

Beyond 2019: Implications for Governance and Capability

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Introduction

This paper is about the implications for governance and state capability of the results of the national elections in 2019. The dramatic victory confirmed the immediate authority of Prime Minister Narendra Modi and the political dominance of the BJP. But what comes next? Will the government continue to operate in a similar manner? If so can it meet the continuing high expectations of voters? Can it deliver an ambitious second term agenda?

Such questions arise from the government's critics. They arise too from prominent advocates of improvements in governance and capability. However they arise also from a sprinkling of supporters of the government. In the first term criticism of how the government operated had little bite and few electoral consequences. But is it possible that in the second term questions about operating approach and performance could become an issue? If so, what changes to improve overall government performance might be appropriate and feasible?

This paper responds to such questions in two ways. First, it examines how issues of governance and capability matter and questions about how the government operates. Second it examines arguments for change in arrangements for governance and capability, including in two sensitive fields: the role and capabilities of the civil service and the role and capabilities of the states.

Governance and Capability

Questions about governance and capability probe how governments relate to communities in which they work and the effectiveness with which they do so. In this discussion governance is given a wide meaning. It is about how rule and coordination emerge from relationships among a wide range of participants within and between states. Capability in government is about what governments wish to do and how they go

about it. An important part of governance in government is to organise public institutions so that they have the capability to fulfil government commitments and also their responsibilities not just for the government of the day but for society at large.

In relation to government, questions about governance focus on how citizens, community organisations and private sector enterprises relate to each other and to government. Within governments, relevant questions include how elected and appointed participants perceive their roles and the interactions through which they aim to shape directions and achieve outcomes. In federal systems, how relationships between levels of government are managed is a focus of particular significance. More widely, questions about governance extend to relationships that cross national borders, including economic transactions and information flows with significant impacts on local society.

Questions about capability examine the resources available to government and the effectiveness with which they are deployed. Capabilities are generated by many different sources, including constitutional and institutional arrangements, the skills of political leaders, the skills of civil servants, the use of management systems and information technology, and the management of relationships between participants. Questions about such matters can be sensitive because they probe weaknesses as well as strengths. In particular they pose questions not only about what governments can do but about what they cannot do. It is useful to watch not only what comes up for consideration but what never does. This is important because many issues coming before governments are difficult to address. Definitions of problems and solutions often compete. Issues may shunt between sectors of society and between levels of government—local, subnational, national and international—sometimes determined by an institution with authority, sometimes determined by negotiations between different institutions, and sometimes by interaction between competing forces. How they are handled depends on the different ways in which social, economic and political coordination takes place, the skills and resources that participants bring to the task, and the different arenas in which outstanding issues are confronted or avoided.

Such questions extend beyond how the term governance is often used in India (Smith 2017, 2018). References in India tend to refer to governance as administration, firm leadership, and getting things done. However as proposals for economic and social reforms widen and perceived shortfalls between expectations and results are probed, the

terms of discussion may change. In these circumstances, the questions above may be helpful in examining what the government did in its first term and wishes to do in its second.

How the government operates

In office the BJP has operated in two modes. The first is a confident political strategy built around the leadership of Prime Minister Modi, themes of 'Hindu Modernity' and national security, and the organisations of the party and *sangh parivar*. The second is a more cautious governing strategy built around 'transformation in small steps'. The political strategy has included what some commentators have called 'continuous campaigning' in which the Prime Minister has been pre-eminent. The strategy has also influenced the high profile decisions on demonetisation and the removal of the special status of Kashmir. But for most other matters, including economic and budget management, the cautious governing strategy has prevailed. An important exception was the game changing and controversial introduction of a Goods and Services Tax (GST).

The governing strategy depends heavily on personal leadership of the civil service by the Prime Minister. He is indisputably at the centre. Cabinet authorises major proposals but the Prime Minister decides what goes forward. He leads from the front. He is supported by carefully selected members of the Prime Minister's Office through which most significant proposals about policy and appointments pass. Proposed initiatives by Cabinet Ministers cannot expect automatic approval. The Prime Minister himself adopts a project by project approach. Projects are formulated in discussions with civil service heads. He takes a personal interest in specific outputs, timelines and monitoring of progress. An initial approach was for decisions to be made after groups of Secretaries had made presentations on projects, programs and policies for the next year. In the second term it is reported that Secretaries will develop sector by sector five year plans for each ministry, including targets and projects designed for swift approval.

In its first term, the government made few machinery of government changes. The main one was to abolish the Planning Commission and reassign responsibilities for intergovernmental financial transfers to the Finance and other ministries. In its place the government set up the NITI Aayog. It has operated as a mixture of a centralised incubator for selected projects for the Prime Minister and a forum for discussion with the states. However its functions and influence appear to have yet to fully crystallise.

The Prime Minister's preference for projects has driven a profusion of initiatives, including *Make in India*, *Smart Cities*, *Digital India*, *Namami Gange* (cleaning up the Ganges), and bullet trains. He has also adapted and relaunched schemes initiated by previous governments. But many of the most ambitious projects have yet to bear fruit. Problems have included project definition, choice of approach, appropriate resources and project management. Projects with effective implementation have tended to deliver specific outputs, bypassed civil service hold ups, and been amenable to tight project management. A notable example is *Swachh Bharat* (Clean India—including large scale provision of toilets in rural areas). Further examples include JAM (*Jan Dhan*—'People's Wealth' or financial inclusion; *Aadhaar*—'Foundation' or biometric identification; and mobile phones—to support widespread digital applications). The potential of digital applications to surmount 'last mile' difficulties and transform service provision is widely emphasised.

However a wider overview of government directions shows a lengthening list of challenges incompletely addressed. Critics point to lower than expected levels of economic activity and job creation. Performance lags in key sectors affecting large numbers of people, including agriculture, health and education. The government has seemed reluctant to pursue extensive structural reforms. Incremental measures to stimulate the economy have been preferred to bolder strategies to improve the investment climate, promote business activity and improve job opportunities. Well publicised initiatives, including to improve 'ease of doing business', are important. So too are the structural reforms that have been implemented, for example more workable bankruptcy legislation. But privatisation of even state owned businesses with a reputation for sustained underperformance, including Air India, has proved difficult. So too has addressing the accumulation of non-performing loans by the public sector banks that dominate the banking sector. A preference for public ownership and bureaucratic regulation, and a distaste for private business continue to have strong support not only in society at large but in sections of the BJP and the *sangh parivar*.

In these circumstances many commentators thought that in 2019 the government risked an anti-incumbency backlash. In the event this did not happen. Historically, for reasons that are elusive, political fortunes have often been detached from economic and general performance. But in this case prominent election analyst and political activist Yogendra Yadav offered a clear reason. He ascribed the result to four M's: 'Modi, money, media and machine' (Yadav). In this view, victory was propelled by a well-funded, well-organised electoral machine, invoking well-

targeted themes and incentives, and with the Prime Minister as its champion.

Other electoral analysis points in a similar direction (J Mishra and Attri; Sircar and Kishore; Vaishnav and Hinton). Three factors stand out. One is the personal appeal of the Prime Minister. Whether it was about national security, cultural assertiveness, hope for better times, or benefits received, voters expressed a preference for Prime Minister Modi. Second is improved efficiency in delivering services and welfare programs credited to the Prime Minister. Benefits, received and hoped for, appeared to swing a small but important percentage of voters towards the BJP. Third, is the expectation that a re-elected government would continue to promote development. Voters who believed that the government would deliver inclusive development tended to vote for it.

Support for the Prime Minister's leadership and for tangible benefits were reflected in statements such as: '*Vote toh Modi ji ko dunga. Kissan ko dikkat to hai, lekin yeh chunav desh ka chunav hai*' (I'll vote for Modi. Farmers are indeed in trouble, but this election is about the country); '*Itna mil gaya hai; itna ayega bhi*' (so much has come; so much will come) (V Mishra) and '*Modi ne sab ko kuch na kuch diya hai*' (Modi has given something to everyone) (Chaturvedi *et al*). In response to the mosaic of party and government appeals, voters' experience and expectations came together in support of the government.

In the first term the government's approach to politics and government cut through or bypassed most challenges. In the words of the BJP's campaign slogan in 2019: '*Modi Hai to Mumkin Hai*' (Modi makes it possible). As the late Arun Jaitley, former Minister of Finance, stated: 'It was the same Governmental machinery, the same political system, the same implementation instruments that the Government had at its disposal. It is both the motivation and the leadership which made the vital difference' (Jaitley). Except in the discourse of journalists and scholars questions about governance and capability had little bite. As recipients of direct transfers many voters seemed happy to become 'beneficiaries' (*labharthi*) (V Mishra; Gupta).

However in the second term it cannot be assumed that problematic issues will lie dormant. Issues likely to claim increased attention include improving economic performance, job opportunities and ironing out wrinkles in the GST. Such issues, together with following up expectations encouraged by successful service delivery projects and new commitments made early in the second term may demand a more ample

governing strategy. Further, more voters may wish to be heard as citizens and not as *labharthi*. Pressure may rise for the political strategy to be supported by a strengthened governing strategy.

Arguments for change

Arguments for change are broad. They include questions about the effectiveness of relationships between the government and the people, within government and between levels of government (Aiyar; Vaishnav). They come from a variety of quarters and not a few, including the role of the civil service, date back to independence. Questions about the stability and respect for key institutions recur. So do questions about the robustness and effectiveness of public policy processes. In a recent analysis Kapur *et al* identified a set of linked problems in government administration: ‘wide discretion, low capacity, high centralization, secrecy and upward vertical accountability’. They went on to ask: ‘Can India transition to a new equilibrium—a virtuous cycle of an accountable, high-capacity, decentralized, information-based state that is responsive to citizens rather than superiors?’ (Kapur *et al*: 30).

What would such a state look like? Drawing on suggestions by Aiyar and Vaishnav, answers related to the executive branch of government might include:

- * Political leaders who value and weigh for themselves advice from the civil service and appropriate other expert quarters.
- * Good working relationships between Ministers and civil servants, with the latter encouraged to offer challenging advice while also putting into effect legal and feasible government decisions.
- * Civil service officers skilled in policy work and the arts of management in a large and diverse service, including managing relationships between agencies and levels of government.
- * Civil service officers skilled in developing management systems that support responsive, accountable and effective decision-making.
- * Civil service officers skilled in understanding and applying the potential of digital applications to improve design and access to services for citizens, businesses and community organisations.
- * Civil service officers skilled in working with citizens of all kinds and responding to their needs within the framework of representative government.

A state of this kind would be enabled and an enabler. It would listen before telling. It would be imaginative, inclusive and analytical. It would be effective at coordination—within and between ministries and within and between levels of government. And once it had decided on a direction it would be able to carry it through. Feasibility of implementation would become an integral part of policy design. Politics, policy and management would come together.

However such a transition would be challenging. It would be likely to consist of multiple steps; be uncomfortable for many politicians, civil servants and other stakeholders; encounter vocal resistance and backsliding; and require the energies of several generations of committed political, civil service leaders and community leaders. Two points of pressure would be likely to stand out: the role and capabilities of the civil service; and the role and capabilities of the states. These two points are linked. Both contribute to long chains of transactions within official institutions with multiple blocking points.

Since independence most governments in Delhi have preferred centralised, top down bureaucratic arrangements. Higher civil service contributions to policy making tend to be a long way from citizen access points. Innovative officials in direct contact with members of the public are a long way away from senior officials. Further while the top civil service comprises some of the world's most talented people it is constrained by provisions that hinder the deployment of skilled officers to where they can be most effective. Hierarchy, seniority rules, ministerially directed transfers, and arrangements for cadre management restrict the flow of talent. Interagency coordination problems are well known. Ministries tend to operate separately. Advice to ministers is often said to be piecemeal. The wide ambit of state regulation from different ministries is also well known. It has encouraged what has been described as 'feverishly imaginative' bureaucratic controls, including on business activity (Subramanian: 199). Moreover, instruments intended to mitigate corruption have had the perverse effect of inhibiting initiative and decision-making. For these reasons doing business with the civil service is legendarily difficult.

In contrast to the heavily constrained functioning of the civil service, relations between the national, state and local governments are under-institutionalised. The role of the states is also paradoxical. The government's political strategy—for example, 'One Nation, One Constitution', 'One Nation, One Election', 'One Nation, One Tax'—emphasises the role of the national government. However its governing strategy runs up against the role of the states. Relations between levels

of government are problematic. Although the national government wishes to take the lead on most matters of significance it shares constitutional responsibility for many policy matters with the states. First, although it collects approximately 60 per cent of taxes, the states are responsible for approximately 60 per cent of expenditure. Fiscal transfers need to be made to the states. General purpose transfers are made through the recommendations of periodic Finance Commissions. Specific purpose transfers are made through Centrally Sponsored Schemes (CSS) managed by relevant central ministries. Second, the states vary greatly in stages of development. They vary also in capability to make submissions about fiscal need and administration. Arguments about fair shares are frequent. Third, there is no institutionalised forum in which outstanding problems—for example major policy disagreements, complaints about ‘unfairness’ in fiscal transfers, design and implementation of CSS, or management problems such as micromanagement of expenditure or unreliable information systems—can be addressed. Fourth, states control access to funding by local government and are as tempted to constrain their funds as the federal government is to constrain funds for the states. Contested transactions between levels of government tend to be hard to resolve. Consequently, arguments about management of intergovernmental matters persist. In particular states get blamed for poor implementation and New Delhi gets blamed for poor policy design.

Following the election the Prime Minister acknowledged that the government had to heed the ‘huge expectations of the people’ (Tribune News Service). While clearly wanting more from the civil service he nevertheless credited victory to its ability to deliver government schemes to the ‘common man’. He urged members of the government to see continuing expectations as an ‘opportunity’ and civil servants to ‘hit the ground running, to fulfil the aspirations of the people’. However he did not foreshadow major changes in the way the government worked. Pathways to improved performance were to be inferred rather than proclaimed.

In the civil service the government continued with a number of specific proposals including induction of a small number of lateral recruits to senior ranks, 360 feedback for annual assessments of individual performance, compulsory retirement for officers deemed as less effective, and a proposal to defer assignment to specific services of new recruits to all India services until after completion of the mandatory induction course. Each of these proposals has proved controversial. For example, many commentators have seen lateral recruitment as a

fundamental change and some have seen it as a threat to the integrity of the civil service. However when compared to experience in civil/public services that have seen major reform these are incremental steps.

How big an effect they have, whether performance is improved and whether more ambitious agendas develop remains to be seen. For example, in Australian public services, federal and state, lateral recruitment was just one of a number of steps in a long period of change. Initially not all high profile recruits stayed very long. Finding their way around government procedures and managing complex operations while meeting the politically driven demands of ministers was for many too much. It took decades before movement in and out of public services of people with an appropriate mix of skills became more generally accepted.

In intergovernmental relations the government continues to rely on a mix of approaches. Most of these are still developing. On the one hand it champions competitive federalism, in which states and districts are encouraged to compete with each other to improve performance against rankings formulated by the NITI Aayog (NITI Aayog). On the other hand it also champions cooperative federalism, in which the NITI Aayog leads intergovernmental task forces on selected policy fields and the GST Council reviews implementation and negotiates proposed amendments. Ministerial conferences, some involving the Prime Minister and Chief Ministers, also take place. However the Inter-State Council, set up in 1990, and of which the Prime Minister is Chair, is under-used.

A critique of competitive federalism is that, contrary to the intentions of the NITI Aayog, it may lead to a race to the bottom as states chase investment prospects. A critique of cooperative federalism is that it is insufficiently ambitious: the national and state governments do not spend enough time puzzling together over national problems that involve all levels of government; local government deserves much greater attention; more could be learnt from the experience of the GST Council; and all intergovernmental forums would benefit from increased political commitment and support from appropriately skilled civil servants. A different critique is that intergovernmental relations are not a pressing problem. One view is that if the national and state governments are of the same political colour coordination will be natural—hence an appeal heard in some state elections for a ‘double-engine *sarkar*’. Another is that whether federalism is competitive or cooperative it masks persistent political preferences for centralisation. Yet another, is that the states should just be encouraged to get on with things: attempts at coordination are a distraction and impose avoidable

transaction costs. In these circumstances, capability improvements in managing federal arrangements may demand prior attention to reforms in governance.

Another motivation to reframe the strategy for government might be a sense of necessity. Economic management could provide it. Following the election economic conditions remained difficult. One commentator on economic affairs, not unsympathetic to the government, put the need for an improved economic program in firm terms: 'if you think what got you here will get you another win in 2024, you are likely to be proved wrong. I predict that if the Modi government does more of the same things that it did in 2014-19, it is going to be defeated in 2024. Its economic underperformance did not matter in 2019 because the electorate was presented with alternatives that were worse than a BJP under Modi'. He proposed that the Prime Minister take a more active role in economic reform and a list of structural and system changes which would require careful policy and management work by the Ministry of Finance and other relevant Ministries (Jagannathan). Similarly, the Vice Chairman, NITI Aayog said that the government needed to take steps that are 'out of the ordinary' (Kumar). Such comments could provide a reason for looking again at advice reportedly already offered by officials (Mehra).

Other commentators offered suggestions about official contributions to policy making. For example, Professor Arvind Panagariya, former Vice Chairman, NITI Aayog suggested that civil service contributions as used in the first term, including on economic policy, were too cautious. He proposed that the government nominate half a dozen areas for radical reform (possibly including labour laws, land laws, higher education, international trade, privatisation, banking reforms and centrally sponsored schemes) to be worked on by missions of domain experts and young professionals. Critically each mission should have its own budget and be able to spend it without reference to 'multi-layered bureaucratic rules' (Panagariya and BV Kumar). Similarly other commentators recommended a higher priority and more resources devoted to managing intergovernmental matters and fiscal federalism, including CSS and the Inter-State Council (Rao; Livemint).

From these considerations the elements emerge of more than a few agendas to add *shakti* to the approach of 'transformation in small steps'. However distilling a feasible portfolio of reforms would depend on two prerequisites. The first is political leadership. Reform programs need champions to seize an opportunity and then craft and tell a story. Such champions also need to stay the distance. The second is preparation

and stamina to manage transition costs. When major change takes place those who benefit may give silent thanks, but those disadvantaged tend to form a crowd and shout.

Concluding Remarks

The election victory has embedded the BJP as the predominant national party. It has confirmed the Prime Minister, in the eyes of many voters, as a promoter of development in which they hope to share. It has provided the government with the strength to expand the scope of existing 'beneficiary' related achievements, initiate more projects and tackle problems too tough to confront in the first term.

However, questions about the effectiveness of public policy making and management cannot be dismissed. The engagement of the Prime Minister has wrung a lot out of existing arrangements in government. But it is open to question whether an unchanged approach can keep ahead of expectations. It is no less a question whether it can provide effective protection against unexpected events, international as well as domestic.

Against the possibility that expectations and events may demand more than existing arrangements can deliver it may be timely to initiate pre-emptive measures. One option would be to commission a small number of carefully formulated performance improvement projects. Issues of governance and capability in the civil service and relations between levels of government as outlined above could be good places to start.

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