



REPORT

13TH CUTS International Anniversary Lecture on Decentralisation of Governance and Public Service Delivery

By Pranab Bardhan

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Venue: Indian Council for Cultural Relations, Kolkata

Background

CUTS International to mark its 30th Anniversary is organising a series of lectures around the world, including India, with eminent friends on topics of interest to CUTS's work agenda.

In this series, the 13th leadership lecture was delivered by Pranab Bardhan, Professor of Economics at the University of California, Berkeley. The theme of the lecture was "Decentralisation of Governance and Public Service Delivery".

The event was chaired by Ajay Chhibber, Director General, Independent Evaluation Office, Government of India & former Assistant Secretary General, United Nations. The two panellists were M N Roy, Former Member, Expert Committee on Leveraging *Panchayati Raj* and T R Raghunandan, Member, Committee on West Bengal *Panchayati Raj* Act. Both of them are retired civil servants with long experience in *Panchayati Raj* administration.

The event commenced with a 10-minute documentary: "30 Years of Social Change" showcasing the journey of CUTS through 30 glorious years and CUTS' endeavours which was enthusiastically received by one and all. Around 100 people participated in the event, which was covered well by media.

Welcome Speeches by Pradeep S Mehta and B G Roy

Welcoming the guests, Pradeep S Mehta, Secretary General, CUTS International narrated the history of these lectures. He said that rather than holding one big event, as we did during our 20th and 25th anniversaries, it was decided to organise smaller events around the world as CUTS is an international think and action tank with centres in Africa, Europe and Asia.

He said that the last such lecture, i.e. the 12th one was held in Delhi on 18th December, when opposition leader: Yashwant Sinha spoke on "Fiscal Federalism: An Unequal Balance". He pointed out that federalism and decentralisation are two different things and should not be considered as similar.

Mehta said that governance is one of the issues that CUTS has been working since its inception and thus this subject has been chosen as the topic of discussion for the lecture. Decentralisation in governance is very essential for a democracy to function properly and to promote welfare of people, he asserted.

B G Roy, President, Calcutta Citizens' Initiative (the partner for the event), in his welcome remarks said that decentralisation in governance system has gained a lot of importance in the last few years and the subject of discussion has immense importance now. He also expressed his happiness for partnering the event and looked forward to more such joint events with CUTS.

Lecture by Pranab Bardhan

At the outset, Bardhan congratulated Mehta for the commendable work done by CUTS over the last three decades and welcomed other dignitaries.

He began by highlighting the importance of decentralisation in making governance more responsive and efficient in meeting local needs and preferences. In this regard, he mentioned that in a world of ethnic conflicts and separatist movements, decentralisation is regarded as a way of diffusing social and political tensions and enhancing social cohesion.

Bardhan said that different people mean different things by decentralisation. So, he used the term to denote devolution of political decision-making power to local-level small-scale entities.

He mentioned that political economy factors give rise to some governance dilemmas involving different kinds of trade-offs and antinomies that lend some ambiguity and complexity to the outcome of decentralisation.

While focussing on the issue of '*The Dilemma of Autonomy vs. Accountability*', he said that a major dilemma of governance institutions in a developing country is a trade-off between autonomy (from populist pressures), i.e. commitment to autonomous decision-making, and accountability, that is inevitably involved in most governance, including in the *centralisation vs. decentralisation debate*. On the one hand, one needs arms-length institutions with credible commitment to insulate the system from political interventions, from special interest groups and partisan or faction politics. On the other hand, too much insulation often means too little accountability. This leads to high-handed arbitrary centralised governance, leading to abuses and waste.

Citing an example of some effects of decentralisation in West Bengal, he stated that in West Bengal, as in most states, the state government is mainly responsible for primary education, in all its teaching, finance, monitoring and infrastructure needs, with often dire results in the functioning of schools.

But in the parallel stream of *Shishu Shiksha Kendra* (SSK), run by the *Panchayati Raj* Ministry, involving para-teachers, the performance indicators in terms of teacher absenteeism and parent satisfaction have been significantly better. Accountability is more direct at the local level, if the local democratic processes and local revenue mobilisation work, he added.

Bardhan further said that in one important sense Indian local elections are not fully democratic, making local accountability problematic. Political polarisation, as in West Bengal, makes things worse, with opposition politicians usually not participating in the panchayat decisions as well as monitoring processes, as originally envisaged.

Talking about *intra-regional vs. inter-regional disparity in access to benefits*, Bardhan said that even when local capture is not significant and there is not much disparity in access to benefits within a region, there are cases where decentralisation accentuates inter-regional inequality in the

distribution of benefits. Citing an example of local governments in rural West Bengal from one of his research papers, he further said that while intra-village distribution of benefits was relatively equitable (maybe on account of a successful prior land reform programme), there was significant regressivity in inter-village allocation of benefits.

While talking about 'clientelism', he said that politicians sometimes prefer delivering private goods to voters, in order to strengthen bonds of a patron-client political system. Such private goods often take the form of recurrent jobs, subsidies and hand-outs, at the expense of investment in long-term public goods projects, he added.

Citing the findings of a study in rural West Bengal, Bardhan said that voting behaviour is significantly influenced more by recurring benefits arranged by local governments (like subsidised credit or agricultural inputs, employment on public works, help in personal emergencies, etc.) than by even large one-time benefits (like land reforms, or provision of houses and latrines).

Defining 'clientelism', he said that clientelism is a diversion of benefits (both in amount and type of benefits, with emphasis on personalised, recurring benefits), often to swing voters in elections or to narrow sections of the 'deserving poor' with a view to their co-optation toward the formation of a minimum winning coalition.

Bardhan further said that in many cases the poor design and implementation of decentralisation are not necessarily due to ignorance or lack of experience. Many federal or provincial governments are unwilling to devolve powers and funds to local governments, and so there is a big gap between *de jure* and *de facto* decentralisation. In many Indian states, MPs and MLAs hijack the process of devolution to *panchayats* and municipalities, so local democracy remains the weakest part of Indian democracy, he added. Higher level governments often devolve responsibilities for social services to the lower level, without corresponding devolution of funds or personnel, he said.

Going deeper into the subject of decentralisation, he mentioned that there are overlapping jurisdictions and responsibilities between the local and provincial officials, making decentralisation rather ineffective. The officials are accountable upward, not to the local people; the accountability of local officials is hemmed in by their vertical fiscal dependence. He added that even after many recommendations of the 11th, 12th and 13th Finance Commissions, most state governments have not even standardised the accounting systems and databases of *panchayat* institutions to provide commissions with a solid foundation for recommending devolution of funds.

Thus, 20 years since the landmark constitutional amendments (Articles 73 and 74), effective decentralisation still remains a distant goal in most parts of India, he concluded.

Comments by M N Roy and TR Raghunandan

M N Roy, former Member, Expert Committee on Leveraging *Panchayati Raj* said that governance means how the government performs and how the citizens choose their government. Thus, citizens are equally responsible in running a transparent government by electing the right people. When there is a local government, people's participation in the government system is easier and the cost of service delivery is less, he added.

By electing their own government as the principal, people become the owner of that government, Roy mentioned. So people's role becomes important in how they value the government, assess the functioning of the government and how they raise their voice against any acts of omission or commission of the government. So this is very important how citizens get involved in the whole process of governance, he mentioned. However, that requires a strong regulatory framework in our country, which is the responsibility of our respective state governments to frame through their *panchayat* acts. Though the *panchayat* acts of every state maintain a minimum common standard, but the *de facto* shape of the *panchayat* laws vary widely from state to state given the different people, culture, history of the area, he mentioned.

He stressed that good governance demands and deserves good accountability and transparency. But in the existing system of governance, authorities of the local government have to look for funds because the policy decisions are taken at the Central level. So the local governments hardly have any scope to exercise the policy responses at the local level. In that case, they become an agent of the state or the Central Government to function at the local level to discharge some services or actions. People's understanding about the local government is very little. They think all the schemes are central and the *Panchayat* is just the administrator of those schemes.

Moreover, in our country, *panchayats* are mostly associated with the client-related services to the poor areas where poor people have a very little voice. And those upper class people who have voices are not there because they do not get any service from the *panchayat*, he mentioned.

The second panellist, T R Raghunandan, Member of the West Bengal Committee on *Panchayati Raj*, said that the young population in India are going to be the deciding voters in the coming elections and so they need to be governed in the right direction.

Raghunandan said that there were two things which were going to change very soon in India. Firstly, a lot of young people will vote in the coming election. There will be approximately 12 crore new voters in 2014 election, he mentioned. These young people are completely new to politics and they are learning politics from a different kind of medium. They will surely challenge a lot of things in practice in our governance system. Secondly, rapid urbanisation will definitely play a role in Indian policy making. There is a prediction that nearly half of India will be urbanised by 2039. This kind of trend will change a lot of things in the government system. The whole focus of the governance system is going to change from the dilemmas of rural service delivery to public participation in urban areas, he stressed.

Comments by the Chair

Chairing the lecture event, Ajay Chhibber, Director General, Independent Evaluation Office, stated that decentralisation is yet to be achieved in India. Comparing India with China, he said that though China is not a democratic country, but has a more decentralised and accountable government. The delivery of service at local level has been one of the main deciding factors in the recent elections in India, he said.

He said that the less well-governed states have more young population who will be the deciding factors in the coming elections. So the governance system in those states needs to be improved somehow. Public good and job creation are not the focus of the political parties and how to get that focus back is a crucial issue after 2014 election, he maintained. Where there is better contest between the parties, there is better governance at the local level, he said.

Floor Discussion

Pursuant to the panel discussion, the floor witnessed a rich interaction between the panellists and the participants.

Most of the questions were relating to panchayat system in India, such as how the system can still be better, what are the meanings of some of the concepts like 'clientelism', unfunded mandate, selection of leaders in *Panchayat* elections, etc. Bardhan provided satisfactory answers to most of the questions giving detailed information.

Bardhan mentioned that vertical fiscal imbalance is in extreme in India. China is much better in this regard. The funding of expenditure in district governments and below is 55 percent in China compared to nearly three percent in India. We talk a lot of decentralisation, but we do not apply our attention to these issues, he added. For finance the local governments depend on 'above' and the 'above' controls them. Democratic decentralisation has become rhetoric in large parts of India because of funding, he stated. He also agreed with a view that in terms of devolution of powers to *panchayats* (Art 73), it is far better than what has been happening to municipalities (Art 74).

He further added that the main function of the *Panchayat* is to identify beneficiaries. But generally, everything is decided from the Centre and hence the *Panchayat* or local governments do not have much to do. On the question of selecting right candidate from the grassroots for the *Panchayat* elections, Bardhan said that there is lack of inner party democracy which creates confusion and the high command chooses the candidate and not the local people.

On the view expressed by one of the panellists on young people in India will be the deciding factor in near future, Bardhan agreed that young people and the urbanisation phenomenon are becoming more important. However, it is not guaranteed that the role of the young people will be more productive unless they are guided properly, he stressed.

Unfunded mandate, he said, is something where the centre decentralises the function and not the budget. Whereas he said that clientelism is a diversion of benefits often to swing voters in elections.