. The foregoing governance initiatives represent quite a radical change in the existing mode of governance. If implemented effectively, they could transform for good the governance of Bihar.

CONCLUSIONS

169. Bihar has remained India's poorest State in almost all aspects. Among various factors for its poor performance, poor quality of governance of the State is considered to be one of the major factors. There has been too much reliance on bureaucrats and political leaders to govern the State, and as a result, in general, overall performance has been poor and people's expectations have been thwarted.

170. Governance is frequently conceived in a narrow perspective, particularly by administrators, as bureaucratic governance. Both international and national experiences, as analytically reviewed in this Report, suggest that change in the mindset of people at large, and administrators in particular at all operational levels, is an engine of good governance. Global experiences with New Public Management (NPM) in democratic countries suggest that a happy confluence of a democratic political system, a dedicated bureaucracy, professional management of responsibilities and functions, and effective stakeholders and civil society participation in decision making can be engineered, and can significantly raise the capacity as well as quality of governance. In those countries which have adopted it, particularly several Western and Asian countries, the results have been outstanding, leading to accelerated socio-economic growth, accompanied by enhanced welfare of the citizenry.

171. Bihar has recently gone through the process of administrative reforms, but the impact intended seems to be streamlining of bureaucratic functioning rather than a radical transformation of the way Bihar is governed. For Bihar to emerge as a future economic tiger of India, for which there is an opportunity, there is need for a new vision of good governance. This vision can be developed from the global governance initiatives outlined in this Report. If that vision is put into practice, it would build momentum for change in the thinking process of the people of Bihar and of those employed in the Bihar Government. It would catalyze the replacement of political and bureaucratic administration of educational, health, welfare etc. facilities by stakeholders' management, cut down irksome regulations and lead to more effective regulations, professionalize the management of government bodies and enterprises, and ensure greater performance accountability of government officials to the state and the people. It would also help to strengthen the voice of 'civil society' and thus prevent the descent once again into a bimar state.

172. Good governance has varied benefits. It could help Bihar in mobilizing vast resources/ investments – both external and domestic – which would have far reaching implications for the entire process of accelerated socio-economic development. With good and innovative governance,

Bihar can emerge as one of the tiger States of India. It can capture its traditional leadership if it tilts decisively towards New Public Management and innovative, participatory governance. Where there is a will, there is a way. Bihar leadership, no doubt, has the will to find the way to success.

References

- Ahaluwalia, Isher, "Industrial and trade policy reforms in India." IRIS-India working paper 13, College Park, Maryland, IRIS, 1996.
- Ahluwalia, Montek S., "State level performance under economic reforms in India." Paper presented at the Centre for Research on Economic Development and Policy Reform, Conference on Indian Economic Prospects: Advancing Policy Reform, Stanford University, May 2000.
- Alexander and others, *Better Government Services: Executive Agencies in the 21st Century* 2002. Report commissioned by the British Government, 2002.
- Ali Musa, El-Khider, "Privatization of public enterprises in less developed countries." Pages 354-379 in Clarke, Thomas (ed.), *International Privatization: Strategies and Practices* (Berlin: Walter de Gruyter, 1994).
- Auluck, Randhir, "Benchmarking: a tool for facilitating organizational learning." *Public Administration and Development*, Vol. 12, 2002, pp. 109-122.
- Azuma, Nobuo, "Problems and prospects of policy evaluation system of central government in Japan", undated, publisher not known, pp.55-62.
- Bowornwathana, Bidhya, "Autonomisation of the Thai state: some observations." *Public Administration and Development*, Vol. 26, 2006, pp. 27-34.
- Braybrooke, D. and Lindblom, C., *A Strategy of Decision* (New York: Free Press, 1963).
- Bureau of Public Enterprises, *Public Enterprise Survey 1995-6*, Vol. 1 (New Delhi: Department of Public Enterprises, Ministry of Industry, Government of India, 1996).
- Caiden, Gerald and Sundaram, Pachampet, "The specificity of public service reform", *Public Administration and Development*, 2004, Vol. 24, 373-383.
- Campos, Jose Edgardo and Root, Hilton L., *The Key to the Asian Miracle: Making Shared Growth Credible* (Washington, D.D.: Brookings Institute, 1996).
- Centre for Research on Economy and Trade, *State Level Implementation of Economic Reforms (Policies, Incentives, Procedures)* (New Delhi: Centre for Research on Economy and Trade, 1994).
- Clarkson, Kenneth, W. "Privatization of the state and local level." Pages 143-194 in MacAvoy, Paul W., Stanbury, W.T., Yarrow, George, and Zeckhauser, Richard, J. (eds.), *Privatization and State-owned Enterprises* (Boston: Kluwer Academic Publishers, 1989).
- Clements, Laurie, "Privatization American style: the 'grand illusion'." Pages 87-104 in Clarke, T. (ed.) *Internationalization Privatization: Strategies and Practices* (Berlin: Walter de Gruyter, 1994).

- Commonwealth Secretariat, *Changing Role of Government: Administrative Structure and Reforms* (London: Commonwealth Secretariat, 1992).
- Commonwealth Secretariat, *Current Good Practices and New Developments in Public Service Management: A Profile of the Public Service of Canada* (London: Commonwealth Secretariat, 1994).
- Commonwealth Secretariat, *Current Good Practices and New Developments in Public Service Management: A Profile of the Public Service of Malaysia* (London: Commonwealth Secretariat, 1995a).
- Commonwealth Secretariat, *Current Good Practices and New Developments in Public Service Management: A Profile of the Public Service of the United Kingdom* (London: Commonwealth Secretariat, 1995b).
- Commonwealth Secretariat, *Current Good Practices and New Developments in Public Service Management: A Profile of Public Service of New Zealand*, (London: Commonwealth Secretariat, 1995c).
- Commonwealth Secretariat, *Current Good Practices and New Developments in Public Service Management: A Profile of the Public Service of Trinidad and Tobago* (London: Commonwealth Secretariat, 1995d).
- Commonwealth Secretariat, *Public Administration Reform 2003* (London: TSO, Commonwealth Secretariat, 2002).
- Country Economics Department, World Bank, *Privatization: The Lessons of Success* (Washington, D.C.: World Bank, 1992).
- Dawkins, John S. "Achieving improvements in economic transitions: the Australian experience." *Public Administration and Development*, Vol. 15,3, 1995, pp. 237-244.
- Debroy, Bibek and Bhandari, Laveesh, *Economic Freedom for States of India* (New Delhi: Rajiv Gandhi Institute for Contemporary Studies, 2005).
- El Sherif, Hisham and El Sawy, Omar A., "Issue-based decision support systems for the Egyptian cabinet." *MIS Quarterly*, 1988, pp. 551-568.
- Gopaldas, Tara, "Improving school education through linking public health objectives with mid-day meals." Paper presented at the Seminar on Reforming Governance, IIM, Bangalore, December 16-17, 2004, pp.1-19.
- Grindle, M. (1996), *Challenging the State: Crisis and Innovation in Latin America and Africa* (Cambridge: Cambridge University Press).
- Hamid, Tan Seri Dato Seri Ahmed Sarji Bin Abdul, "Government in transition: building a culture of success – the Malaysian experience." *Public Administration and Development*, Vol. 15, 3, 1995, pp. 267-269.

- Horton, Sylvia, "Competency management in the British civil service." *The International Journal of Public Sector Management*, Vol. 13, 4, 2000, pp. 354-368.
- Jayal, Niraja, "National Centre for Good Governance, India." Commissioned by DFID, undated.
- Jha, S.C., Final Report of the Bihar State Finance Commission, Feb, 2002.
- Jin-Sheng, Dong, "The application of science and technology in agricultural development in China." In Jong S. Jun (ed.), *Development in the Asia Pacific: A Public Policy Perspective* (Berlin: Walter de Gruyter, 1994), pp.201- 211.
- Kamarck, Elaine, "Government innovation around the world." Pages 131-178 in Chakrabarty, B. and Bhattacharya, M. (eds.), *Administrative Change and Innovation: A Reader* (New Delhi: Oxford University Press, 2005).
- Kamal, Sherif and Shaker, Maged, "IT and organizational restructuring for local development; the case of Egypt." Paper presented at the Conference on Economic and Corporate restructuring: Experiences and Challenges of the decade, September 7-8, 1995, at Maastricht, The Netherlands.
- Kamalnathan, C.R., "Improving urban water supply and sewerage services – the Hyderabad experiment." Paper presented at seminar on Reforming Governance – Perspectives and Experience at Centre for Public Policy, Indian Institute of Management Bangalore, December 16-17 2004.
- Karim, Muhammad Rais Abdul, "Administrative reforms and bureaucratic modernization in the Malaysian public sector." Pages 25-58 in Commonwealth Secretariat, *Changing Role of Government: Administrative Structure and Reforms* (London: Commonwealth Secretariat, 1992).
- Karnataka Development Report, 2003 (Mysore, Government of Karnataka, 2003).
- Kaufmann, D. and Kraay, A. "Growth and governance." *Economia*, Vol. 3, 1, pp. 169-215, 2002.
- Kaufmann, D., Kraay, A., and Zoido-Lobaton, P. "Governance matters." Policy Research Working Paper Number 2196, Washington, D.C., The World Bank, October 1999.
- Khandwalla, Pradip (1999), *Revitalizing the State: a Menu of Options* (New Delhi: Sage, 1999a).
- Khandwalla, Pradip N. *Turnaround Excellence: Insights from 120 Cases* (New Delhi: Response Books, Sage, 2001).
- Kirkpatrick, Colin and Parker, David, "Regulatory impact assessment and regulatory governance in developing countries." *Public Administration and Development*, Vol. 24, 2004, pp. 333-344.
- Laking, R.G. "The New Zealand Government management reforms 1987-1990." Pages 57-91 in Commonwealth Secretariat, *Changing Role of Government: Administrative Structure and reforms* (London: Commonwealth Secretariat, 1992).

- Letwin, Oliver, *Privatizing the World: A Study of Internationalization in Theory and Practice* (London: Cassell, 1988).
- Madon, Shirin, "IT-based government reform initiatives in the Indian state of Gujarat." *Journal of International Development*, Vol. 18, 2006, pp. 877-888.
- Manor, James, "Successful governance reforms in two Indian states: Karnataka and Andhra Pradesh." IDS Discussion Paper 385, May 2006.
- McKibben, Bill, "What is development? The Kerala model." *Information Technology for Development: A Millennium Perspective* (Thiruvananthapuram: STEC, Government of Kerala, undated).
- Meera Bai (ed), *Women and Economic Reforms: Kerala Experience* (New Delhi: Serial Publications, 2006.2006
- Millward, R., "Measured sources in inefficiency in the performance of public and private enterprises in LDCs." In P. Kirkpatrick and C. Kirkpatrick (eds) *Privatization in Less Developed Countries* (New York: St. Martin's Press, 1988), pp. 157-179.
- Mohanty, P.K. "Improvement through performance management." *Economic and Political Weekly*, March 22-29, 2003, pp. 1297 – 1301.
- Mohanty, Sudhiranjan, "Rogi Kalyan Samiti: an innovative project for efficient management of public hospitals through people's participation." Paper presented at the Seminar on Reforming Governance at the Institute of Management Bangalore, Bangalore, December 16-17, 2004, pp.1-5.
- Mok, Ka-Ho and Law, Maggie, "Changing government role in Hong Kong in the twenty-first century." *Policy Studies*, Vol. 23,2, 2002, pp. 107-124.
- Nagaraj, R., Vaoudakis, A. and Veganzones, M.A., "Long-run growth trends and convergence across Indian states." *Journal of International Development*, Vol. 12, pp.45-70, 2000.
- Naidu, Chandrababu, *Governance Reforms in Andhra Pradesh: Strategy and Initiatives*. Hyderabad: Centre for Good Governance, August 2003.
- Nellis, J. and Kikeri, S., "Public enterprise reform: privatization and the World Bank." *World Development*, Vol. 17, 5, 1989, pp. 659-672.
- Ng, N., "The implementation of work improvement teams in the Singapore civil service." Pages 179-206 in Tek, F.C. and Hian, C.C. (eds), *Productivity in Transition* (Singapore: McGraw-Hill, 1990).
- Ongaro, Edoardo, "Process management in the public sector: the experience of one-stop shops in Italy." *The International Journal of Public sector management*, Vol. 17, 1, 2004, pp.81-107.
- Paul, Samuel, "Strengthening public accountability: new approaches and mechanisms." PAC Research Paper No. 3, Public Affairs Centre, Bangalore, India, 1995.

- Planning Commission, Study Group on Reforms in State Public Sector Undertakings – Final Report, Vol. 1 (New Delhi: Planning Commission, Government of India, 2002).
- Praja Foundation, “Online complaint monitoring system (OCMS), paper presented at the seminar of Reforming Governance, at the Institute of Management, Bangalore, December 16-17 2004, pp.1-3.
- Prasser, Scott and Northcote, J.R. “Administrative restructuring reform in Australian government.” Pages 155-209 in Commonwealth Secretariat, *Changing Role of Government: Administrative Structure and Reforms* (London: Commonwealth Secretariat, 1992).
- Quah, Jon S.T. “Sustaining quality in the Singapore civil service.” *Public Administration and Development*, Vol. 15, 3, 1995, pp. 335-343.
- Rondinelli, Dennis, “Privatization and economic transition: the management challenge.” Pages 3-47 in Prokopenko, J.(ed.), *Management for Privatization* (Geneva: ILO, 1995).
- =Sadagopan, S. “Charter mark for better governance.” *The Financial Express*, net edition, 2006, http://www.financialexpress.com/fe_full_story.php?content_id=137500.
- Sarker, Abu Elias, “New public management in developing countries: An analysis of success and failure with particular reference to Singapore and Bangladesh”. *International Journal of Public Sector Management*, Vol. 19, 2, 2006, pp.180-203.
- Sharma, Arvind K., and Sharma, Indu S., *Inducing Client-focus in Bureaucracy: The Citizen’s Charters in India* (New Delhi: Kanishka Publishers and Indian Institute of Public Administration, 2002).
- Siddiquee, Noore Alam, “Public management reform in Malaysia: Recent initiatives and experiences”. *International Journal of Public Sector Management*, Vol. 19, 4, 2006, 339-358.
- Smalter, D.J. and Ruggles, R.J. Jr., “Six business lessons from the Pentagon.” *Harvard Business review*, Vol. 44, 2, 1966, pp. 64-75.
- Sreekumar, T.T., “Civil society and ICT-based models of rural change: history, rhetoric and practice.” Paper presented at the International Seminar on ICTs for Indian Development: Processes, Prognosis and Policies, jointly organized by Institute of Social Studies, Holland, and Institute of Human Development, New Delhi, at Bangalore, December 9-11, 2002.
- Vickers, John and Yarrow, George, “Privatisation in Britain”. In Paul W. MacAvoy, W.T. Stanbury, George Yarrow, and Richard J. Zeckhauser (eds), *Privatization and State-owned Enterprises* (Boston: Kluwer Academic Publishers, 1989), pp. 209-245.
- Wadhwa, Charan, “Management of rising power by China and India in the 21st century: scope for strategic partnership.” *Vikalpa*, Vol. 31, 3, July-September, 2006, pp.1 – 12.
- Weidenbaum, M. and DeFina, R., The Cost of Federal Government Regulation of Economic Activity* (Washington, D.C.: American Enterprise Institute, 1978).

- Witsoe, Jeffrey, "Social justice and stalled development: caste empowerment and the breakdown of governance in Bihar". Centre for the Advanced Study of India, Philadelphia, Spring 2006.
- World Bank, *Bureaucrats in Business* (Washington, D.C.: World Bank, 1995).
- World Bank, *Bihar: Towards a Development Strategy* (Washington, D.C.: World Bank, 2005).
- Xu, Haiqing, "Environmental policy and rural industrial development in China." *Human Ecology Review*, Vol. 6,2, 1999, pp. 72-83.
- Yamamoto, Kiyoshi, "Performance of semi-autonomous public bodies: linkage between autonomy and performance in Japanese agencies." *Public Administration and Development*, Vol. 26, 35-44, 2006.
- Yunus, Muhammad and Jolis, Alan, *Banker to the Poor* (New Delhi: Penguin, 2007).

MAP OF BIHAR

