

# **Public Policy Making In India: Issues and Remedies**

by

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## *Abstract*

*Public policy-making in India has frequently been characterized by a failure to anticipate needs, impacts, or reactions which could have reasonably been foreseen, thus impeding economic development. Policies have been reversed or changed more frequently than warranted by exogenous changes or new information. This paper is concerned with why India's policy-making structures have so much difficulty in formulating the "right" policy and then sticking to it. It goes on to ask, and make a modest beginning in answering, the question of what can be done to improve the structures and systems involved in the making of public policy in India.*

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# **PUBLIC POLICY MAKING IN INDIA:** **ISSUES AND REMEDIES**

## **I. Introduction**

1. The making of public policy for a country as large, populous and diverse as India is intrinsically a more complex task than in a smaller political unit. This makes a study of the institutions which make policy all the more important. Measured by economic growth or attainment of human development objectives, India remains not only an underdeveloped country but one which is usually regarded as an under-performer, which could do better.
2. If it is taken as given that India is an under-performer, the question then arises as to why is this the case. *A priori*, under-performance vis-a-vis potential could be due to
  - adopting the wrong public policies
  - poorly implementing the right public policies.
3. There can, of course, be valid disagreements as to what is the "right" policy in a given sector, in a given situation. It can be argued that merely because there are errors, changes or postponements in policies, one cannot conclude that policy-making suffers from weakness. Success is often the result of trial and error. Disagreements, often strong ones, are common and, in a democratic society, both inevitable and healthy. Vigorous debate prior to policy-making and adaptation in response to debate is good, not bad. Flexibility in policy-making to respond to evolving exogenous factors is good, not bad. And the phenomenon of political considerations intervening in decisions otherwise well taken, is inevitable in a fractious but genuinely democratic polity like India. A survey of some recent and not-so-recent examples of policy-making in India suggests however, that there may indeed be something wrong with the policy-making process:-

### **I. Policy on Private Power**

In 1991, in the wake of the then newly-launched liberalisation process, the Central Government decided to permit private participation in the power sector by "Independent Power Producers". The 1991 policy allowed states to enter into Memoranda of Understanding with individual promoters without following open or competitive tendering. A number of states entered into these MOUs, and the Central Government also committed itself to providing 'counter-guarantees' to the project promoters of these so-called "fast track" projects. The now-defunct Enron plant in Dabhol was the biggest of these projects. As is now known, the Dabhol project was a disaster, and indeed the 1991-5 approach is now almost universally acknowledged to have been severely faulty. There has been a lot of criticism of the

detailed terms of the agreements on the Dabhol project and other individual MOU/fast track projects. However, the most important cause of the independent power fiasco was the poorly crafted policy, which (among other things) failed to take account of the problems in the distribution and supply side of the industry, the scope for mispricing in a non-competitive process and the lessons learnt in other countries in private power development.

## II. Grounding of Airbus aircraft

In 1990, a newly purchased Airbus A 320 aircraft of Indian Airlines crashed killing many passengers. The Central Government decided to ground all the newly acquired aircraft on suspicion that a design defect in the aircraft might be the cause of the crash. In the initial aftermath of the crash, the decision could be considered an understandable short-term precaution, but the decision was allowed to stand for several months. The grounding forced Indian Airlines to lease aircraft from charter operators and caused crippling losses from which it did not fully recover for many years. Eventually the planes were allowed to fly without any modification. With hindsight, the long stoppage was a serious policy error, which could have been avoided by a better policy-making process.

## III. Value Added Tax (VAT)

There have been repeated postponements of the introduction of VAT despite years of preparation<sup>1</sup>. Till late March 2003, it was assumed that VAT would be<sup>2</sup> introduced on April 1st 2003. This was then postponed to June 1st<sup>3</sup>. Eventually this too was deferred, for a variety of reasons<sup>4</sup>, and the target date has been extended to April 1st 2005 . Last minute changes have been made to policy decisions (for example on retaining exemptions for new industries<sup>5,6</sup>) which were taken after long deliberation. Uncertainties about scope remained<sup>7</sup> and reached a stage where a strike by truckers listed exemption from VAT as a demand<sup>8</sup>, when in fact they were never within its scope—a fact which was clarified later<sup>9</sup>.

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<sup>1</sup> “VAT Introduction postponed; New date to be fixed”, Business Line, April 1, 2003.

<sup>2</sup> “VAT Panel, Jaswant to decide on implementation date”, Business Line , May 7, 2003.

<sup>3</sup> “16 States may adopt VAT from June”, Business Line, April 8, 2003.

<sup>4</sup> “We don’t want VAT scheme to be vexatious: Jaswant”, Business Line, May 6, 2003.

<sup>5</sup> “Industrial Incentives to Continue in VAT regime”, Business Line, April 23, 2003.

<sup>6</sup> “VAT: No consensus on yet on exemption scheme issue”, Business Line, May 1, 2003.

<sup>7</sup> “Sugar, textiles, tobacco items to take a while”, Business Line, April 8, 2003.

<sup>8</sup> “Truckers invited for talks today”, Business Line, April 16, 2003

<sup>9</sup> “Transporters call off strike”, Business Line, April 23, 2003.

IV. Fiscal Responsibility Bill

A Fiscal Responsibility and Budget Management Bill was tabled in Parliament in 2000 to be enacted that year. It was eventually enacted only in 2003 in a greatly modified form<sup>10</sup>.

V. Reservation of Parliamentary Seats for Women

Two attempts to introduce the Women's Reservation Bill over a three year period have failed. Both the main national political parties claim to be in support of the objective. Surprisingly alternatives to some of the specific policy provisions of the Bill, or the fundamental philosophical questions of the desirability or otherwise of reservation for women, do not seem to have been adequately explored or debated either before or after the first attempt at its introduction, or in the interregnum before the first and second attempt.

VI. Telecom Interconnection Charges

The Telecom Regulatory Authority of India introduced a new policy on interconnection charges for private operators in April 2003<sup>11</sup>. Within ten days of its introduction, after criticism from some of the affected quarters, it indicated that the policy would be changed<sup>12</sup>.

VII. Conditional Access System (CAS)

The government decided in early 2003 to introduce a Conditional Access System for cable television in the metro cities with effect from July 15th 2003. The date was announced well in advance and due publicity given. All parties concerned were told that the policy was firm and as late as June 30, it was asserted that the date would not be changed<sup>13</sup>. Various sections of the cable industry argued for or against various aspects of the policy.<sup>14, 15, 16, 17</sup> Among other things a shortage of set-top boxes was feared. Eventually, just a few days before July 15th, the implementation was postponed to September and it was decided to go for a phased implementation<sup>18</sup>. After the postponement of the implementation to September, a Parliamentary Committee recommended even further postponement (this was not

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<sup>10</sup> "Lok Sabha passes fiscal responsibility bill", Business Line, May 7, 2003.

<sup>11</sup> "All clear for IUC regime", Business Line, April 19, 2003

<sup>12</sup> "TRAI to review IUC regime", Business Line, May 10, 2003

<sup>13</sup> "Govt. looks at options for smoother CAS roll-over", Business Line, June 30, 2003

<sup>14</sup> "PMO steps in as CAS impasse continues", Business Line, July 2, 2003

<sup>15</sup> "CAS: Confusion over Rs. 72 charge", Business Line, July 5, 2003.

<sup>16</sup> "CAS Delay to hit channels' revenues", Business Line, July 6, 2003.

<sup>17</sup> "CAS confounds admen, media planners", Business Line, July 13, 2003.

<sup>18</sup> "First phase of CAS rollout set for Sept. 1", Business Line, July 11, 2003.

accepted by the Government). In September 2003, it was implemented in Chennai alone, but not in Delhi, Kolkata or Mumbai. As of mid-2004, the system continues to operate in Chennai alone (despite Chennai residents' judicial attempts to reverse it) but nowhere else.

In each of the above examples,

- debate has occurred *after* policy-making, instead of before
  - views of one or other important party affected by a decision seem to have not been adequately considered or canvassed before policy was made
  - considered decisions on relatively apolitical issues have been reversed at the last minute even where no new information or circumstances have arisen
  - factors which were endogenous to the problem, which were known or could have been foreseen while making policy, appear to have not been anticipated or considered.
4. These features are symptomatic of a poor policy-making process and in particular of "executive policy unreliability" [Evans & Manning, 2003]. Barring the Women's Reservation case, politics was not the prime reason for delays or changes in most of the examples. Even where politics appears to be the reason, there is often more to it. While it is quite possible for purely political considerations to derail a well-structured policy-making process, in many cases *weaknesses in the policy-making process exacerbated political interference*. Indeed political "interference" was often (though by no means always) just a manifestation of factors ignored or missed in the policy-making process.
5. Good policy-making structures and processes do matter and can overcome political bickering, as apparent from the evidence of other countries which are democracies. To cite one instance, a good part of the credit for the post-1945 Japanese economic miracle goes to the processes which enabled Japan to come out with coherent and well-implemented policies [Economic & Social Commission for Asia & The Pacific, 1995].

### **Scope and Outline of the Paper**

6. This paper is not concerned with what is the "right" policy in any sector. Rather it is concerned with a more basic question:

*Why do India's policy-making structures have so much difficulty in formulating the "right" policy and then sticking to it?*

It goes on to ask, and begin to answer, the question:

***What can be done to improve the structures involved in the making of public policy in India?***

7. Before going on to address the two issues, the paper attempts to delineate what would constitute a “good” policy-making process, so that this can be used as a point of reference against which to assess the quality of India’s structures. It should be noted that the paper does not attempt to define an “ideal” process. The field of public policy-making is not one which lends itself easily to such a proposition, without normative rather than positive judgements; any such normatively defined “ideal” would have the infirmity that what is ideal with one set of norms would be sub-optimal from a different normative perspective.

**Limitations of scope**

8. As a quasi-federal polity, public policy in India is made at three levels-- Central, State and Local. This paper is *confined to the Central level*, although many of the insights have application to the states as well. Also, though it has already been acknowledged that politics and political factors often play a role in the success or failure of public policy-making, this paper *confines itself to the apolitical aspects* of the problem, i.e it takes politics as a given. The paper concentrates on *quality of policy-making within a broad sector* rather than on issues of strategic choice *between* sectors.

## **II. Attributes of a good policy-making process**

9. It is interesting, and indeed revealing, that the literature on the public policy-making *process* is far less copious than the literature on *substantive* policy issues. The following section on the attributes of a good policy-making process draws on the literature, and on the authors' own experience in the policy making process.

### **A conceptual overview**

10. One way of describing a "good" policy-making process is one that "is committed to producing a high quality decision—not any particular decision" and that "invests any decision made with a high degree of legitimacy, power and accuracy" [Moore, 1998]. What features or characteristics should a policy-making process have which, if present, would lead to high quality decisions?
11. First, to start with the most obvious, a good policy-making process would involve *due consideration of up-to-date available subject-matter knowledge and relevant data, and the use of available analytical tools*.
12. Second, policies made ostensibly for one sector often have significant impacts on other sectors: a transport policy (e.g. expansion of national highways in lieu of investment in rail) affects the environment; an environmental policy (stricter pollution norms) affects industrial development; a revenue enhancement measure intended to develop one sector can adversely affect another (e.g. the cess to fund the National Highway Development Project reduces the competitiveness of road transport). Policy-making therefore nearly always means trade-offs, the giving up of something to get something else, losses to one group or section in exchange for (hopefully larger) gains for another. *Policy-making processes and structures should ensure the gathering of information on such inter-sectoral impacts, the analysis of trade-offs, and fully informed choices between alternatives after a proper consideration of effects on different sectors*. Many analytical techniques have been evolved to assist policy-makers in dealing with these issues, coming broadly under terms like policy analysis, program evaluation, cost-benefit analysis etc. These techniques are not without their critics, and their effect on policy-making has been less than their protagonists would like to think [Lindblom, 1990], [Lynn, 1978]. Nevertheless, these techniques are generally judged to have a positive effect on the quality of decisions made [Lynn, 1989].
13. Third, especially in a democratic polity, such *analysis should invariably include an assessment of the "winners" and "losers" from a given policy and a strategy for dealing with likely opposition from losers to what has been determined to be the "right" policy*.

14. Fourth, theory and practice both show that decisions which are seen to have ‘legitimacy’ are far more likely to be successfully implemented [Kliksberg, 2000]. Legitimacy is both procedural and substantive.
- Procedural legitimacy is sometimes narrowly viewed as meaning that the *decision is made by an authority legally authorised to make it*, but in practice *consultation of those affected is crucial to perceived legitimacy*. Procedural legitimacy can often be more important in securing the implementation of a policy, than its substantive merits.
  - *Substantive legitimacy is achieved when the persons and groups who have knowledge and expertise in the field affected by a policy are involved in formulating the policy* [Moore,1998, pp.126-128]. Note that this point is about the legitimacy—not efficacy--of a policy. The question is not whether the policy was substantively correct, but whether persons who are publicly known or perceived to have subject matter knowledge were involved in making it.
15. Fifth, a good policy-making process should produce policies which can be executed swiftly and successfully. *This requires the close involvement, during formulation, of the persons who actually have to implement a policy on the ground*, [Darman, 1998] and implies a degree of ‘decentralisation’ of policy-making. At the same time, a *degree of centralised control is necessary, so that the priorities and interests of implementers do not supplant the public interest*. Whether this central control should be confined to “process control” (i.e. control over how the decision is made) or should extend to “quality control”(control over the substance of the decision) is the subject of debate [Porter, 1980], but the choice is partly a factor of the kind of organisation and the kind of policy being made. On the whole, while policy-making must remain in touch with reality and be conscious of implementation issues, it should not be a prisoner of the current short-term priorities, time constraints and conveniences of implementers. A good policy making structure should, therefore, provide for appropriate separation between the policy and implementation functions
16. Finally, in order to make the (often difficult) decisions on trade-offs and make them without undue delay, information, analysis and good procedures alone are insufficient. *Those charged with making, or advising on, policy, must possess certain skills (e.g. in coordination, synthesis and integration) and attributes (such as freedom from bias) which increase the likelihood of quick and sound decisions.*
17. To recapitulate, a "good policy-making process" would meet the following criteria:-

- i) the problems and issues confronting a sector are subjected to expert analysis;
- ii) information on overlaps and trade-offs with other sectors is systematically gathered and made available to policy-makers;
- iii) opposing points of view within and between sectors, are properly articulated, analysed and considered and those likely to be benefited or harmed are identified and their reactions anticipated;
- iv) decisions are made with due legal authority, after consultation of those likely to be affected, and with the involvement of knowledgeable persons in the sector(s) concerned;
- v) those responsible for implementation are systematically involved in the process, but are not allowed to take control of it;
- vi) policy-makers and /or their advisers have the honesty, independence, intellectual breadth and depth to properly consider and integrate multiple perspectives and help arrive at optimal policy choices within a reasonable time.

### **Translating theory into practice—managing the trade-offs**

18. Unfortunately the application of these theoretical principles in designing a real-world structure is not simple. There are trade-offs. Criterion (i) - expert analysis of a given sector - is usually achieved by specialists in a field. The pursuit of specialised expertise often leads, quite logically, to fragmentation i.e. the creation of more and more specialised organisations--ministries, departments, directorates, etc. The narrower the specialisation, the greater the potential for depth in knowledge of that field. For example, instead of one Department of Science and Technology, one can have separate departments for Space, Ocean Development etc. Instead of an Education Department one can divide it into Primary Education, Secondary Education, Collegiate Education, Technical Education etc. In the years since Independence, the Central Government has created an ever-increasing number of more-specialised departments in place of more-generalised departments. (There are 82 departments in the Government of India today as against only 18 in 1948 [Report of the 5th Pay Commission, 1996].).
19. However, narrow specialisation diminishes knowledge of the larger picture, of overlaps and trade-offs. Thus, excessive pursuit of criterion (i) reduces the attainment of criterion (ii). Improved analysis may come at the cost of reduced synthesis — a weakness as prevalent in the private sector as in the public sector [Ackoff, 1999]. Besides, specialists in a real-world bureaucracy begin to acquire an interest in the pursuit of their specialism or ministry--expansion of that sector means more departments and hence more top jobs, faster promotion, greater responsibility, more prospects of public recognition etc. - thereby diminishing their independence and thus attainment of criteria (iii) (consideration of opposing points of view) and (vi) (independence and lack of bias).

20. Besides, while fragmentation improves specialised knowledge, it
  - reduces communications between the fragmented units, both formal and informal, and
  - reduces coordination and integration
21. Integration of different functions is intrinsically difficult and costly [Chambers, 1974]. Officers in the same department interact frequently at meetings (formal communication) and may even meet daily for lunch (informal communication). Disagreements between them may be quickly resolved by referral to their common superior. Officers in different departments interact less frequently and more formally, reducing the quantity and quality of information- and idea-sharing.
22. Thus as a corollary of the preceding criteria, a good policy-making structure must *neither be so wide as to militate against specialisation, nor be so fragmented as to affect integration* [Klitgaard, 1991]. What then is the ‘right’ or ‘optimal’ degree of fragmentation? In the following section, two general principles are suggested.
23. While policy in any sector can theoretically affect any other, in practice the number of interconnections is greatest among related sectors. Thus the interconnections or trade-offs between road transport and rail transport are greater than between road transport and space technology, while the interconnections between information technology and rail transport are less than between, say, information technology and telecommunications. This leads to the conclusion that:

*As a general principle, related sectors (meaning sectors with significant policy interactions between them) should be grouped together so as to maximise policy coordination.*

24. The lower down the hierarchy one operates, the greater the value of specialised knowledge. Thus the sanitary engineer operating a sewage pumping station needs very specific knowledge about the working of his pumps, a level of detail which his utility’s chief executive does not need to know. By contrast, the chief executive has to have a basic level of awareness of every facet of the utility’s operations. A heart surgeon in a teaching hospital needs highly specialised knowledge—but the Director of Medical Education needs a very different set of skills and information. The corollary is that,

*As a general principle, fragmentation needs to diminish as one goes higher up the hierarchy.*

Finally at the apex, namely the Prime Minister, one person becomes responsible for everything.

### **III. Weaknesses in India's Public Policy making**

25. A comparison of the reality of policy-making in India with the theoretical framework outlined in the preceding section shows the following shortcomings.

#### **Excessive Fragmentation in Thinking and Action**

26. One of the main problems with policy-making in India, is extreme fragmentation in the structure. For example, the transport sector is dealt with by five departments/Ministries in the government of India whereas in the US and UK it is a part of one department (Department of Transport and Public Works in the US and Department of Environment, Transport and Regions in the UK). Similar examples exist in the energy, industry and social welfare sectors as well. Such fragmentation fails to recognize that actions taken in one sector have serious implications on another and may work at cross purposes with the policies of the other sector. Besides, it becomes very difficult, even for closely related sectors, to align their policies in accordance with a common overall agenda.

#### **Excessive overlap between policy making and implementation**

27. Another problem is the excessive overlap between implementation, program formulation and policy making which creates a tendency to focus on operational convenience rather than on public needs. Policy-making in Indian ministries occurs at the levels of Director and above, but the most important level (crucial for consideration of cross-cutting impacts) is that of the Secretaries to the Government of India, who are their Ministers' "policy advisers-in-chief". However, as mentioned earlier, the very same Secretaries spend a large part of their time bogged down on routine day-to-day administration of existing policy. Time is spent anticipating and answering parliamentary questions, attending meetings and functions on implementation issues etc. Partly the problem is symptomatic of over-centralisation—excessive concentration of implementation powers at the higher levels of the Ministries. Partly, it is also due to such officers being more comfortable with implementation matters than with policy making. The result is that sub-optimal policies, where adequate attention has not been paid to citizen needs, tend to emerge.
28. The following diagram attempts to depict both, the fragmented policy making structures in India and the low degree of separation between policy-making and implementation.

(Fig. 1 here)

29. In Figure 1, points nearer the centre of the circle represent higher levels of authority, the centre of the circle being the Cabinet. The black radii represent departmental divisions and their thickness denotes the relative lack of communication between departments. The two thin concentric circles denote the separation between implementation and policy making levels. They have been depicted as thin circles (as opposed to the thick radii) to signify that there is little effective separation between policy and implementation. The principle of gradual diminution in fragmentation as one goes up the hierarchy is not followed, a clear indicator that fragmentation at policy levels is excessive. (This is in contrast to the early years after Independence, when there were far fewer Secretaries.). Fragmentation has often occurred for reasons not directly connected with the design of an optimal structure. Indeed there is a widespread belief that fragmentation has been driven more by the compulsion to accommodate a larger council of ministers, in coalition politics, as well as the bureaucratic desire for more top level posts.
30. Recent experience suggests that inter-sectoral issues and trade-offs are becoming very difficult to address. The truck owners' strike of April 2003 is a case in point: the road transport department had great difficulty dealing with the strike because many of the issues raised pertained to policy decisions of other ministries. Indeed the immediate triggers of the strike—diesel price increases, the mistaken apprehension of VAT on truckers' services—were totally beyond that department's purview. Yet the major impact of those decisions was on the road transport sector.

### **Lack of non-governmental inputs and informed debate**

31. Often public policy is made without adequate input from outside government and without adequate debate on the issues involved. The best expertise in many sectors lies outside the Government. Yet the policy processes and structures of Government have no systematic means for obtaining outside inputs, for involving those affected by policies or for debating alternatives and their impacts on different groups. Most developed countries have a system of widespread public debate before a policy is approved. For example, in the US , the legislature subjects a new policy initiative to extensive debate not only in Committees but also in the Senate and House. Such debates not only enable an assessment of different viewpoints but also help build up a constituency in support of the policy through sound arguments. Probably the only example of fairly systematic consultation of outside expertise in India is in the process of formulating the Central Budget, where there is a long tradition of pre-budget confabulations with chosen members of industry, labour and academia.
32. There are several reasons for a poor pre-policy consultative process. *Firstly*, structures for consulting outsiders either do not exist or if they do, are moribund. *Secondly*, in the absence of good consultative structures, outsiders who do make themselves heard in the policy-making process are often single

issue advocates. This makes them liable to the charge of having vested interests, and their views lose credibility. Even if a receptive civil servant were to take their views seriously, he would run the risk of appearing to do an illegitimate favour. *Thirdly*, outsiders involved in policy are usually allowed to make spasmodic or single issue inputs but are not required to sustain their interaction, to confront trade-offs or to meet the objections of other outsiders with opposite views. This makes it easy for outsiders who were indeed consulted, to then disclaim any responsibility for the final decision by protesting that their advice was only partially followed. *Fourthly* and as a result of the first three, there is a lack of identification of stakeholders with any policy. In countries like the USA, there are often strong advocates on both sides of a policy question—for example pro- and anti-abortion, pro- and anti-capital punishment. In India, judging by the public reaction to many policy announcements, it would appear that almost every new policy announced by Government has “only opponents”. This is because the ‘winners’ from a Government policy rarely feel involved in it, and hence rarely stand up and support it.

### **Lack of systematic analysis and integration prior to policy-making**

33. Policy decisions are often made without adequate analysis of costs, benefits, trade-offs and consequences. There are several underlying causes for this:-
  - I. *Excessive fragmentation*: This has already been referred to. Fragmentation has led to a widespread prevalence of the ‘blind men and the elephant’ syndrome in policy-making.
  - II. *Inadequate time spent on policy-making*, mainly due to excessive overlap of policy-making and implementation and to over-centralisation of implementation authority (discussed above).
  - III. *Inadequate professionalism of policy-makers and advisers*: Debates have been common in India about the pros and cons of ‘generalists’ vs. ‘specialists’ in Government. There is a school of thought which suggests that the excessive involvement of poorly informed generalists is the main cause of poor policy-making and implementation. However, when it comes to the realm of policy-making and the making of trade-offs, experience in government and the private sector suggests that this is usually best handled by an intelligent, well-informed person who has a wide rather than narrow perspective. This person could be termed the “intelligent and informed generalist” who, though not a specialist in any one field, is in fact a specialist in analysis, integration and synthesis—i.e identifying problems, trade-offs and solutions. His strength and training lie in being well-informed about a variety of related subjects, in incisive analysis, and in intelligent use of information provided by

specialists to frame policy options and assess their consequences. Note that many successful businesses in India and abroad are headed by generalists (MBAs for instance) and the Tata conglomerate continues to operate through the generalist “Tata Administrative Service” to man key positions—an approach regarded as a great success [Business Today, 2003]. The problem currently encountered is that the civil servants (who act as key policy advisers) often *are not sufficiently well informed or trained to act in this manner*. This could be described loosely but conveniently as “inadequate professionalism”

IV. *Inadequate consultation of in-house specialists*: Even conceding that public policy-making might not be improved by insisting on specialists becoming the policy-makers, it is nevertheless crucial that specialist knowledge be fully consulted and utilised in arriving at policy. For reasons ranging from ‘generalist arrogance’ to inter-service rivalries between groups of specialists, the available expertise of specialists within the Government is often under-utilised.

V. *Mediocrity of in-house specialists*: While there are many outstanding specialists working for the Government, there is a widespread feeling that many in-house specialists are not on top of their specialisms. This perception of mediocrity vis-à-vis outside experts tends to worsen the problem of inadequate consultation of even the good in-house specialists who get tarred with the same brush. It also promotes an undue respect for outside specialists and the error of accepting poorly formulated prescriptions from outsiders simply because they have a more professional or expert image.

### **Reforming the Policy-Making Process**

34. The foregoing analysis attempted to identify the shortcomings in India’s policy-making processes. This leads to the question: What can we do to improve policy-making?

35. The problems highlighted in the analysis can broadly be divided into two types. The first of these is *structural*—too much fragmentation, too much implementation work load on policy-makers, poor structure and process for involving outside experts and stakeholders. The second kind of problem lies with the *competence of the people who man the structure*—inadequate professionalism of the policy-making staff, and inadequate competence of the specialists. The next section of this paper makes specific reform suggestions on the first of these issues—institutional structures and processes. The second issue is dealt with in the following section. The feasibility of the proposals is considered in the final section.



## **IV. Reforming Institutional Structures and Processes**

36. This section of the paper proposes a set of reforms in institutional structures and processes. The proposed measures are grouped under three broad areas:-
- Reduction in fragmentation
  - Separation of policy-making from implementation and de-centralising implementation authority
  - Widening and enhancing the knowledge base used in policy-making and promoting integration and synthesis

### **Reduction in Fragmentation**

37. It was observed that, *a priori*, there are both benefits and drawbacks from fragmentation. Broadly, the benefit is specialised knowledge while the demerit is weaker coordination and integration.
38. Having concluded that the present level of fragmentation is excessive, the question that arises is, how to go about reducing it. Applying the principles described earlier, the first reform would be to achieve a progressive decrease in fragmentation as one goes up the hierarchy. This would mean that fewer Secretaries, each of whom would handle more than one of the existing sectors. The result would be that coordination and integration will be achieved far more smoothly. When deciding which portfolios to “broadband”, the second principle-- the degree of interconnection and overlaps between sectors—would be the guide.
39. Figure 2 below is a schematic diagram of the proposed structure; Figure 1 (the existing structure) is repeated for ease of comparison.

(Figure 2 here)

40. In Figure 2 at the higher levels of government, there is a progressive reduction in the number of “compartments”—denoted by *fewer radial lines*.

### **Separating policy-making from implementation and decentralizing implementation authority**

41. The proposal to reduce fragmentation invites the question: How will the Secretaries cope with such enhanced responsibilities, when they are already overworked ?

42. It is true that senior level civil servants in the Government of India appear to be constantly overworked. But this is mainly because of:
- the heavy burden of day-to-day administrative (implementation) work, which occupies far more time than thinking on policy issues
  - the high degree of centralisation of administrative powers.
43. The proposed reform is that the implementation responsibilities should be entrusted to Boards and Agencies, headed by a Director-General, in the rank of Joint Secretary or Additional Secretary. While his primary responsibility would be implementation, he would also provide essential inputs for policy making. He would, thus, be a bridge between policy and implementation. The Secretary will be responsible for policy-making and have no implementation responsibilities. He would only get feedback on the progress of implementation, largely to aid future policies or to correct existing policies. Files on individual implementation decisions will not go to the Secretary, nor will he attend meetings on implementation issues. This will not only release Secretaries from their excessive routine workload, but also give policy-making the focus it deserves. This change is depicted in Figure 2 : the thin lines separating policy and execution are replaced by thicker lines, denoting a much stronger separation of execution and policy-making.
44. However there are pitfalls in completely isolating the Secretary from implementation. The flow of information and policy-relevant ideas can be weakened if the policy-maker is not also the implementer. Secondly, lack of authority over current implementation can, in the real world, lead to a perception of diminished “power” with an attendant downgrading of the importance of the policy-making function. There is a way around this: the Director-General’s annual performance appraisal should be carried out by the Secretary. This should ensure that the Secretary continues to have access to information and that the policy-making role is not seen as a secondary or unimportant one.
45. Such restructuring could pose a problem in accommodating a large council of ministers. For dealing with this, the Boards/ Agencies could have a political executive at the top, in the rank of Minister of State or Deputy Minister. Cabinet ministers may head policy-making broadband ministries. Accountability for policies would rest with the Cabinet Minister and for implementation with the Minister of State/Deputy Minister.
46. In fact, such separation of the policy advice function from the implementation or service delivery function has been a key ingredient of governance reforms in the UK, Australia, New Zealand [Commonwealth Secretariat, 1995a], Malaysia [Commonwealth Secretariat, 1995b] and other countries.

## **Improving integration and the flow of knowledge from outside Government**

47. The third broad reform would be to create structures which ensure the availability to policy-makers of non-Governmental inputs and subject matter expertise. To this end, each Ministry or Department should have a “Policy Advisory Group”. This would consist of :
- Selected top civil servants, covering related sectors. To ensure that the groups do not become one more bureaucratic mechanism without clout, only Secretary-level officers should be on these groups.
  - Stakeholder/ Industry representatives
  - Academics with expertise in the field
48. These Policy Advisory Groups should cut across departmental viewpoints, and offer integrated policy suggestions. Consultation of the Policy Advisory Group and a consideration of the Group’s views would be mandatory on all policy matters, before a proposal is placed before the Cabinet.

## V. Improving the competence and skills of policy-making manpower

49. Earlier in this paper, it was observed that policy-making is usually best supervised by the “informed and intelligent generalist”. There is however a very big difference between a mere “generalist” and an “informed and intelligent generalist”. Being “informed and intelligent” requires certain skills, namely the ability to
- structure a problem,
  - assess what kinds of issues are likely to arise,
  - know where to look for appropriate information and expert opinion,
  - speak and understand the “language of the specialists” so as to communicate effectively with them and be able to interpret expert opinion.
50. Currently, the extent to which a generalist civil servant acquires these vital policy skills is left partly to the individual (his own efforts to acquire them) and partly to chance (the postings he holds). Despite sporadic efforts by the Department of Personnel to promote a degree of broad specialisation, little has actually been achieved.
51. The key reform which would greatly improve the policy-making competence of India’s senior civil servants—and improve the competence of specialists in Government-- is implementation of a **well-designed career path which has strong incentives for the progressive acquisition of expertise and professional skills**. Experience abroad, including in developing countries, shows this to be a significant contributor to good policy making.

The key requirement is the design of a career path which

- creates incentives to learn, and to acquire and apply the right skills
  - strengthens links between academia and the administration
  - identifies and weeds out poor performers
  - ensures that only those with the requisite knowledge and intelligence make it to the top policy levels.
52. The following is an approach designed to achieve these results in the specific context of the Indian Administrative Service (IAS--the premier generalist civil service cadre in India, which accounts for the largest number of policy level positions):-
- All IAS officers should spend their first 10-12 years in general management, largely in field assignments. This will provide them with a thorough grounding in field realities and in basic managerial skills, which are crucial for making the right policy-choices.
  - All officers would undergo an evaluation by an independent body. About 90% of the officers should be cleared for the next level with about 10% (relatively poor

performers) continuing to remain in the general management stream without further promotion for a further 5-7 years before early retirement.

- Officers clearing the selection process would be assigned a broad specialisation, and undergo a specific training program leading up to a Masters and/or M.Phil Degree. The area of specialisation would be determined fairly and transparently based on educational background, demonstrated aptitude, performance in training programs, sectoral manpower needs, and individual preferences.

An illustrative list of broad specialisms would be: economic and commercial management, financial management, personnel management, infrastructure management, Internal Security and Defence, Social sector management, Rural development and local administration, Health sector management, Education sector management, General management, regulatory matters and Governance.

- During the next 15 years, officers would work in their chosen broad specialism, and (if they desire) work towards a Ph.D, taking up spells of research in suitably timed sabbaticals.
- The academic qualifications acquired (M.Phil., Ph.D etc) would give academic endorsement and credit for an officer's achievements, provide a transparent and objective input for career progression, reduce complacency, inculcate a culture of continuous learning, and strengthen officers' self-confidence and ability to deal with peers in other countries and international institutions.
- Around the 27<sup>th</sup> year, they would, after a rigorous selection process, be assigned to a policy-making position. Selection would be done through the UPSC or another credible agency. This would be a substitute for the "empanelment" process. Only about 30% of the opening cohort should make it to this level. Those not selected will retire at the age of 55.

53. Similar career paths can be designed for other quasi-generalist services (like the Revenue Services, Accounts Services) and a suitably modified version for specialists (Economic Service, Engineering services, Scientific services).

54. The emphasis on academic qualifications in the proposed career path has the advantages that it would:-

- give academic endorsement and credit for an officer's achievements,
- provide a transparent and objective input for career progression,
- reduce complacency,
- inculcate a culture of continuous learning, and
- strengthen officers' self-confidence and ability to deal with peers in other countries and international institutions.

55. However, it also has some limitations and disadvantages. Mediocrity is widespread in Indian academia. This would reduce many of the theoretical advantages unless the choice of institutions was also tightly and centrally prescribed. The process of such prescription may well invite challenge from individuals or institutions left out.
56. The skills required for academic success are not necessarily the same as those required for success in public management and public policy making; the services are replete with academically brilliant officers who are poor managers or policy-makers. There are also a few instances of superb administrators with just a Bachelor's degree. This limitation can be overcome by ensuring that academic achievement is only one factor in the selection process, but it does mean that the benefit of a 'transparent basis for career progression' is diminished to that degree.

## **VI. Feasibility of the Proposals**

57. How practical and feasible are the reform proposals in this paper? India has no dearth of reform proposals, but a poor record of actual reform. This concluding section of the paper attempts to assess the practicability of these proposals and the chances of their actually getting implemented.
58. The first set of proposals involves structural reform of the Central Government. On closer examination though, it would be clear that it affects primarily the higher echelons of the civil service. It hardly touches the political executive, except to the extent that lesser fragmentation makes it necessary to divert sub-cabinet (Minister of State/ Deputy Minister) berths to head Agencies and Boards. What it would do is diminish the number of posts of Secretary to the Government of India—and this might attract opposition from the most senior levels of the bureaucracy. Ultimately however, since the impact is primarily on the bureaucracy, it is a reform which is *politically highly feasible*.
59. The second—personnel-- reform is more problematic. It is likely to find opponents within the bureaucracy, since it implies weeding out 10% and 50% percent respectively at around the 15<sup>th</sup> and 30<sup>th</sup> years of service. However, part of the likely resistance, especially from the 50% left out at the 30<sup>th</sup> year of service, can be overcome by allowing them to continue in service, with all attendant benefits, but keeping them out of top policy making positions. They could be placed in equivalent positions elsewhere or even asked to stay at home and draw their full pay.
60. The narrowing of choice for the political executive in bureaucratic appointments at the Centre (to a narrower and exogenously selected pool) may be a potential source of political resistance, though this is not likely to be very strong. The State governments may not comply with central “guidance” on career paths as it would blunt the use of transfer as a weapon to secure obedience. However, non-compliance at the state level would not mean a death blow and implementation of this even in the senior postings at the Central government level would be enough to start with.
61. More problematically however, the concept of ‘weeding out deadwood’ is likely to be judicially challenged. Even if the concept is upheld, individuals who are dropped out of the selections may challenge decisions, obtain stays and or secure re-appointment and even promotion. The approach of the Indian courts on matters of this kind has been strongly pro-employee, and the constitutional “doctrine of pleasure” has been greatly eroded. Existing provisions for “compulsory retirement without disciplinary action” have been greatly circumscribed and made virtually unimplementable. However, this has partly been due to the absence of transparent criteria for weeding out officers who fail to perform. This is also compounded by a performance appraisal system where grade inflation is rampant. If transparent criteria are established and clear indicators of inadequate performance are put in place, it would become legally more tenable to screen deadwood. Recent judgements on points of administrative law have widened the scope of judicial review to include the concept of “proportionality” and it would be open to the

court to hold, for instance, that the decision not to select for the next level is, for instance, not proportionate to the deficiency in performance.

62. While there may be many such difficulties, the pay-offs to the nation from the implementing a professionalisation of the civil service would be very high in terms of far better policies and better implementation. Therefore, even if this proposal seems unlikely to find immediate acceptability, it would be worth canvassing academic and public opinion in its favour so that a gradual change of heart in both the political executive and the judiciary results. The change in India's economic policy post-1991 is illustrative of how policies which seemed political anathema earlier became widely accepted. Similarly the evolving approach of the Supreme Court on various issues in response to changing circumstances and changes in public opinion (for example the upholding of the Government's right to formulate economic policy in the BALCO case even though it seemed "anti-socialist", the overturning of the Unnikrishnan judgement in the T.M.A. Pai case in 2002 in which the Supreme Court declared its own earlier ruling to be unconstitutional) show that judicial opinion too is not immutable. Greater dissemination of these and other reform ideas would eventually make them feasible.

(The views expressed in this paper are personal to the authors and do not necessarily represent the views of the organizations they belong to.)

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# Current structure

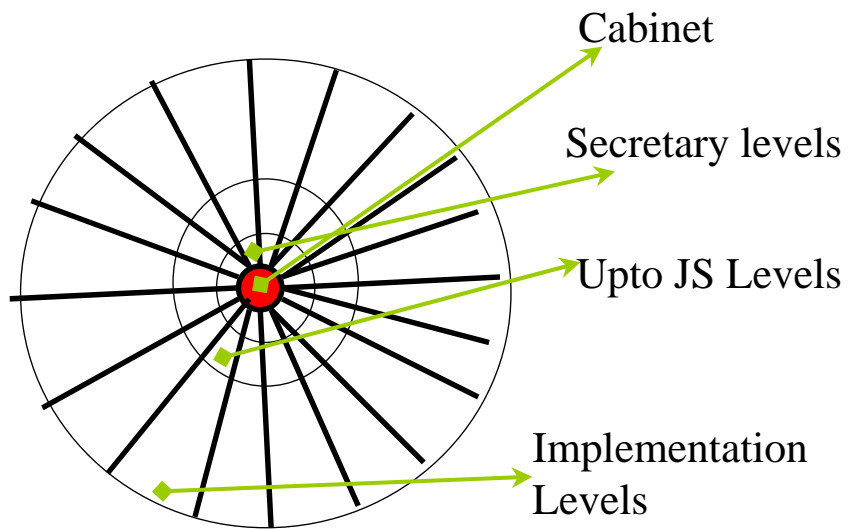


Figure 1

Note: JS denotes Joint Secretary (Joint Permanent Secretary)

Figure 2

# Proposed structure

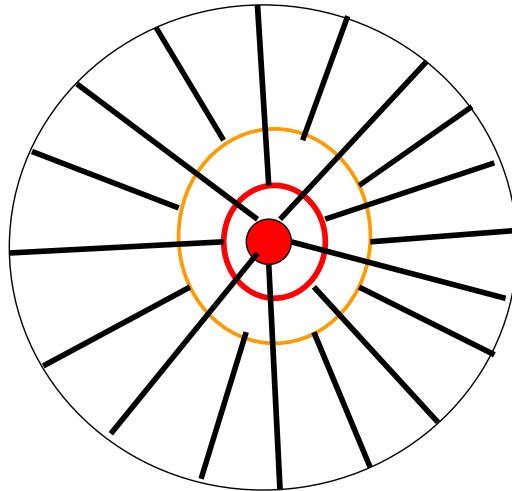


Figure 1 (repeated for ease of comparison)

# Current structure

