

Overview

An informed citizenry is vital for maintaining a vibrant and dynamic liberal democracy. Studying, understanding and reforming the institutions of democracy are essential for its survival and growth. This requires constant and concerted efforts on the part of citizens, civil society organisations, and governments.

State of Governance: Delhi Citizen Handbook 2003 is a compilation of our studies of 25 agencies, boards, corporations, and departments (ABCDs) of the government of Delhi. It hopes to further citizens' understanding of the workings of the government. The *Handbook* also makes constructive and bold recommendations for improving the quality and effectiveness of governance. The young researchers who made it possible refute the charge that the nation's youth have become apathetic and cynical. Instead of *morchas* and *dharnas*, in this information age they toiled to generate knowledge and understanding so that we may have informed debates and decisions. They have truly braved a new path.

The Philosophy of Governance

'Taxation is the price we pay for civilisation,' declares one philosophy of governance. It means that we cannot promote general welfare or take care of those in need unless we use the coercive powers of government to collect enough taxes. Social progress, in this state-centred view, is defined by how much *government* spends for the 'good' of the people. The more the government spends, the more progressive the society seems.

But it is precisely the opposite: 'Taxation is the price we pay for the *lack of* civilisation.' If we took better care of ourselves, our families and communities, and those in need around us, we would need less of government. Every time the government passes a law or regulation, raises taxes, or announces more welfare schemes, we are admitting failure of individuals and communities to govern themselves.

Persuasion and not force epitomises civil society. Genuine social progress occurs when people solve their problem without resort to politicians, public servants, or the police.

At the same time it must be remembered that there has been no civilisation without government. We do need the government to do what only it can do. What should it do? How should it do those tasks?

New Public Management

The emergent field of New Public Management (NPM)—an amalgamation of public administration and business management—provides practical answers to these fundamental questions. The principle of subsidiarity suggests that government should undertake only those tasks that people cannot accomplish themselves. Within the government, the first responsibility should be of local governments. The functions that local governments cannot perform should be given to state governments. And only the remaining areas devolve to the union government.

Since most immediate tasks of governance are performed by local governments, they should have the primary power to collect revenues. The local governments would pass on proportionate revenues to state governments, which would offer resources to the union government. The principle of subsidiarity indicates that the union government should be subsidiary to state governments and the state to local governments in functions as well as in finances.

The management of the city—the local government—is of paramount importance for the welfare of citizens. A quick understanding of the principles of NPM would guide us towards better city administration.

1. First, do not obstruct

The rule of doctors, 'First, do no harm,' applies to city managers: 'First, do not obstruct.' The license-permit raj that we abolished in the industry exists in most other areas. To open a school in a slum or a barber shop or a *dhaba*, to sell ice cream, or water, or fruits and vegetables, licenses are necessary. Since licenses are limited, people trade without them. This results in regular harassment and extortions at the hands of officials.

On the one hand the government pours money into *rozgar yojnas* and subsidy schemes, and on the other hand it prevents people from earning an honest living.¹ The money for such schemes ironically

comes from the poor since indirect taxes contribute more to the exchequer than the direct taxes. Instead of taking money from the poor in the name of their employment and welfare, the government should first let them earn their living themselves. First, do no harm. Do not obstruct.

Give the Livelihood Freedom Test to all existing rules and regulations and to the new ones. Does any law of the city restrict opportunities of any person to earn an honest living, particularly the one with little capital or skills? If so, then Review, Revise, or Remove. Delicensing and deregulation should take priority in the agenda of the government.

2. *Separate provision from production*

The government provides or finances but actual production is left to the private sector. The government steers, the private sector rows, and together they move the boat forward. Instead of attending to inputs into the department, the official focuses on the output. This separation allows the government to provide the service without having to manage production facilities. If the government wants to provide free textbooks to students, it does not need to run a whole publishing house, but purchase them from private producers, or better, give money to students so that they can directly purchase the books they prefer.²

Many of our cities are already using this idea of separating provision from production for garbage management, street cleaning, and biomedical waste disposal. In the *Handbook* we apply this idea to the provision of primary education, food support, city transport, and to water and power subsidy for the poor. ‘Education Voucher’ is given to each poor child who uses it to get education in any school of her choice. The school cashes the voucher from the government. The government thus finances education for those who cannot afford it but it does not run schools. The Education Secretary would then have time to check whether students get good education. She would not have to worry about tenders and evaluation of bids for blackboards, chalks, chairs, tables, construction of classes and schools, or about personnel appointments and transfers, disciplinary proceedings—areas where she spends all her time today.

Instead of managing more than 3,000 Fair Price Shops and combating daily shortages, corruption and crises, a ‘Food Voucher’

would allow the person to purchase food at any shop in the market, or at one of the many government designated shops. The argument that the poor would use the voucher to purchase non-food items does not recognise the fact that today the ration can also be sold in the market for money.

3. Finance services through user fees instead of taxes

Only those who actually use the service should pay for it. Currently general tax revenue, and not water charges, largely pays for water supply. Those lucky enough to have water connection benefit more than what they pay, but those without connection or water supply also have to pay taxes.

For many of the government services, the middle class, who has the access, is subsidised by the poor class, who does not have the access. You would not water your lawn three times a day in summer if you had to pay for the water. But many do today since they pay only a small fixed charge for all the water they consume. Several studies show that the poor, unlike the rich, already pay the full price of government utilities. User charges are not only efficient but also ethical. Those who cannot afford to pay for the services can be given a direct and clean subsidy (explained later).

4. Expand choice and competition

Depending on the product or service, there are many ways to separate provision from production, charge user fees, or provide subsidies. Choose the method that increases competition among suppliers and expand the range of choices for consumers.

The Kerala government gives scholarships and transport subsidy to the highest number of students compared to any other state government. Both scholarships (which are similar to education vouchers) and transport subsidy expand the range of schools from which students can choose. It also increases competition among schools to attract and retain these students who are more demanding as well as more mobile. This choice and competition improves education quality not just for these students but for all students. Choice and competition are really at the heart of what is called the Kerala model of education.

5. Focus on the core function and contract out the rest

A hospital must focus on delivering best quality health services. It

should contract out services where it has less of a comparative advantage: cleaning, security, managing a pharmacy or a staff canteen.

6. Give clean subsidies

Subsidies should reach the target group directly, without affecting the prices, and without distorting the incentives to economise on the use. The electricity subsidy to farmers distorts the price of electricity and the incentives to economise on the use of water pumped out with electric motor. Excessive water use creates problems of water logging and salinity.

The principles and ideas of New Public Management, which are used in countries as diverse as Botswana and New Zealand, underlie many of the reforms proposed in the *Handbook*. One or more principles has already been implemented in one or the other city in India: Bangalore, Ahmedabad, Surat, Hyderabad.

The Making and Meaning of the *Handbook*

The young researchers in consultation with me selected the 25 ABCDs (agencies, boards, corporations, and departments) in the study. They sweated, literally in the summers of Delhi, to collect information from reluctant and suspicious officers to document objectives, budget allocations and expenditures, personnel employed, achievements, and failures of the ABCDs. The government's performance was evaluated on the basis of the budgetary and physical targets, reports of the Comptroller and Auditor General, evaluations by the Planning Department, and other government commissions and reports. Newspaper reports were considered when they had concrete information. Most important of all, the researchers talked with government officers of all ranks, as many as were willing, and with the people affected, positively or negatively, by the ABCDs.

Regular brainstorming over their investigations and findings generated many of the recommendations for change. I narrate a few that illustrate the innovative approach of the *Handbook*.

A Glimpse of Reform Ideas

1. Ward-Level New Public Management

The electricity market is already privatised in Delhi and probably water and sewage are not far behind. The privatisation of electricity however has simply replaced one government monopoly by two

private monopolies. There is no competition among the suppliers and no choice for consumers. The more effective solution would be to divide the electricity market at the municipal ward or MLA constituency level and let the Power Users Associations there contract with any of the private suppliers of power. Depending on the location, consumption patterns, each ward/constituency would find the best match with one of the private companies.

Instead of the city level, the ward/constituency level privatisation creates competition and choice. A ward could threaten to cancel the contract of an errant supplier with the full confidence that it would find another one. A city with one or two suppliers would find it very difficult to punish them.

The same principle can be applied to water with Water Users Association (WUA) at each ward/constituency. Sewage is the other side of the water coin. Each WUA would have an interest in rooftop and storm water harvesting, since they would have to buy less water from private suppliers.

The ward/constituency level management genuinely empowers citizens to solve their own problems. For those who cannot afford to pay for the private supply, the government can design a direct and clean subsidy, which can be effectively implemented by the ward-level associations. Let me however reiterate that the poor already pay the full price now for government utilities.

2. *Functional Reorganisation*

On the new website of the Delhi government, any citizen can find exactly what she is looking for with a couple of clicks of the mouse. This ease of access has been made possible because the website is organised not according to the existing ABCDs of the Delhi government but according to their functions. The functional organisation makes life in the digital world so much easier. Why cannot we achieve the same for the analog world?

On the basis of our detailed research, we make following recommendations for reorganisation of ABCDs that are included in the study. There are several others that perform similar functions but are not part of the study. The reader however should be able to assess the necessary revisions or removals once the logic of our recommendations is clearly understood.

Rearrangement of whole ABCDs or some of their schemes leads to three functional organisations: 1. Consumer Protection Department; 2. Cooperative Finance Department; and 3. Individual and Family Welfare Services.

1. *Consumer Protection Department*

It will include Prevention of Food Adulteration Department (PFA), Drug Control Department (DCD), Department of Weights and Measures, and the Department of Food and Civil Supplies *without* the Public Distribution System (PDS). All these departments try to ensure that consumers get what they pay for, enforce the implicit contract between buyers and sellers, and help maintain the trust in the marketplace.

However the public spirit or sense of duty of a government officer is unlikely to match up against the greed of a businessman. The best protection against the greed of one businessman is the greed of another. Free competition—where greedy businessmen freely compete against each other—is the consumer’s best friend. In addition to free competition, effective consumer courts, strict liability laws and the tort system are necessary. The government’s efforts to improve these areas are as much, if not more, important as to strengthen the new Consumer Protection Department. This Department will be able to absorb a large proportion of surplus staff created by the proposed reorganisations.

2. *Cooperative Finance Department*

It will take over all the schemes that finance small or medium size enterprises and technical training, and that provide land or industrial shed as well as the schemes that give consumption loans. The new Department will administer all loan-related schemes irrespective of whether they are for production or consumption or open to all citizens or only to a particular caste or group. Moreover, Delhi has more than 5,000 cooperatives, almost every area of enterprise or self-help imaginable has at least one cooperative. The Department will manage the schemes not directly but through these cooperatives. It will provide the subsidy component but actual disbursement and collection will be handled by respective cooperatives. Continuation of the subsidy would depend on the performance of cooperatives, particularly their

ability to keep the recovery rate and non-performing assests above the minimum threshold. The cooperatives that perform better can be given larger number of accounts or higher quantity of subsidy.

The proposed changes in the cooperatives law would take away the immense powers from the hands of the Registrar of Cooperative Societies. The more independent cooperative societies will be able to govern themselves for the benefits of their members without undue interference by government officials.

3. *Individual and Family Welfare Services*

It will include the Department of Social Welfare, the Public Distribution System of the Department of Food and Civil Supplies,³ and schemes of individual grants by corporations like Delhi SC/ST/OBC/Minorities/ Handicapped Finance and Development Corporation.

Many of the welfare schemes today have very few beneficiaries since most people are unaware of the schemes, or only politically connected are able to participate in the schemes as the application forms are available only from the local MLA. Keeping all the schemes designed to provide succour to individuals and families in a single department, it would become easier for anyone to learn about all the schemes that they can benefit from and also for the government to keep track of total benefits given to particular individuals.

The suggested reorganisation tackles only some of the concerns about access, efficiency, and politicisation. Even the new Department will be able to address needs of a rather small proportion of the target population. Fifty thousand children live on the streets of Delhi; only about 3,000 get some support from the welfare agencies. The government is unlikely to have the resources to meet the demand anytime soon.

Moreover, the experience of the western countries that have an extensive safety net points to the downside of such well-intentioned programmes. Breakdown of families and of social fabric, temporary help turning into more permanent dependency (the safety net becoming an hammock), and mounting economic costs are acute in those countries.

We need to radically rethink the current approach and find some creative and effective solutions. Ultimately the welfare schemes are treating the symptoms of poverty and deprivation and not the cause of these problems. True that immediate symptomatic relief is necessary but that does not treat the disease. A painkiller may help in controlling the pain due to kidney stones, but it does not clear the stones. Sustained economic growth is the primary treatment for the problems of poverty. The Livelihood Freedom Test must always be applied diligently to all restrictive laws and regulations.

In our Liberty & Society Seminar for college students, we generally ask which of the following three ways of helping the poor they would prefer. 1. Pay taxes and let the government provide help; 2. Help yourself; and 3. Give donation to the Missionaries of Charities. When the issue is framed clearly, the most common preference is for the third way. We may continue with the first approach until we figure out how to implement the third way so that all those who need the help are most likely to get it from the people who dedicated to that purpose. We must figure it out soon.

Several other reform ideas apply to the whole of government and therefore are discussed here and not in individual chapters.

3. *Sound Budget Management*

Budget making is still shrouded in secrecy even though the budget is the most important document for governance. Budget should be made in the day light with open public debates. The budget documents about the overall budget, as well as individual departments should be easily available in a user-friendly format. At the least, they should all be put up on the Delhi government's website. Making all information accessible is the simplest part of e-governance.

The Delhi Right to Information Act empowers citizens to gather necessary information. However it would be easier and economical if the government proactively followed the principle of Duty to Publish Information (all information except what is legally prohibited).

It is now widely accepted that zero-based budgeting with a performance orientation can improve transparency and efficiency

of government expenditures. The accounting system should be on an accrual basis and not on cash basis. The fund-based accounting system (FBAS) is even better in evaluating per unit cost of services and in matching the costs with performance standards.

4. *Efficient and Corruption-free Procurement System*

Two of the ways to achieve the goal of efficient and corruption-free system of procuring goods and services for the government are passing a False Claims and Whistleblower Protection Acts and making the procedures of tendering and bid selection completely transparent.

A False Claims Act, also known as *Quit Tam* Act, would allow anyone to bring a lawsuit or provide information on any supplier of goods or services to the government who makes 'false claims' about quality, quantity, or the price of the supplies. The private suppliers will hesitate to cheat the government since anyone, including their own employees, can furnish evidence to convict them and collect large monetary rewards in exchange. The False Claims Act coupled with a 'Whistleblower Protection Law' for private as well as government employees will mitigate corruption and fraud in government procurement and contracts.

The process of procurement can be made transparent by putting up the tender, all submitted bids, and the selected bid with all relevant details on the website of the Department and of the Delhi government. The 'Two Bid System' for selecting the tender bid is better and less prone to corruption.⁴ In this system, the bidders submit separate financial and technical bids. The government officials first select the best technical bids and then open the financial bids of only those best technical bidders. The officials reviewing the two types of bids could be different to reduce the possibility of collusion.

5. *Focus on Performance*

In the private sector, profit is the bottomline—profits of a company are a signal that the company is producing the service that people want to purchase and are willing to pay a price higher than the cost of producing the service. What's the bottomline for the services provided by the government? How do we evaluate the performance of ABCDs of the government?

For government services the bottomline must be the satisfaction

of the users of the services. A Report Card System can regularly collect information from the users of various government services. The first such survey, say of the services at AIIMS, can establish the starting point. Then the managers of the hospital should set performance standards—by how much the satisfaction scores should increase in various areas of their services by next year. They should then design all their systems and train the personnel so as to achieve the performance standards.

The Citizen Charter can help define objectives, standards of service, and penalties for failure and provide overall performance benchmarks.

These are general principles that apply to all ABCDs of the government. Specific reform proposals are in the respective chapters.

I hope that the ideas and policies presented in the *Handbook* will become the seeds for a constructive debate about good governance in Delhi. Reform minded politicians, public servants, and citizens are sure to find the contents of the *Handbook* innovative, refreshing and bold. Let the discussions and debates begin!

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Notes

- ¹ The Prime Minister's Office in 2002 directed Delhi's Lieutenant Governor to scrap the licensing system for cycle rickshaw pullers and street vendors and implement simple registration system with zonal boundaries. Unfortunately nothing much has changed even after the PMO directive.
- ² The Delhi government produces textbooks for government schools through a department: the Delhi Textbook Bureau. Would it be not cheaper and cleaner to buy textbooks in the market and sell them at a lower price? Citizens would know how much subsidy is given for textbooks. No one knows what it costs to run the Delhi Textbook Bureau. Yes, we have tried to find out.
- ³ In the Chapter, we propose a radical overhaul of PDS through food vouchers.
- ⁴ MCD Commissioner Rakesh Mehta has already endorsed the Two Bid System for MCD tenders.