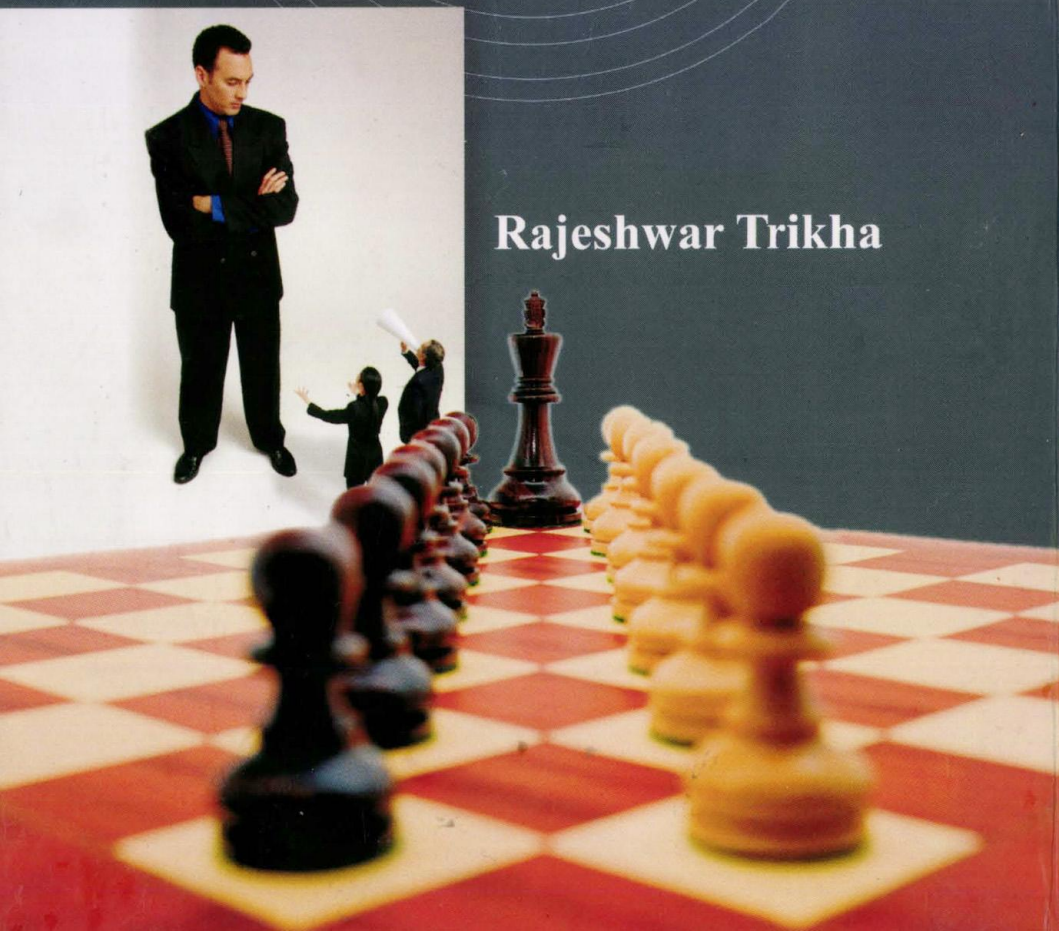


Bureaucracy and Public Administration

Rajeshwar Trikha



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Origin and Development of Bureaucracy

Bureaucracy is a concept in sociology and political science referring to the way that the administrative execution and enforcement of legal rules are socially organised. Four structural concepts are central to any definition of bureaucracy:

- a well-defined division of administrative labour among persons and offices,
- a personnel system with consistent patterns of recruitment and stable linear careers,
- a hierarchy among offices, such that the authority and status are differentially distributed among actors, and
- formal and informal networks that connect organisational actors to one another through flows of information and patterns of cooperation.

Examples of everyday bureaucracies include governments, armed forces, corporations, hospitals, courts, ministries and schools.

CONCEPT OF BUREAUCRACY

The word "bureaucracy" stems from the word "bureau", used from the early 18th century in Western Europe not just to refer to a writing desk, but to an office, i.e., a workplace, where officials worked. The original French meaning of the word bureau was the baize used to cover

desks. The term bureaucracy came into use shortly before the French Revolution of 1789, and from there rapidly spread to other countries. The Greek suffix - kratia or kratos - means "power" or "rule".

In a letter of July 1, 1790, the German Baron von Grimm declared: "We are obsessed by the idea of regulation, and our Masters of Requests refuse to understand that there is an infinity of things in a great state with which a government should not concern itself." Jean Claude Marie Vincent de Gournay sometimes used to say, "We have an illness in France which bids fair to play havoc with us; this illness is called bureaumania." Sometimes he used to invent a fourth or fifth form of government under the heading of "bureaucracy".

In another letter of July 15, 1765 Baron Grimm wrote also, "The real spirit of the laws in France is that bureaucracy of which the late Monsieur de Gournay used to complain so greatly; here the offices, clerks, secretaries, inspectors and intendants are not appointed to benefit the public interest, indeed the public interest appears to have been established so that offices might exist."

This quote refers to a traditional controversy about bureaucracy, namely the perversion of means and ends so that means become ends in themselves, and the greater good is lost sight of; as a corollary, the substitution of sectional interests for the general interest. The suggestion here is that, left uncontrolled, the bureaucracy will become increasingly self-serving and corrupt, rather than serving society.

BUREAUCRACY DEVELOPMENT

Perhaps the early example of a bureaucrat is the scribe, who first arose as a professional in the early cities of Sumer. The Sumerian script was so complicated that it required specialists who had trained for their entire lives in the discipline of writing to manipulate it. These scribes

could wield significant power, as they had a total monopoly on the keeping of records and creation of inscriptions on monuments to kings. In later, larger empires like Achaemenid Persia, bureaucracies quickly expanded as government expanded and increased its functions. In the Persian Empire, the central government was divided into administrative provinces led by satraps.

The satraps were appointed by the Shah to control the provinces. In addition, a general and a royal secretary were stationed in each province to supervise troop recruitment and keep records, respectively. The Achaemenid Great Kings also sent royal inspectors to tour the empire and report on local conditions. The most modernesque of all ancient bureaucracies, however, was the Chinese bureaucracy. During the chaos of the Spring and Autumn Period and the Warring States, Confucius recognised the need for a stable system of administrators to lend good governance even when the leaders were inept. Chinese bureaucracy, first implemented during the Qin dynasty but under more Confucian lines under the Han, calls for the appointment of bureaucratic positions based on merit via a system of examinations.

Although the power of the Chinese bureaucrats waxed and waned throughout China's long history, the imperial examination system lasted as late as 1905, and modern China still employs a formidable bureaucracy in its daily workings. Modern bureaucracies arose as the government of states grew larger during the modern period, and especially following the Industrial Revolution. Tax collectors, perhaps the most reviled of all bureaucrats, became increasingly necessary as states began to take in more and more revenue, while the role of administrators increased as the functions of government multiplied. Along with this expansion, though, came the recognition of the corruption and nepotism often inherent within the managerial system, leading to civil service reform on a

large scale in many countries towards the end of the 19th century.

LEGITIMACY AND BUREAUCRATIC AUTONOMY

In "The Forging of Bureaucratic Autonomy," Daniel Carpenter argues that bureaucratic autonomy emerges only upon the historical achievement of three conditions:

- the autonomous bureaucracies are politically differentiated from the actors who seek to control them.
- the bureaucratic autonomy requires the development of unique organisational capacities - capacities to analyse, to create new programmes, to solve problems, to plan, to administer programmes with efficiency, and to ward off corruption.
- bureaucratic autonomy requires political legitimacy, or strong organisational reputations embedded in an independent power base.

KARL MARX AND BUREAUCRACY

In Karl Marx's and Friedrich Engels's theory of historical materialism, the historical origin of bureaucracy is to be found in four sources: religion, the formation of the state, commerce and technology. Thus, the earliest bureaucracies consisted of castes of religious clergy, officials and scribes operating various rituals, and armed functionaries specifically delegated to keep order.

In the historical transition from primitive egalitarian communities to a civil society divided into social classes and estates, beginning from about 10,000 years ago, authority is increasingly centralised in, and enforced by a state apparatus existing separately from society. This state formulates, imposes and enforces laws, and levies taxes, giving rise to an officialdom enacting these functions. Thus, the state mediates in conflicts among the people and

keeps those conflicts within acceptable bounds; it also organises the defence of territory. Most importantly, the right of ordinary people to carry and use weapons of force becomes increasingly restricted; in civil society, forcing other people to do things becomes increasingly the legal right of the state authorities only. But the growth of trade and commerce adds a new, distinctive dimension to bureaucracy, insofar as it requires the keeping of accounts and the processing/recording of transactions, as well as the enforcement of legal rules governing trade.

If resources are increasingly distributed by prices in markets, this requires extensive and complex systems of record-keeping, management and calculation, conforming to legal standards. Eventually, this means that the total amount of work involved in commercial administration outgrows the total amount of work involved in government administration. In modern capitalist society, private sector bureaucracy is larger than government bureaucracy, if measured by the number of administrative workers in the division of labour as a whole. Some corporations nowadays have a turnover larger than the national income of whole countries, with large administrations supervising operations.

A fourth source of bureaucracy Marxists have commented on inheres in the technologies of mass production, which require many standardised routines and procedures to be performed. Even if mechanisation replaces people with machinery, people are still necessary to design, control, supervise and operate the machinery. The technologies chosen may not be the ones that are best for everybody, but which create incomes for a particular class of people or maintain their power. This type of bureaucracy is nowadays often called a technocracy, which owes its power to control over specialised technical knowledge or control over critical information.

In Marx's theory, bureaucracy rarely creates new wealth by itself, but rather controls, co-ordinates and governs the production, distribution and consumption of wealth. The bureaucracy as a social stratum derives its income from the appropriation of part of the social surplus product of human labour. Wealth is appropriated by the bureaucracy by law through fees, taxes, levies, tributes, licensing etc. Bureaucracy is therefore always a cost to society, but this cost may be accepted insofar as it makes social order possible, and maintains it by enforcing the rule of law. Nevertheless there are constant conflicts about this cost, because it has the big effect on the distribution of incomes; all producers will try to get the maximum return from what they produce, and minimize administrative costs. Typically, in epochs of strong economic growth, bureaucracies proliferate; when economic growth declines, a fight breaks out to cut back bureaucratic costs.

Whether or not a bureaucracy as a social stratum can become a genuine ruling class depends greatly on the prevailing property relations and the mode of production of wealth. In capitalist society, the state typically lacks an independent economic base, finances many activities on credit, and is heavily dependent on levying taxes as a source of income. Therefore, its power is limited by the costs which private owners of the productive assets will tolerate. If, however, the state owns the means of production itself, defended by military power, the state bureaucracy can become much more powerful, and act as a ruling class or power elite. Because in that case, it directly controls the sources of new wealth, and manages or distributes the social product. This is the subject of Marxist theories of bureaucratic collectivism.

Marx himself however never theorised this possibility in detail, and it has been the subject of much controversy among Marxists. The core organisational issue in these disputes concerns the degree to which the administrative

allocation of resources by government authorities and the market allocation of resources can achieve the social goal of creating a more free, just and prosperous society. Which decisions should be made by whom, at what level, so that an optimal allocation of resources results? This is just as much a moral-political issue as an economic issue.

Central to the Marxian concept of socialism is the idea of workers' self-management, which assumes the internalisation of a morality and self-discipline among people that would make bureaucratic supervision and control redundant, together with a drastic reorganisation of the division of labour in society. Bureaucracies emerge to mediate conflicts of interest on the basis of laws, but if those conflicts of interest disappear (because resources are allocated directly in a fair way), bureaucracies would also be redundant. Marx's critics are however skeptical of the feasibility of this kind of socialism, given the continuing need for administration and the rule of law, as well as the propensity of people to put their own self-interest before the communal interest. That is, the argument is that self-interest and the communal interest might never coincide, or, at any rate, can always diverge significantly.

MAX WEBER ON BUREAUCRACY

Max Weber has probably been one of the most influential users of the word in its social science sense. He is well-known for his study of bureaucratisation of society; many aspects of modern public administration go back to him; a classic, hierarchically organised civil service of the continental type is — if perhaps mistakenly — called "Weberian civil service". However, contrary to popular belief, "bureaucracy" was an English word before Weber; the Oxford English Dictionary cites usage in several different years between 1818 and 1860, prior to Weber's birth in 1864.

Weber described the ideal type bureaucracy in positive terms, considering it to be a more rational and efficient form of organisation than the alternatives that preceded it, which he characterised as charismatic domination and traditional domination. According to his terminology, bureaucracy is part of legal domination. However, he also emphasized that bureaucracy becomes inefficient when a decision must be adopted to an individual case. According to Weber, the attributes of modern bureaucracy include its impersonality, concentration of the means of administration, a levelling effect on social and economic differences and implementation of a system of authority that is practically indestructible.

Weber's analysis of bureaucracy concerns:

- the historical and administrative reasons for the process of bureaucratisation (especially in the Western civilisation)
- the impact of the rule of law upon the functioning of bureaucratic organisations
- the typical personal orientation and occupational position of a bureaucratic officials as a status group
- the most important attributes and consequences of bureaucracy in the modern world

A bureaucratic organisation is governed by the following seven principles:

- official business is conducted on a continuous basis
- official business is conducted with strict accordance to the following rules:
 - the duty of each official to do certain types of work is delimited in terms of impersonal criteria
 - the official is given the authority necessary to carry out his assigned functions
 - the means of coercion at his disposal are strictly limited and conditions of their use strictly defined

- every official's responsibilities and authority are part of a vertical hierarchy of authority, with respective rights of supervision and appeal
- officials do not own the resources necessary for the performance of their assigned functions but are accountable for their use of these resources
- official and private business and income are strictly separated
- offices cannot be appropriated by their incumbents (inherited, sold, etc.)
- official business is conducted on the basis of written documents

A bureaucratic official:

- is personally free and appointed to his position on the basis of conduct
- exercises the authority delegated to him in accordance with impersonal rules, and his or her loyalty is enlisted on behalf of the faithful execution of his official duties
- appointment and job placement are dependent upon his or her technical qualifications
- administrative work is a full-time occupation
- work is rewarded by a regular salary and prospects of advancement in a lifetime career

An official must exercise his or her judgment and his or her skills, but his or her duty is to place these at the service of a higher authority; ultimately he/she is responsible only for the impartial execution of assigned tasks and must sacrifice his or her personal judgment if it runs counter to his or her official duties. Weber's work has been continued by many, like Robert Michels with his Iron Law of Oligarchy. As Max Weber himself noted, real bureaucracy will be less optimal and effective than his ideal type model. Each of Weber's seven principles can degenerate:

- Vertical hierarchy of authority can become chaotic, some offices can be omitted in the decision making process, there may be conflicts of competence;
- Competences can be unclear and used contrary to the spirit of the law; sometimes a decision itself may be considered more important than its effect;
- Nepotism, corruption, political infighting and other degenerations can counter the rule of impersonality and can create a recruitment and promotion system not based on meritocracy but rather on oligarchy;
- Officials try to avoid accountability and seek anonymity by avoiding documentation of their procedures.

Even a non-degenerated bureaucracy can be affected by common problems:

- Overspecialisation, making individual officials not aware of larger consequences of their actions;
- Rigidity and inertia of procedures, making decision-making slow or even impossible when facing some unusual case, and similarly delaying change, evolution and adaptation of old procedures to new circumstances;
- A phenomenon of group thinking - zealotry, loyalty and lack of critical thinking regarding the organisation which is perfect and always correct by definition, making the organisation unable to change and realise its own mistakes and limitations;
- Disregard for dissenting opinions, even when such views suit the available data better than the opinion of the majority;
- A phenomenon of Catch-22 (named after a famous book by Joseph Heller) - as bureaucracy creates more and more rules and procedures, their complexity rises and coordination diminishes, facilitating creation of contradictory and recursive rules.

— Not allowing people to use common sense, as everything must be as is written by the law.

In the most common examples bureaucracy can lead to the treatment of individual human beings as impersonal objects. This process has been criticised by many philosophers and writers (Aldous Huxley, George Orwell, Hannah Arendt) and satirised in the comic strip *Dilbert*, TV show *The Office*, Franz Kafka's novels *The Trial* and *The Castle*, Douglas Adams' story *The Hitchhiker's Guide to the Galaxy*, and the films *Brazil* and *Office Space*.

ANALYSIS OF BUREAUCRACY

Modern academic research has debated the extent to which elected officials can control their bureaucratic agents. Because bureaucrats have more information than elected officials about what they are doing and what they should be doing, bureaucrats might have the ability to implement policies or regulations that go against the public interest. In the American context, these concerns led to the "Congressional abdication" hypotheses—the claim that Congress had abdicated its authority over public policy to appointed bureaucrats.

Theodore Lowi initiated this debate by concluding in a 1979 book that the U.S. Congress does not exercise effective oversight of bureaucratic agencies. Instead, policies are made by "iron triangles", consisting of interest groups, appointed bureaucrats, and Congressional subcommittees (who, according to Lowi, were likely to have more extreme views than the Congress as a whole). It is thought that since 1979 interest groups have taken a large role and now do not only effect bureaucracy, but also the money in congress. The idea of "iron triangles" has since evolved to "iron hexagons" and then to a "hollow sphere."

The relationships between the Legislatures, the Interest Groups, Bureaucrats, and the general public all have an effect on each other. Without one of these pieces the entire structure would completely change. This relationship is considered "mu", or such that not one single piece can describe or control the entire process. The public votes in the legislatures and the interest groups provide information, but the legislature and bureaucrats also have an effect on the interest groups and the public. The entire system is codependent on each other.

William Niskanen's earlier (1971) 'budget-maximizing' model complemented Lowi's claims; where Lowi claimed that Congress (and legislatures more generally) failed to exercise oversight, Niskanen argued that rational bureaucrats will always and everywhere seek to increase their budgets, thereby contributing strongly to state growth. Niskanen went on to serve on the U.S. Council of Economic Advisors under President Reagan, and his model provided a strong underpinning for the worldwide move towards cutbacks of public spending and the introduction of privatisation in the 1980s and '90s. Two branches of theorising have arisen in response to these claims. The first focuses on bureaucratic motivations; Niskanen's universalist approach was critiqued by a range of pluralist authors who argued that officials' motivations are more public interest-orientated than Niskanen allowed.

The bureau-shaping model (put forward by Patrick Dunleavy) also argues against Niskanen that rational bureaucrats should only maximize the part of their budget that they spend on their own agency's operations or give to contractors or powerful interest groups (that are able to organise a flowback of benefits to senior officials). For instance, rational officials will get no benefit from paying out larger welfare checks to millions of poor people, since the bureaucrats' own utilities are not improved.

Consequently we should expect bureaucracies to significantly maximize budgets in areas like police forces and defence, but not in areas like welfare state spending.

A second branch of responses has focused more on Lowi's claims, asking whether legislatures (and usually the American Congress in particular) can control bureaucrats. This empirical research is motivated by a normative concern: If we wish to believe that we live in a democracy, then it must be true that appointed bureaucrats cannot act contrary to elected officials' interests.

Within this second branch, scholars have published numerous studies debating the circumstances under which elected officials can control bureaucratic outputs. Most of these studies examine the American case, though their findings have been generalised elsewhere as well. These studies argue that legislatures have a variety of oversight means at their disposal, and they use many of them regularly. These oversight mechanisms have been classified into two types: "Police patrols" (actively auditing agencies and looking for misbehaviour) and "fire alarms" (imposing open administrative procedures on bureaucrats to make it easier for adversely affected groups to detect bureaucratic malfeasance and bring it to the legislature's attention).

A third concept of self-interested bureaucracy and its effect on the production of public goods has been forwarded by Faizul Latif Chowdhury. In contrast to Niskanen and Dunleavy, who primarily focused on the self-interested behaviour of only the top-level bureaucrats involved in policy making, Chowdhury in his thesis submitted to the London School of Economics in 1997 drew attention to the impact of the low level civil servants whose rent-seeking behaviour pushes up the cost of production of public goods.

Particularly, it was shown with reference to the tax officials how rent-seeking by them causes loss in

government revenue. Chowdhury's model of rent-seeking bureaucracy captures the case of administrative corruption whereby public money is directly expropriated by public servants in general.

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Bureaucratic Theories

The bureaucratic theory of Max Weber has been a point of departure for the development and modification of organisation structure to influence the flow of interrelationships within organisations. The degree of bureaucracy in an organisation sets the boundaries for human action. These boundaries that regulate people's freedom have a by-product known as alienation. The construct of alienation has been studied with relation to bureaucracy. It has been demonstrated that people who work in bureaucracies have a limited "say" in what they do. For good or for evil, bureaucracy is the machinery to control human behaviour. What matters is how to use this device without alienating people.

Since translations of Max Weber's works into the English language during the second part of the 1940s, a vast literature on organisations, in general, and on bureaucracy, in particular, has been generated. Max Weber argued as follows in favour of bureaucratic organisation:

The decisive reason for the advantage of bureaucratic organisation has always been its purely technical superiority over any form of organisation. The fully developed bureaucratic mechanism compares with other organisations exactly as does the machine with the non-mechanical modes of production. Precision, speed, unambiguity, knowledge of files, continuity, discretion, unity, strict subordination, reduction of friction, and of material and personal costs—

these are raised to the optimum point in the strictly bureaucratic administration, and especially in its monocratic form. As compared with the collegiate, honorific, and avocation forms of administration, trained bureaucracy is superior on all these points.

Max Weber listed organisational attributes that when present, constitute the bureaucratic form of organisation.

- A continuous organisation of official functions bound by rules.
- A specific sphere of competence.
- The organisation of offices follows the principle of hierarchy; that is, each lower office is under the control and supervision of a higher one.
- The rules which regulate the conduct of an office may be technical rules or norms.
- It is a matter of principle that members of the administrative staff should be completely separated from ownership of the means of production or administration.
- In order to enhance the organisational freedom, the resources of the organisation have to be free of any outside control and the positions cannot be monopolised by any incumbent.
- Administrative acts, decisions, and any rules are formulated and recorded in writing.

Based on the theory developed by Max Weber, researchers used bureaucratic theory as an analytical tool to examine organisational structure. Until the 1960s, case studies were used to assess bureaucratic characteristics of organisations. These studies were called unidimensional approach to the study of organisation. Researchers who used the unidimensional approach believed that all characteristics of bureaucracy must be present to a high degree in an organisation before it can be called a bureaucracy.

During the late 1950s this approach was questioned. Researchers started to think that all characteristics of bureaucracy might not be present in an organisation at the same time. Some characteristics can be stronger than others. Characteristics could be independent of each other. Bureaucratic characteristics or dimensions could create different configurations of bureaucracies. Since the 1960s, dimensional approaches to study bureaucracy have been used. Hall was among the first to measure bureaucratic dimensions in organisations empirically.

Hall was the first to develop a survey instrument to measure the degree of bureaucratisation in organisations. After an extensive literature review, he identified six dimensions of bureaucracy: hierarchy of authority, division of labour, rules and regulations, procedural specifications, impersonality, and technical competence. His instrument (Organisational Inventory) has 62 items. All dimensions have 10 items except for hierarchy of authority, which has 12 items. Modified versions of his instrument have been used in educational settings to assess school bureaucratisation.

Researchers have added more items to his instrument during modifications. Hall's instrument was first modified by the Canadian researcher, MacKay, to measure six dimensions of bureaucracy in educational settings. In Canada, Robinson, Kolesar and Punch continued to use and refine the Mackay's instrument. These Canadian researchers were followed by Anderson, Isherwood, and Sousa in the U.S.

Researchers using modified versions of Hall's instrument have consistently found six dimensions of bureaucracy clustered around two overall higher-order dimensions. Hall warned that one of the six dimensions could be an a bureaucratic dimension. He found that the technical competence dimension was inversely correlated with three dimensions. Mackay and Robinson also found

that the dimensions did not converge under a single overall dimension. Punch found that six dimensions formed two higher order dimensions.

Hierarchy of authority, rules and regulations, procedural specifications, and impersonality clustered together while division of labour and technical competence clustered together. The higher order dimension formed by the first set of dimensions is a measure of bureaucratisation while the higher order dimension formed by the second set of dimensions is a partial measure of professionalism. Isherwood and Hoy confirmed that Hall's six dimensions cluster under two separate second order dimensions.

BUREAUCRATIC CHARACTERISTICS

This is a study of the bureaucratic characteristics of Turkish elementary and secondary schools. Little is known about the organisation and foundation of these schools. This study is a beginning in an effort to develop a body of literature in these schools. Max Weber's thinking and Hall's operationalisation of bureaucracy form the theoretical foundation for the study. Because the construct of alienation is the main construct that has been studied with relation to bureaucracy, this study also examines the relationships between bureaucracy and sense of power as a measure of alienation.

The purpose of this study is to explore the utility of Hall's conceptualisation of bureaucracy in analysing the organisational structure of Turkish elementary and secondary schools. Research on educational organisations in Turkey is not as advanced as it is in the western countries. Turkey adopted its centralised ministry system from European nations. No empirical studies were found on structural characteristics of Turkish public schools. Researchers do not have an empirical base to help them understand how organisations function. It is hoped that this study will start a literature base on the subject and

provide a tool to assess the organisational structure of schools that is desperately needed in Turkey. Also an empirical illustration from Turkey might provide a useful addition to the literature because the literature on school organisations in developing countries is very limited. Researchers know little about how school bureaucracy functions in other cultures.

Major Variables

A bureaucracy is an organisational form designed to accomplish large-scale administrative tasks by systematically coordinating the work of many individuals.

Hierarchy of authority (HA) is "the extent to which the locus of decision making is prestructured by the organisation".

Division of labour or specialisation (DL) is "the extent to which work tasks are subdivided by functional specialisation within the organisation".

Rule enforcement or rules and regulations (RR) is "the degree to which the behaviours of organisational members are subject to organisational control".

Procedural specification (PS) is "the extent to which organisational members must follow organisationally defined techniques in dealing with situations they encounter".

Impersonality (IM) is "the extent to which both organisational members and outsiders are treated without regard to individual qualities.

This dimension has two distinct factors. (1) Friendly climate (CLM) is the degree to which relations in the organisation are friendly and warm. (2) Formality (FRM) is the degree to which interactions among people are formal and free from emotions. The second factor was accepted as the measure of impersonality. The friendliness of the school climate is most likely to be an outcome variable rather than

a structural variable. This variable was analysed separately. Promotions based on technical competence (TC) is “the extent to which organisationally defined “universalistic” standards are utilised in the personnel selection and advancement.

Demographic variables

Name of city is the school district where the teacher works. It is operationalised as the name of the township: Karabuk (1), Safranbolu (2), Eflani (3), Eskipasar (4), Yenice (5), and Ovacik (6).

Number of sessions is a two-category variable. Teachers were grouped into two categories (1) teachers who work at schools that run one session a day and (2) teachers who work at schools that run two sessions a day.

Level of the school refers to grades in the teacher’s school. Teachers in elementary school (K-5) were coded as one, teachers in middle schools (6-8) were coded as two, and teachers in high schools (9-11) were coded as three.

Size variables are (1) the number of teachers who are on the payroll of the teacher’s school, (2) number of students enrolled in the teacher’s school, (3) student-teacher ratio in the teacher’s school, (4) number of classrooms in the teacher’s school, and (5) number of administrators in the teacher’s school.

Age of the teacher’s school is the number of years passed since the foundation of the school.

Urbanisation is a three-level categorical variable: teachers who work in urban schools, teachers who work in suburban schools, and teachers who work in rural schools. Urban was coded as one, suburban was coded as two, and rural was coded as three. Occupation of principal’s father was a five-level categorical variable: teachers who work under principals whose fathers were farmers (coded 1), teachers who work under principals whose fathers were

blue collar workers (coded 2), teachers who work under principals whose fathers were small business owners (coded 3), teachers who work under principals whose fathers were civil servants (coded 4), and teachers who work under principals whose fathers were professionals (code 5).

Sex is the gender of the teacher. Male teachers were coded as one while female teachers were coded two.

Socio-economic status of teacher was measured by three variables (1) growing up location of teacher, (2) number of sisters and brothers of teacher, and (3) father's occupation of teacher. The grown-up location of teacher was operationalised as rural (1), town (2), city (3), big city (4), and all (5). Father's occupation was categorised as small business owner (1), civil servant (2), blue-collar worker (3), and farmer (4).

Socio-economic status of students (SES) is the teacher's principal's perception of students socioeconomic status measured on a five point likert type scale. Principals were asked to rate students in their school on a five-point scale ranging from very poor (1) to very wealthy (5).

Political ties of teachers were measured on a five-point Likert- type scale. Teachers were asked to respond to following statement: "I know influential people who can help me if I am in trouble in this school." Response options ranged from definitely inaccurate (1) to definitely accurate (5).

Experience of teacher was measured by four variables: (1) age of teacher, (2) total service years of teacher in teaching, (3) total years in administrative positions and (4) work experience outside teaching. The last variable, the work experience outside teaching, was a categorical variable. Teachers who had work experience outside teaching were assigned one while teachers who did not have work experience outside teaching were assigned two.

Overall alienation from work was utilised to check the validity of sense of power scale. Teachers were asked to response to the following question: "Do you wish your child to pursue a career in teaching?" Those who said ""yes" were assigned "two" and those who said "no" were assigned "one."

Teacher's birthplace had two possible responses. Those who were born in the province, Karabuk, were assigned a "two." Those who were born outside the province were assigned a "one."

Training had three potential responses. Teachers who were not graduated from teacher colleges were assigned a "one," teachers who were not graduated from teacher colleges but earned teaching certificate by attending extra training were assigned a "two," and regular teachers who were graduated from teacher colleges were assigned a "three."

Experience of principals had three measures: (1) age of teacher's principal, (2) total years in administrative positions, and (3) total service years in education sector. These measures were obtained during school visitations. Percentage of male is the percentage of male teachers in teacher's school.

THEORY OF PUBLIC ADMINISTRATION

What is now called the Classical era, or paradigm, of public administration derived its theory of values from academic political science and, more generally, from constitutional democratic theory. Even before Woodrow Wilson, the intellectual founder of American public administration, the role of administration in democratic government was clarified by John Stuart Mill, who asserted the politically neutral character of administration and the accountability of administrators to elected heads of government.

"Policy-administration dichotomy" was the term coined to describe the process by which political or "value"

issues are decided by elected officials and implemented, efficiently and obediently, by professional appointees. The framework of accountability implied by the dichotomy was a logical extension of the theory of representative government: elected representatives are accountable to the public at large by means of the ballot box; administrators are accountable to the representatives by means of a hierarchical system of controls, rewards, and punishments.

The belief of Classical public administration in its legitimacy as a professional and academic enterprise was the result of a largely unchallenged acceptance of the basic principles of representative government from which administrative values derived, as well as the fact that those values were quite simple and straightforward. However difficult they may be to attain in practice, the values of efficiency and obedience are fairly easy to comprehend, at least in the abstract.

The adherents to the Classical paradigm were confident about its promise to improve the efficiency and overall quality of administration because of the enchantment with science on the part of public administration and the society generally. In the study of administration, the scientific method offered the formula by which truths about the way organisations functioned could be discovered. The practice of administration, because of its isolation from the political process, could with the aid of science formulate the "one best way" of management. These, at any rate, were the prevailing beliefs of administrative orthodoxy.

As governments grew larger and more complex, the euphoria of the Classical paradigm dissipated. The "breakdown" of the policy-administration dichotomy was widely proclaimed, resulting in growing skepticism about the adequacy of the principles of representative government as the sole normative basis for administration, as well as about the ability of science to comprehend, much less improve, administrative practice. This is not to say that

the Classical orthodoxy was entirely abandoned. It persists, albeit in a weakened condition, while the search for fresh approaches continues. Although no consensus has formed around a new alternative, hard questions and issues are still being addressed. In their resolution rests the hope, at least for some, that new approaches to the theory and practice of public administration will be better suited to its radically altered political and social context.

Four sets of questions that bear on the reconstruction of American public administration deserve special consideration. While these questions are more often asked by academics than by professionals, they relate in important ways to the quality of administrative practice. The manner in which these questions are answered will provide important clues about the directions in which public administration theory and practice are headed.

Can academic public administration assist in improving administrative practice? Can the "gap" between theory and practice be closed? Should public administration as an intellectual endeavour be regarded as an academic discipline or a professional (applied) field? What are the benefits and other consequences associated with each of these alternatives? In view of the breakdown of the policy-administration dichotomy, and the consequent discretion required by administrators in making what are inevitably political or value decisions, does the field require a new theory of values? In the absence of clear goals and standards, what does it mean for an administrator to act responsibly? Is the scientific method really useful in developing an accurate understanding of public organisations? Can scientific principles assist in improving administrative practice?

They are all intricately interrelated and to address any one in isolation only results in propping up the Classical paradigm, which, by most contemporary accounts, is a futile exercise. The following comments illustrate how and

why the questions are interrelated and provide a hint of the more elaborate argument that follows. To be genuinely helpful in improving administrative practice, theory must be conceptualised as theory for practice. Positivism, the dominant model of the scientific method on which most social science theory is based, is an inadequate model for practice theory. Thus, the so-called theory-practice gap in public administration is a theoretical as well as a practical problem.

Public administration should be regarded neither as an academic discipline nor an applied field. Academic disciplines, as usually defined, are implicitly based on the positive science model, which is incapable of assisting, and in some ways detracts from, the improvement of practice. Because of their instrumental view of practice, applied fields necessarily deal inadequately, if at all, with fundamental moral-ethical concerns. The debate over academic discipline versus applied field, in short, is irrelevant and misleading.

In view of the breakdown of the policy-administration dichotomy, administrative practice should be recognised as involving far more than the instrumental attainment of predefined ends. Administrative practice is a form of moral and committed action whose proper understanding and evaluation requires both a value theory and a theory of knowledge not readily inferred from the Classical paradigm.

Not only is the positive science model of doubtful use in improving administrative practice, it is also incapable of comprehending practice scientifically in its most important sense: as a type of social action. The basis for these assertions is embodied in a proposal for what will be termed an Action Theory paradigm for public administration. The Purpose of the paradigm is to outline an intellectual approach to public administration that effectively integrates the social scientific concerns of the

field with its long-standing commitment to improving administrative practice.

This will be accomplished by articulating the essential features of a theory of knowledge and science (epistemology) quite different from that which underlies the current mainstream of social science and administrative thought. In addition, a theory of values will be presented that, while incorporating some of the Classical normative concerns of the field, is grounded in a view of human nature that derives its logic and support from intellectual vantage points far removed from traditional normative thinking in public administration.

In view of some justifiable criticisms of the natural science conception of paradigms (popularised by Kuhn) as an appropriate metaphor for social science and practice, "paradigm". The idea of paradigm, in substantially altered form, is a valuable device for clarifying interrelationships among epistemologies, value theories, modes of social action, and administrative practice. The redefinition of paradigm is the subject of the first of eighteen propositions that constitute the Action paradigm.

PROPOSITIONS

- In public administration, regarded both as a branch of social science and as a category of social practice, paradigms are appropriately conceived as theories of values and knowledge whose purposes are to improve administrative practice and integrate types of theory.
- Beliefs about human nature are central to the development of theories in public administration as well as all other branches of social science. In order to provide the foundation for developing and integrating epistemology with descriptive and normative theory, these beliefs should be ontologically grounded rather than selected for reasons of convenience.

- The primary unit of analysis in social theory should be the face-to-face situation (or encounter), which is preferred over the individual and more encompassing units of analysis such as the group, the nation-state, or the "system."
- People are by nature active rather than passive, and social rather than atomistic. This means that people have a measure of autonomy in determining their actions, which are at the same time bound up in a social context. This social context is necessary not only for instrumental purposes but also because it defines people's status as humans.
- People's "active-social" nature implies an epistemology (i.e., ground rules for determining the validity of knowledge), which focuses on the study of subjective meanings that people attach to their own actions and the actions of others.
- Description and explanation in social science should be primarily concerned with action, a concept that directs attention to the everyday meanings people give to their actions.
- The concept of action provides the basis for challenging the adequacy of social science theory whose fundamental orientation is toward the observation and analysis of behaviour.
- The primary conceptual issues in the development of a theory of values for public administration are the relation of substance to process and of individual to collective values.
- The primary value in the development of a normative theory for public administration is mutuality, which is the normative premise deriving from the face-to-face relation (encounter) between active-social selves.
- Just as descriptive about larger collectivities is derivative of the encounter, so too should normative

theory about those collectivities be derived from mutuality, the normative expression of the encounter. The idea of social justice is the logical extension of mutuality applied to social collectivities and should therefore be regarded as the normative premise underlying "aggregate" policy decisions made by and implemented through public organisations.

- Although public administration shares certain assumptions with all other branches of social theory and is bound by common epistemological rules, its uniqueness stems from its primary practical and theoretical concern with the rules and processes used in making and legitimating decisions in public organisations. Decision rules and institutional processes associated with them are the primary ingredients of organisation "structure." Five kinds of rules are or can be employed in public organisations: hierarchy (unilateral decision), bargaining or market rules, voting, contract, and consensus.
- The selection of decision rules is the fundamental normative decision in determining the structure of public organisations. The effect of particular decision rules on the quality of the processes by which social meanings are negotiated and the compatibility of various rules with the normative theory of the Action paradigm are the primary criteria for the normative assessment of decision rules. The consensus rule logically satisfies these criteria better than the rules of hierarchy, bargaining, voting, and contract.
- Administrative responsibility is the major concept ordinarily employed in the normative assessment of administrative action. In the Classical public administration paradigm, responsibility implies various mixtures and three conceptually distinct meanings: accountability, causation, and moral obligation. Classical definitions of responsibility are

subject to criticisms implied by aspects of the Action. In the Classical public administration paradigm, responsibility implies various mixtures and three conceptually distinct meanings: accountability, causation, and moral obligation. Classical definitions of responsibility are subject to criticisms implied by aspects of the Action paradigm discussed previously: the active-social conception of the self, the normative preference for consensual and desegregated decisions, and the critique of action conceived exclusively in rational-instrumental terms.

- Criticisms of classical responsibility implied by the action approach suggest an alternative and normatively preferred meaning of responsible administrative action, namely, personal responsibility. Personal responsibility implies that actors are agents who must bear the moral brunt of their actions, rather than shift the blame or responsibility to other people or external standards of "correctness." While the concept of personal responsibility is derived from and supported by various elements of the action approach, classical meanings of responsibility are nonetheless necessary, but in a normatively subordinate position. The crucial "institutional" task is to manage effectively the tension between personal and classical notions of responsibility.
- Irresponsible administrative action is rooted in the cognitive processes that lead people to deny or simply not comprehend personal responsibility for their actions. These processes constitute the problem of reification, that is, the tendency to view systems, institutions, roles, and other social artifacts as both existing and having legitimacy independent of the intersubjective processes people actually use in creating, sustaining, and transforming them.

- Administrative action is explainable in terms of the relationship between situations or contexts as perceived by administrators and their predispositions both to initiate projects and to respond to claims and demands originating in their environments. An administrator's "style" is defined as an interrelated set of predispositions toward initiative and responsive action growing out of the administrator's emotional and cognitive development, values, knowledge, and experience.
- Prominent role prescriptions (or "ideal-typical" styles) in the public administration literature may usefully be differentiated according to their orientations toward initiative and responsive action.
- The preceding propositions constitute an outline for an Action Theory paradigm for public administration. The integration of its assumptive, explanatory, and normative elements satisfies the criteria of paradigm status and adequacy noted in the first proposition. It provides a framework within which "applied" theory and administrative practices may be developed and critically evaluated.

A persistent problem in the development of general theories of public administration is to determine the boundaries that properly and realistically define the limits and scope of the field. While accusations of excessive breadth or narrowness of scope may in some instances reflect simply a peevish preoccupation with academic territoriality, in other instances such charges surface legitimate substantive issues and should be taken seriously.

POSTMODERN THEORY

The discourse of modernity and postmodern conditions takes place at several academic levels. Two are presented below: One regarding changes within society, and another discussing changes in the scientific communities.

Social scientists have for more than 150 years been preoccupied with modernity and the characteristics of modern society—the original masters were Marx, Durkheim and Weber. Verbatim, postmodern indicates that the modern is gone, and that something new, postmodern, has taken over. That is hardly the case. Rather, we have a situation where many facets of life are thoroughly modern, but some trends indicate that things could be different, and if trends are indicative of future conditions, then society will in the longer run take qualitatively new forms. As things are, modern and postmodern conditions co-exist and create tensions with one another.

Modernity may be characterised by rationalisation, centralisation, specialisation, bureaucratisation and industrialisation. At the core are advanced uses of scientific knowledge to further economic and social development, controlled and monitored by centres of knowledge and power. Coherence and integration dominate the vision, and the industrial corporation and the bureaucratic welfare state are organisational hallmarks of modernity. Postmodern conditions are characterised by fragmentation: An overarching rationale or vision is replaced by processes of reasoning, and we see trends towards decentralisation, individualisation and internationalisation.

Culture loses its national focus, people organise across organisational and even national boundaries, many feel that they are on the brink of chaos. The world-wide matrix organisation, outsourcing and the user-run public organisation are characteristic organisational features of postmodern conditions.

Modernity is cohesion, postmodern conditions are disintegrative. But of course, modernity viewed from a traditional society was chaotic: people were uprooted from rural and village life, big city life took over. So this sort of evaluation depends on the viewer's perspective. Seen from a public administration research angle, trends towards

postmodern conditions are highly interesting and challenging. Since they are more or less the negation of Weber's bureaucracy, modernistic views of how to organise public agencies are disputed, and consequently, if postmodern thoughts are to be influential, textbooks should be rewritten.

POSTMODERNISM AND PUBLIC ADMINISTRATION

Postmodern writing on public administration started out in the USA in the late 1980s, by members of PAT-Net—whose members are not all postmodernists, though. The PAT-Net group originally consisted mainly of critical theorists, but Gareth Morgan's *Images of Organisation* triggered a new series of discussions regarding the representation of research results in the group.

Linda Dennard reflected on the shift in approaches in a funny, small piece, entitled "The Three Bears and Goldilocks meet Burrell and Morgan", where a postmodern perspective (called the Radical Humanist Paradigm) was put on the adventurous Goldilocks, who "was wandering in a dark and solemn woods on a journey of self-discovery. Tired and despairing from the vacuous ethos of technicist society, she lay down to rest...". This perspective is contrasted with three others from modernity, of which one is the functionalist paradigm, according to which "... at 0600 hours, Goldilocks strayed from her Triple A Travel Agenda and got lost in the woods. She set her digital compass for North...".

As those quotes illustrate, the discussions in the Pat-Net group concerned attempts to downgrade the traditional aspiration for conceptual precision followed by exact (preferably quantitative) measures to demonstrate accurately the extent and variation of the object of the research. Two years later, the tangible result was an anthology, *Images and Identities of Public Administration*. The images or metaphors used dealt with the roles of public

administrators in the political system if they wanted to gain more legitimacy.

Examples included the 'phronemos' (practical reasoner), a member of the 'democratic elite', the 'steward' and the 'responsible actor'. Other contributors discussed the challenges to Public Administration as a field: It should be understood in terms of icons like the 'pyramid' (old PA) and the 'circle' (new PA), or how to include the wisdom of the public administrators into the processes—a task far beyond technical rationality and requiring interpretive and critical skills. The authors, then, wanted the reader to relate to the subject of discussion, contemplate, and let the imagination wander on the basis of the impulses from the metaphors used in the text.

In various ways, these themes have been found in subsequent publications on Postmodern Public Administration. Much of the theoretical inspiration comes from European scholars. Foucault, Derrida and Laclau have had strong influence on much postmodern writing, regardless of scientific field. Foucault's main significance may lie in his conception of power as something permeating all spheres of life, and thus it is not a phenomenon to be on the lookout for and—if possible—to curb, as modernists would do, but an energy which must be recognised and used variously in different situations.

Power constitutes strategic possibilities of variance, thus it puts actors in relationships, developing through discourse which put the relations into terms of speech. The focus of the analysis, then, is on networks of negotiation between actors and fields. The essence of power becomes control of communication in networks. Foucault is also important in launching the concept of governmentality as his version of what later was labelled governance by other scientific camps.

When we turn to language, Derrida helps us understand signifiers in ambiguous structures always in

play, vibrating and under change, so that we cannot participate in a search for a general truth, we must participate in a game of interpretation concerning how knowledge is constituted, oriented towards ambiguity and the unsettled. Laclau follows this line of reasoning, and he is frequently used as an anchor for analysis which is not aimed at listing facts, but at their conditional possibilities. Language is a structure, and the meaning of a word is not its physical referent, but its meaning in our heads; language is form, not substance. As a consequence, relational and meaningful totalities are to be analysed as discourses, they combine linguistic and extra-linguistic elements into a totality. They are dynamic regarding their identity, depending on the contexts they are linked to through language or social actions.

A persistent postmodern theme is a critique of the modern, rationalistic model of the actor and the public organisation, in accordance with other postmodern attacks on the Enlightenment. This is found in *The Language of Public Administration*, which is a complex deconstruction of public administration theory and a modernistic construct. Using four analytical elements, it offers an alternative understanding. Imaginisation, is for postmodern analysis what rationalisation is for modern analysis. It means that one thinks of possibilities within a wide range; imaginisation is placed between perception and the intellect, and is used to transform impressions into thought.

There by, particulars are becoming important, instead of the generalising trends by modern subsumption of any activity under a rule. Deconstruction, the second element, is a pervasive way of approaching an understanding of phenomena; it is not restricted to being an analytical method or a critique. It is a way of appreciating texts under particular circumstances with the aim of dismantling received views of what that text stands for. The third element, deterritorialisation, means that modern

understandings of representation are negated; postmodernity means the end of the logocentric metaphysics of presence.

This is where the social constructivist understanding of research activities becomes important; the realisation that not much may be understood by itself, but only as part of an human interaction about understandings of the phenomenon. Finally, alterity means a moral stance that counterweighs the standard bureaucratic-efficiency understanding of public administration, an anti-administration stance in Farmer's terms, reducing authority and helping service-orientation, and further developed in Farmer.

The message, then, is that there is not only one way of understanding, and diversity must be furthered; thus there would be no category of "woman", but a white, Jewish, middle class, a lesbian, a socialist, a mother; all calling for a particularised understanding of their circumstances. David Farmer has demonstrated how one can deconstruct bureaucratic efficiency: First, it is a social construct, dependent on how people construe it. It follows that efficiency is culture specific, and modernist—secularist, Weberian, linked to the advancement of production. Since it is not a term that is found in all cultures, it is not an objective fact, but something desired under particular circumstances, as in the discussions led by the OECD, the Reinventing Government campaign led by Al Gore, etc.

Third, the binarity between efficiency and inefficiency is ambiguous, e.g. it does not guarantee a just outcome. Finally, the concept of efficiency is only privileged in a society that emphasises control; this means that for postmodernists, it is not important; for modernists, it is. The role of deconstruction, then, is to question what lies under seemingly well-established categories of the bureaucratic phenomenon.

The consequences of rationalist thinking about realising responsible government is discussed in *Responsibility as a Paradox*, criticising rationalists for seeing responsible action as synonymous with legally correct action. Harmon elaborates three paradoxes which arise out of rationalist responsibility. Rationalism splits the meaning of obligation and freedom and creates the paradox of obligation which attenuates individuals, who are bound to obey superiors within the rules of the contract agreed with them, from being essentially free.

The paradox of agency comes on the one hand, from an overassertion (by conservatives) of the role of the individual in terms of guilt, and hence a neglect of the role of collectivities in the relations that must come up when some one is held accountable. On the other hand, to hold collectivities solely responsible for the conduct of individuals (a liberal reaction) creates nothing but victimisation. Rationalism finally creates the third paradox of accountability by splitting personal responsibility and political authority into two spheres, hence making them incompatible.

Harmon introduces the skeleton of a social constructivist approach to the problems he confronts. To illustrate his points, he uses a character from a well-known British series of novels, Horatio Hornblower (a navy officer, the King's dutiful servant), as the leading character of public administration. He thus introduces a scientific discussion based on a simulacrum. He links the resolution of paradoxes to practical action, claiming that practical action in the face of paradox is "to reject any strict distinction between the factual and the moral. Factual understandings of social life always presuppose categories of moral appraisal, while moral judgment is inevitably limited, but also enabled, by factual assessment of their meaning and their likely success or failure..".

Philosophically, this line of reasoning is pragmatic in character, and there are some signs of relativism or at least denunciations of universal, abstract principles. Still, his understanding of a common good and his quest for solidarity and community makes the text "less postmodern" than Farmer's, in spite of its clever uses of a simulacrum. In *Postmodern Public Administration*, the focus is changed from mainly logic within the bureaucratic system to broader, democratic consequences for the citizenry. It is based on Habermasian discourse theory, stressing the need for analysis based on interactive networks.

The authors present a model for authentic discourse than leads to their understanding of the active citizen as a worthy agent in public affairs. The basic premise of the analysis is a dissatisfaction with the basic model of Western democracy, the "loop model", in essence an input-output-feedback understanding of democratic decision-making, with dividing lines between politics and administration, and the idea of the neutral public employee having the voter as a client. Fox and Miller's alternative is an authentic and sincere discourse.

Fox and Miller find trends towards postmodern conditions in society, where the selfconscious enlightened individual is transformed into a decentered self, so "When community is reduced to a series of otherwise atomised individuals brought together usually by the coincidence of their consumptive activity, the community does not develop political skills...meetinggoers are not participants". "Meetinggoers" are quiet observers that do not get involved. With Habermas the authors call for inter-associational democracy in the form it seems to be developing in "extrabureaucratic policy networks and other formations". Participation in authentic discourse would require "warrants for discourse", meaning that one has to involve oneself with sincerity (creating trust), and

intentionality in the situation (creating orientation towards solving a problem at hand).

Furthermore, one must be attentive (creating engagement, but also the ability to listen), and give a substantive contribution (creating a sense that the process is going forward). These are normative demands, expressing the authors' hope that there is, even under postmodern conditions, a possibility to sustain a democratic system of governance, requiring increased levels of direct citizen participation in public affairs. In other words, there is a strong criticism of some of the consequences of postmodern conditions, and the use of Habermas gives the analysis a modernistic twist—although the authors are critical of Habermas' image of achievable harmony.

Legitimacy in Public Administration also calls attention to the postmodern decentering of the subject, in contrast to modern discussions which focus attention on a simplified human nature, e.g. the economic maximising agent, or an altruistic person in the community. The concern of the book is how administrators may have a legitimate role in democratic affairs, a 'facilitative' Public Administration, striving towards involving citizens through efforts towards collaboration. Discourse oriented relationships, i.e. a mutual surrender to one another, is offered as an alternative understanding to the egoistic (rational choice) model; it is argued that the problem of legitimacy will evaporate once such a reframing of discourse and institutions is accomplished.

The advice is to let go of the 'pointless' discussion of legitimacy because it has institutionalised and maintained a particular understanding and structure of government. Instead, one needs to go back to the true foundation of American Public Administration: Pragmatism. Fact/value, foundationalist/relativist and phenomenology/positivism dichotomies are all bypassed by the continuing testing of

hypotheses by the pragmatist, who denies the prerequisites of rational action by picturing social relationships as collaborative, grounded in a joint project and joint action. The results, then, set the operational definition of truth. Purpose is created in relationships with other people, in community, not by abstract principles. The relationship is reached by pragmatic collaboration between administrators and citizens, all such processes are contingent on the situation.

The most comprehensive European analysis of postmodern conditions and public administration is found in *Politics, Governance and Technology: A Postmodern Narrative on the Virtual State*. Noticing the general trends towards organisational fragmentation in society, the book applies the concept to public administration in the Netherlands in the information age. Thus the traditional grand narrative of the state as a hierarchically ordered and democratically legitimised system is being undermined—metaphorically speaking from pyramid to archipelago, from hierarchical to circular processes, from central steering to self-governance. ICT has ambiguous consequences, on the one hand it increases the span of control for the center, but on the other hand local organisations gain a stronger power base in terms of information and enhanced communication possibilities with other actors. In Foucauldian terms:

Power gets dispersed, multi-faceted and multi-directional. Therefore, one sees many trends at the same time: A stronger hierarchy in information exchange terms, but more autonomy to local organisations. Territory means less in virtual reality, and the subject—including the politician—tends to become de-centered and hence feel somewhat out of control. These trends are put into a wider perspective of postmodern developments in society: politics, economy and culture.

Public Policy and Local Governance offers a framework for analysis of policy-making under postmodern, fragmented conditions. It applies an extension of institutional analysis, stressing that in the search for solutions to policy problems, various roles and institutional settings are combined within policy networks in a search for meaning—and this happens regardless of the formal organisational setting. The role of the formal organisation, then, is to be hypothesised, not taken for granted.

The analytical approach therefore favors a bottom-up research design, much in line with fourth-generation policy analysis, permitting the analyst to construct an implementation structure based on interaction among various actors—not neglecting, though, the possibilities for hidden faces of power. The rationale behind the analysis is social constructivist, but the author's call for practiceable analysis forces him to compromise between more traditional (modern) and advanced constructivist analytical tools.

The most advanced—and criticised—operational research tool in European postmodern research is narrative and discourse analysis in various versions. The Politics of Environmental Discourse is a case in point. Policy analysis in this version is not about whether there is (in this case) an environmental crisis, the policy questions all are about interpretation of its interpretation. On the one hand, Foucault is used as inspiration to analyse specific practices, and on the other hand an argumentative approach is applied, based on "human agency of clever, creative human beings but in a context of social structures that both enable and constrain their agency", creating discourse-coalitions that in their interaction seek support from other actors and thus over time create the actual policy-to-come.

Deliberative policy-making has become a theme which joins many postmodern analysts across policy analysis and public administration; the concept satisfies a demand for

dynamic analysis, language discourse and the involvement of a broad public in political and administrative processes. When one includes the scholar in the total understanding of this kind of research, all concepts—theory, research, scholar, action, learning etc.—are mingled, and any change in any one concept will have consequences for the other ones. A challenge for the researcher, then, is to keep score of the various roles that are played out over time in a research project.

NEW PUBLIC MANAGEMENT THEORY

There are three well-known “models” of reform in public administration and management with the end in view of developing a framework for analysing ideas and experiences in particular countries. These models are “reinventing government”, “business process reengineering”, and the “New Public Management” doctrines of the Organisation for Economic Cooperation and Development (OECD) countries.

Reinventing Government was written to map out “a radically new way of doing business in the public sector”. According to the authors, reinvention is a “Revolutionary change process” that had happened before in the Progressive and New Deal eras in the U.S. and has been occurring again in local governments and elsewhere. Instead of originating the model, they pieced the ideas embodied in it from the actual practices of those who have dealt with government problems in innovative ways. The model represents a basic, “paradigm shift” from the New Deal paradigm of 1930s to 1960s toward the “entrepreneurial government” model that they now advocate. This consists of ten principles, here listed in the comparative table in the next page.

Most entrepreneurial governments promote *competition* between service providers. They *empower* citizens by pushing control out of the bureaucracy, into the

community. They measure the performance of their agencies, focusing not on inputs but on *outcomes*. They are driven by their goals—their *missions*—not by their rules and regulations. They redefine their clients as *customers* and offer them choices...They *prevent* problems before they emerge, rather than simply offering services afterward. They put their energies into *earning* money, not simply spending it. They *decentralise* authority, embracing participatory management. They prefer *market* mechanisms to bureaucratic mechanisms. And they focus not simply on providing public services, but on *catalysing* all sectors—public, private, and voluntary—into action to solve their community problems.

Reengineering or BPR “is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance, such as cost, quality, service, and speed”. It represents an effort to turn back the Industrial Revolution and reassemble the tasks and functions taken apart by the 19th century principles of the division of labor. According to Fowler, its many features include the following results of the desired changes:

- Separate, simple tasks are combined into skilled, multi-functional jobs.
- The stages in a process are performed in their natural order.
- Work is performed where it is best done—some parts of the process may thus be out-sourced.
- The volume of checking and control of separate tasks is reduced.
- There is total compatibility between processes, the nature of jobs and structure, management methods, and the organisation’s values and beliefs.
- IT is recognised and exploited as offering many opportunities for the redesign of the work systems and

the provision of information to enhance devolved decision-making.

- Processes may have multiple versions to cope with varying circumstances.

Reengineering is thus more inward-looking and gives greater attention to the role of information technology (IT). BPR has been extensively applied in private business, but only to a limited extent in the public sector. However, it shares certain areas of concern with reinvention, as indicated by the following aims:

- Managerial hierarchies and organisational structures are flattened.
- Rewards are given for the achievement of results, not simply for activity.
- Work units change from functional units to become process (often “case”) teams.
- Customers have a single point of contact with the organisation.

New Public Management (NPM) is “shorthand for a group of administrative doctrines” in the reform agenda of several OECD countries starting in the 1970s. According to the OECD, “a new paradigm for public management” had emerged, with eight characteristic “trends”:

- strengthening steering functions at the center;
- devolving authority, providing flexibility;
- ensuring performance, control, accountability;
- improving the management of human resources;
- optimising information technology;
- developing competition and choice;
- improving the quality of regulation; and
- providing responsive service.

The features of the three models are compared in the above table in somewhat modified terms, based partly on the

convenient summary comparison of reinvention and BPR supplied by Bouvaird and Hughes. We have arrayed them according to their concern for changes in the structure and functions of the organisation and in the roles of other participants, especially those formally "outside."

Another important NPM feature, which seems opposite to the recombining thrust of reengineering, is the "disaggregation" and delineation of public agency units, functions, and roles. In the U.K. Executive or "Next Steps" Agencies have been drawn out of ministries and departments to allow "a clear delineation between... policy formulation and policy implementation". Governments, departments, and Crown agencies in New Zealand have also been distinguished in terms of responsibilities of ministers for outcomes, departmental executives for outputs (and discretion on combining inputs), and other players for service delivery. Commercial and non-commercial functions; advisory, delivery and regulatory functions; and funder, purchaser and provider roles have also been delineated so that they can enter into performance and purchase agreements, and permit or force public and private players to bid for government contracts, including those for giving policy advice.

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Bureaucratic Leadership

Bureaucratic leadership is in the Entrepreneurship, Management, & Leadership subject. Leadership is not a trait or characteristic in the leader, but a transactional event between leaders and followers, meaning that leaders and followers affect one another in an interactive, rather than linear, process. But leadership also has been described as transformational, rather than merely transactional. Transactional leaders, according to this formulation, concentrate on technical issues within the familiar boundaries of the status quo, while transformational leaders try to change the status quo, to engage and empower employees, and to encourage communication and growth. In any event, leadership continues to command a great deal of attention on both the practitioner and academic level.

According to the OECD, leadership development today is an increasingly important issue across member states. A new type of leadership is required in the face of globalisation, decentralisation, and intensive use of information technology. Policy coherence, negotiating and managing accountability in the midst of privatisation, new public management, and other reforms, as well as growing expectations of transparency, adaptability, and flexibility, demand more systematic and sustained attention to the development of a different kind of leadership. As the classic

command and control model of leadership loses credibility, authority comes into question, hierarchies are often flattened, and employee commitment rather than compliance becomes a high priority.

Historically, the most important role of public sector leaders was to solve problems in a specific environment. The responsibility of contemporary leaders, however, is to solve the problem of adaptation, of closing the gap between the real and the ideal, of how things are and how they should be. The OECD argues that citizens expect leaders to promote institutional adaptations in the public interest and to promote certain fundamental values that are embodied in public spiritedness. Although the nature of these values and this public spiritedness is unspecified, the mere mention of such concerns does point in the direction of leadership as a function of integrity, vision, judgment, and courage. Indeed, the OECD asserts a particularly close connection between public sector leadership and public sector ethics, and between public service ethics, trust, transparency, accountability, and governance which, essentially, is the institutionalisation of national values. The embodiment of those values, leadership is at the heart of good governance.

Among OECD members, there is a spectrum of leadership development approaches and patterns. At one end of the spectrum, we find France with a high level of central intervention, exemplified by its Ecole Nationale d'Administration (ENA), as well as Japan and Korea, which employ similar strategies. At the other end of the spectrum are countries with market-oriented approaches such as New Zealand, in which senior positions are advertised and are, in principle, open to any qualified candidates. Between these poles are countries with a range of approaches, often including the establishment of senior executive systems such as the United Kingdom and the United States.

In most OECD countries, control of leadership positions is retained at the central government level, but there is considerable flexibility within departments and agencies to adapt leadership strategies to their particular needs and circumstances. Although the six countries described by the OECD (2001) -Germany, Mexico, Norway, Sweden, United Kingdom, and United States-vary in their approaches and strategies for leadership development, several common trends were identified. First is to define a competence profile for future leaders, the idea being that such competencies could be different from those required for present leaders.

The Senior Civil Service in the United Kingdom and the Senior Executive Service in the United States exemplify this approach. Second is to identify and select potential leaders. A major question here is whether to select future leaders from outside or to nurture those already in the public service. Those countries on the more centralised end of the spectrum tend to use the former approach, while others, such as Australia, Canada, and the United States, either use or intend to use the latter approach, which is often called succession planning and management.

Last, there are the responsibilities to encourage mentoring and training and to sustain leadership development. The provision of opportunities for coaching, counselling, and networking is considered key in this connection, along with the allocation of sufficient resources and appropriate incentives. The integration of civil servants into a team of senior leaders with common values and visions is vital for the creation of effective future governance.

CEE COUNTRIES LEADERSHIP DEVELOPMENT

Clearly, leadership development varies among OECD nations. Whether driven by demographic pressures such as looming retirements, discontinuity between public service

values and public service cultures, global, technological, and economic change, or a combination of these factors, leadership development takes different forms, depending on the nature, capacity, and quality of governance in a given polity. From centralised to moderately centralised to decentralised, OECD countries are implementing numerous programmes to ensure the creation and cultivation of future leaders in their respective public sectors.

The missing ingredient, however, is an explicit framework for the formulation and inclusion of moral agency in leadership development initiatives. Despite the laudable, almost obligatory, calls for vision, values, and integrity, OECD countries tend to take a structural rather than normative approach to the development of ethical leadership. Codes of ethics, anti-corruption measures, legal and regulatory prohibitions on certain practices—all legitimate concerns—constitute the principal portion of the programmes and practices of OECD members.

Although these efforts as well as other structural initiatives are necessary, they are not sufficient for the development and promotion of ethical leadership, including moral agency, in the public service. But reform, under any circumstances, can be daunting. Resistance is likely, the benefits merely speculative, and the incentives weak. In the CEE countries, where the definition of public service is changing radically, these challenges are even greater. Questions abound, as individuals and institutions struggle with fundamental concerns about roles, responsibilities, and relationships.

The transition from command and control societies in which public servants found themselves enmeshed in patronage systems to more democratic forms in which public servants can be expected to exercise autonomy, judgment, and discretion in order to enact the public interest is painful and perplexing. While questions may

abound, credible answers may be in short supply. Therefore, the proposal for a normative emphasis in leadership development is offered respectfully, in recognition of the formidable hurdles still to be overcome in the shift toward more democratic and ethical governance.

The significance of the public service in effecting change in all CEE countries is generally acknowledged. For example, according to *Professionalism and Ethics in the Public Service: Issues and Practices in Selected Regions*, public service plays a pivotal role in shaping a new society by rediscovering and embodying the true meaning of the public interest. Embodiment of the public interest is central to the meaning of moral agency advanced here. As Charles Garofalo argues, moral agency is inseparable from the public interest which "embodies the common good, signifies obligation and accountability, and symbolises reason and responsibility". But moral agency is also much more.

It is practical action, an indelible fiduciary quality, and the capacity to probe the issues in the daily struggles over budgets, agendas, and turf battles. Moral agency includes justifiable decisions, a strategic grasp of organisational politics, and a shrewd sense of timing. Moral agency is at the heart of effective leadership. Clearly, however, leadership, especially moral leadership, is not easy to achieve anywhere, including Central and Eastern Europe. For example, despite the participation of the ministers and senior officials from the 21 CEE countries in the November 1997 UN conference in Thessaloniki, Greece, as well as the representation from the European Commission, the OECD, and Transparency International, the UN report starkly states that "government leaders are not demonstrating a willingness to deal with the problems to cause much optimism for meaningful reform".

The problems at the societal level included primarily corruption, along with threats to democracy, human rights, and the rule of law, while at the administrative level, they included inadequate pay, salary compression, and poorly trained personnel—precisely the kinds of problems that make reform so difficult, and the kinds of problems that require more than hortatory assertions about the need for integrity, vision, and accountability.

Thus, since we must start somewhere, let us start with a proposal to increase the chances of at least creating cadres of governmental leaders in the CEE countries who have the moral clarity and conviction to deal with the problems in a way that encourages hope and optimism among ordinary citizens, as well as members of professions, the private sector, and other major sectors of society.

Our task at this juncture is to propose a model of moral agency in public administration that holds out reasonable hope of contributing to the development of the kind of new leadership that the OECD claims is needed in the 21st century. As we recall, the need is for leaders who understand and undertake policy coherence, boundary spanning, negotiation, flexibility, adaptation, and transparency.

We need leaders who are effective and efficient as well as ethical, who can operate at various levels simultaneously, and who can hold two or more thoughts in their minds at the same time. We need leaders committed to democratic deliberation, discourse, and decision making, in order to reframe administrative culture and attain responsible and humane governance. We need moral public servants. Philosophically, the framework of the model of moral agency proposed here is the unified ethic.

Functionally, this model derives from the application of enhanced principal-agent theory to public administration. Politically, this model represents a countervailing perspective to public choice theory and privatisation.

Together, the philosophical, functional, and political dimensions of this model of moral agency can provide the 21st-century public administrator with the concepts and confidence required to strive consistently toward enactment of the public interest. The unified ethic, developed by Garofalo and Geuras, elaborated by Garofalo, and Geuras and Garofalo, consists of the three principal positions in moral philosophy—deontology, teleology, and virtue.

It combines these positions into an integrated whole and provides a practical perspective on the key elements that constitute the ethical challenges faced by public administrators everywhere. Typically, these components of moral philosophy, to the extent they are considered at all, are considered to be separate from each other. This tends to allow utilitarianism or consequentialism to dominate decision making in public organisations, since the practitioner misses the underlying interdependence between principle, consequence, and character. The unified ethic, however, joins these three elements of moral philosophy and enables the administrator to approach decision making with a broader and more ethically sophisticated understanding of the situation at hand.

Deontology, associated with Immanuel Kant, emphasizes ethical principles, rather than consequences or character, in determining the moral value of an act. To Kant, the keys to the moral life are rationality and consistency, which he expresses through three formulations of his categorical imperative. The first formulation, “Act according to a maxim that you can will to be a universal law,” is reminiscent of the Golden Rule. But, recognising the possibility of a purely self-interested interpretation of the Golden Rule, Kant offers his second formulation of the categorical imperative: “Treat human beings as ends in themselves and never as means only.”

The first formulation captures the concept of universality in the notion of consistency, while the second formulation specifies an entity to be valued. Then, to universalise consistency, Kant offers his third formulation: "Each rational and autonomous being must be considered a legislator in the kingdom of ends." A kingdom of ends refers to a community in which individual goals are integrated into a consistent whole.

The second component of the unified ethic-teleology-evaluates an action by its consequences. An action is judged good or bad according to its results. Actions that achieve an end or goal are good, while actions that fail to achieve an end or goal are bad. Teleology, or utilitarianism as it is more popularly known, considers an action good if it promotes the greatest possible happiness.

Virtue or character theory, the last component of the unified ethic, assesses the morality of an act based on the character traits that it demonstrates. The character of the actor, rather than the act itself, is the object of moral assessment. Associated with Aristotle, character theory claims the golden mean or moderation as the source of all virtue. Later character theorists, however, argue that moral character is inherent in human nature.

The unified ethic reflects the unity of human nature. Principles appeal to the rational nature and need for consistency. Therefore, we recognise the value of the deontological perspective. But we also acknowledge our desire for happiness, both for ourselves and for others. Therefore, we recognise the value of the teleological perspective.

Finally, character invokes the respect for excellence, and thus we recognise the value of the virtue perspective. Consider, now, the nature of moral agency and the characteristics of the moral agent in public administration. Agency means an awareness of the moral connection between ends and means, supplemented by those personal

qualities that we call character. Public administrators, functioning in instrumental organisations, are simultaneously agents, experts, and stewards. They draw no arbitrary lines between principle, consequence, and character, and they do not seek or claim legitimacy based merely on expertise or hierarchical position.

On the contrary, their view of the public administrator's role in governance is the comprehensive moral point of view embodied by the unified ethic. The private and public sectors, multiple principals are common, ranging from immediate organisational superiors to boards of directors to shareholders to customers to regulators in the private sector, or immediate organisational superiors to legislators to citizens to the public interest in the public sector. In each case, the manager is confronted with complex questions of loyalty to those commanding some form of authority and control.

Further, in this regard, the traditional formulation of principal-agent theory assumes not only a single principal but also a lucidity and consistency of goals that has been disputed, if not discredited, by public sector conditions. The public administrator operates in a political environment in which goals are general, even vague, which in turn leads to multiple interpretations of the meaning of goals and multiple strategies for their implementation and evaluation.

The plurality of principals in the public sector, with their multiple and often imprecise goals, represents a permanent challenge to the public administrator as a moral agent. Obligated and accountable to hierarchical superiors, elected officials, and citizens, the public administrator-moral agent must mediate among these obligations on a daily basis and manage them in ways that contribute to both organisational policy goals and the public interest in an effective, efficient, and ethical fashion. In this regard, the unified ethic can provide the public administrator-moral

agent with an essential understanding of the interdependence between principle, consequence, and character that, with experience and perspective, can sustain moral conviction and commitment as well as practical action. Moral literacy and moral advocacy become the norm.

Finally, on the political level, the challenge to public administration of plural principals, varied and vague goals, and limited resources has been expanded and exacerbated by the global phenomenon of privatisation. Driven by market theory, a desire to reduce the scope, size, and cost of government, to increase efficiency, and other motives as well, such as curtailing or eliminating unions, privatisation contributes to the complexities of public administration, in general, and to the perplexities of ethical public administration, in particular.

Public administration's goals of equity, assurance of quality and cost, stewardship of public resources, accountability, guarantee of constitutional protections, and promotion of democratic ideals and governance are all tested by privatisation. Therefore, the need for moral agency and moral agents in contemporary public administration at all levels and in all regions is urgent, especially if public choice theory, globalisation, and their externalities are to be managed and the public interest promoted.

The vehicle for creating moral agency in public administration consists of a two-stage ethics training initiative framed by the unified ethic and designed, first, to clarify universal values such as honesty, loyalty, fairness, and respect for others, and, second, to justify policies, programmes, and practices in light of those values. Inasmuch as most proposals for ethics training tend to emphasize compliance and process over integrity and substance, and thereby fail to identify the interconnected values underlying political and administrative priorities

and policies, the first stage is critical if ethics training is to be effective. Both trainers and trainees must be clear about the nature, purpose, and function of the unified ethic and of values as ingredients of public policy and administration. In this process, therefore, the training of trainers is particularly important.

Equally important in the process is the justification of policies, programmes, and practices in light of the universal values identified in stage one. The goal here is to make those values explicit, to determine how those values are implicated in the policies, programmes, or practices under consideration, to understand the purpose and content of justification, and to link these elements in a system of discourse and discovery.

Public administrators need to understand their own value premises and obligations, the implications and impacts of their decisions, and their place as moral agents in the democratic process. They must understand the complexities of what they decide and do in the midst of competing claims made by groups and organisations vying for a share of public resources. As moral agents, they need the personal and professional tools to do their jobs effectively, efficiently, and above all ethically. Finally, we must acknowledge that this two-stage ethics training initiative, like other forms of ethics training, is unlikely to have lasting effects within political or administrative cultures without regular reinforcement and commitment from both political and administrative leadership at all levels.

ORGANISATIONAL LEADERSHIP AND MANAGEMENT

One of the earliest works on the *management of power* was written by Niccolo Machiavelli, a political advisor to nobles during the early sixteenth century. In *The Prince*, Machiavelli laid out a set of principles that would help the nobles maintain their leadership and control over the

populous. A few of the most important of Machiavelli's assertions are:

- It is better to be a conservative rather than liberal spender.
- It is better to be feared than loved. One can be feared without being hated.
- The end justifies the means.
- Cunningness is preferable to integrity.
- Take opportunities to give dramatic rewards or punishments so they will be talked about.
- Offer help to parties that are less powerful than you.
- Do not take common cause with parties more powerful than you.
- Use counsellors that are truthful, but who have a narrow focus.
- Acting impetuously is preferable to cautiously.
- Seek a reputation of severity instead of softness.
- Use care not to offend the powerful or those subservient to you.

Modern theories of management reject the underlying ethics of Machiavelli's power principles. Power is maintained through fear, which is unacceptable because it involves the repression of the human spirit. Yukl defines power "as an agent's potential influence over the attitudes and behaviour of one or more designated target persons". Yukl proposes a taxonomy to classify power in organisations according to its derivation—position, personal, or political.

Position power is frequently called "legitimate power". It is derived from a person's position in an organisation and includes control over rewards, punishments, information, resources, rule-making, work assignments, and decision making. Subordinates comply with this form of power out of obedience to authority, loyalty to the organisation, or

respect for the hierarchical structure. In some way, they recognise the legitimacy of the authority. Membership in an organisation can be viewed as a form of a "social contract", where members agree to the rules in return for the benefits of membership.

Power derived from personal attributes comes from the interactions of a person with other members of the organisation. One form of this power, dubbed "expert power", comes from an individual's expertise in solving problems or performing a particular task. Another form of personal power is derived from loyalties and friendships developed over a long period of time. French and Raven referred to this as "referent power". Personal charisma is a form of referent power. People tend to be attracted to and identify with charismatic leaders.

Political power involves deliberate attempts by groups or individuals to increase or maintain their existing level of power. It encompasses actions to gain control or influence over decision making processes. Coalitions and alliances are often formed as part of the political process, and they often involve deliberate attempts to undermine the opposition to the coalition. For example, "co-optation" is a political strategy where an influential individual from the opposition might be allowed to participate in a decision making process, knowing that this will increase their commitment to the decision.

French and Raven's power taxonomy is similar to Yukl's except that position power is subdivided into reward and coercive powers. In addition, French and Raven stressed that the different types of power are likely to be related in complex ways. Social exchange theory attempts to explain how power is won and lost by understanding the interaction processes between individuals. The theory looks at how leaders emerge in groups as a result of their interactions with other members of the group. The weakness of the theory is that it only attempts to

understand interactions after the fact, and it does not offer any guidelines for leaders on the acquisition or use of power.

LEADERSHIP APPROACHES

Yukl identified four approaches for studying leadership. The "power influence approach" attempts to understand leadership effectiveness in terms of the amount and type of power possessed by the leader. This approach would examine how power is acquired, lost, and maintained. The "behaviour approach" looks at the actual tasks performed by leaders. This involves evaluating daily activities and behavioral characteristics of leaders. The "trait approach" looks at the personal attributes of leaders, such as energy, intuition, creativity, persuasiveness, and foresight.

The "situational approach" examines leadership in terms of its relationships with environmental factors, such as superiors, subordinants, and peers. This approach is often referred to as contingency theory because the role of the leader is contingent on the situation. Another consideration in the study of leadership is that most theorists believe that managerial and leadership skills are different. "Leaders create and articulate vision, managers insure it is put into practice".

Kotter elaborates on the differences. Management focuses on dealing with complexity, while leadership involves dealing with change. Management is committed to planning and budgeting, while leaders formulate and vision and set an organisational direction. Management is concerned with organising and staffing, and leadership involves aligning people to a shared vision. Management is controlling and problem solving; leadership is motivating and inspiring.

Bennis also makes a strong distinction between leading and managing. A leader is a conceptualist with an entrepreneurial vision. A leader needs to be concerned with

the big picture and the long-range future of an organisation. Managers, on the other hand, are concerned with day-to-day routine operations, and part of their objective is to isolate leaders from these operations. Are the qualities of managers and leaders mutually exclusive? Can a single person possess both leadership and management skills? Kotter believes that "smart companies value both kinds of people and work hard to make them part of the team." Even more importantly, "they can begin to groom their top people to provide both."

Dilenschneider argues that even in the best organisations, unity of purpose only occurs for brief periods of time. "It's self-interest that drives moment-by-moment behaviour in almost all organisations, unless you're talking about a band of saints." According to Dilenschneider, there are three ways for a leader to develop a vision. The first is for the leader to develop a personal vision and to then communicate it to the organisation. This relies heavily on the leader's ability to communicate the vision to the organisation, and to persuade the members of the organisation to accept it. The second is to buy a vision by hiring a consultant.

According to Dilenschneider, the disadvantage of this method is that it often results in a "canned solution" that has been watered down so that it is adaptable to many organisations. In contrast, Kotter states that "what's crucial about a vision is not its originality but how well it serves the interests of important constituencies — customers, stockholders, employees — and how easily it can be translated into a realistic competitive strategy." The third way to develop a vision is to assemble the top managers to create a consensus vision. Dilenschneider argues that the collaborative creation of vision "probably leads to the most durable and effective results." In effect, Dilenschneider is proposing a variation of the Delphi forecasting method as a way of creating a vision.

Communicating a vision is obviously as important as its creation. This involves more than simply articulating its message. A vision must be communicated through clarity of action. Dilenschneider emphasizes that need to know "inside-out" communications, where managers examine the communication process itself. Sustaining a vision may be more difficult than its creation. Conviction is the glue that gives a vision staying-power. Dilenschneider points out that successful leaders "have recognised how important it is to sell rightness emotionally, not just intellectually." This provides the fuel for sustained focus (i.e., conviction).

Vision and organisational culture are linked, each having an effect on the other. Dilenschneider writes that the vision of a leader in a new organisation shapes the culture, while in mature organisation, the leader must choose a vision that accommodates the existing organisational culture. Unlike many theorists, Dilenschneider believes that corporate culture is "shaped by lore", and thus requires generations to make significant changes. Ritualised behaviour, established over long periods of time, are especially immutable to change. Dilenschneider recommends that leaders find ways to support positive rituals, and to keep the vision in harmony with the organisational culture.

LEADERSHIP METHODS

Psychologist Kurt Lewin studied leadership methods by designing an experiment to compare autocratic and democratic leadership styles. As the experiment progressed, one of the democratic leaders was recategorised as *laissez-faire*. The autocratic leaders groups tended to be quarrelsome and work progressed at a modest rate. When the leader was not present, work came to a halt. The *laissez-faire* group ran haphazardly and work progressed at a slow rate. The democratic groups ran smoothly even when the leader was absent, and the

relationships of group members were more friendly. Uris argues that effective managers use all three methods of leadership depending on the particular circumstance.

During the 1950s, leadership studies were conducted at Ohio State University and the University of Michigan. The Ohio State leadership studies resulted in the creation of the Leader Behaviour Description Questionnaire (LBDQ), a commonly used instrument to assess leadership behaviour. The Ohio State studies used a 150 item questionnaire to examine how subordinates perceived their supervisor's behaviour. Factor analyses of the questionnaire revealed two behaviour constructs, which were later labeled "consideration" and "initiating structure". Consideration included those items that indicated a leader's friendliness, supportiveness, and compassion. Initiating structures were items that indicated the degree of structure that a leader imposed on subordinates.

In a large correlational study, Fleishman and Harris reported that turnover rate was negatively correlated with consideration, and positively associated with initiating structure, although they emphasized the nonlinearity of the relationships. "There appear to be certain critical levels beyond which increased Consideration or decreased Initiating Structure have no effect on turnover or grievance rate." Yukl reports that the effect of consideration has been confirmed, but the results of studies on initiating structure have not been clear or consistent.

The University of Michigan leadership studies were a series of correlational studies to examine the relationships between leadership behaviour, group processes, and group productivity. Manager effectiveness was equated with group productivity. In a summary of these studies, Likert writes that three types of leadership behaviour were found to be good predictors of management effectiveness: task-oriented behaviour, relationship-orientated behaviour, and participative leadership. Task-orientated behaviours are

the same as the initiating structures in the Ohio studies, and relationship-orientated behaviors are similar to the consideration construct in the Ohio studies.

SITUATIONAL LEADERSHIP THEORY

Situational leadership theory refers to belief that the relative importance of leadership behaviors depends on the situation. Aspects of the situation that modify the importance of behaviour are called situational moderator variables. Fiedler proposed the LPC contingency model to predict leadership effectiveness from a measure called the *least preferred coworker score*. The leader is asked to grade their least favourite worker on a series of bipolar adjectives. The scales are arranged so that the most lenient leader would receive the highest LPC score.

Fiedler's rationale was that leaders who received high LPC scores were primarily motivated to have positive relationships, and that the achievement of task objectives was secondary. The degree to which LPC scores correlated with effectiveness was modified by a "situational favourability variable". The situational favourability variable consisted of three aspects of the situation: leader-manager relations, position power, and task structure. Leadership effectiveness was associated with good leader-manager relations, high position power (authority), and high task structure. Fiedler's LPC theory was originally well received, however, empirical support for the model has been weak.

Another contingency model was proposed by Fiedler in 1986. Cognitive resource theory attempts to examine the conditions whereby intelligence, experience, and expertise become predictive of leadership effectiveness. Fiedler proposed that the effect of cognitive resources becomes significant only when the leader is directive, when there is little stress, and when the leader has some expertise that cannot be performed by subordinates. The theory predicts

that in low-stress situations, the leader's intelligence has an strong impact on effectiveness, and in high-stress conditions, the leader's expertise is more important.

MANAGING STRESS IN PUBLIC ORGANISATIONS

Stress is an imprecise term. It is usually defined in terms of the internal and external conditions that create stressful situations, and the symptoms that people experience when they are stressed. McGrath proposed a definition based on the conditions necessary for stress. So there is a potential for stress when an environmental situation is perceived as presenting a demand that threatens to exceed the person's capabilities and resources for meeting it, under conditions where he expects a substantial differential in the rewards and costs from meeting the demand versus not meeting it. McGrath's definition implies that the degree of stress is correlated with a persons perceived inability to deal with an environmental demand. This would lead to the conclusion that a person's level of stress depends on their self-perceived abilities and self-confidence. Stress is correlated with a person's fear of failure.

Arnold and Feldman define stress as "the reactions of individuals to new or threatening factors in their work environment." Since our work environments often contain new situations, this definition suggests that stress is inevitable. This definition also highlights the fact that reactions to stressful situations are individualised, and can result in emotional, perceptual, behavioral, and physiological changes. Williams and Huber define stress as "a psychological and physical reaction to prolonged internal and/or environmental conditions in which and individual's adaptive capabilities are overextended." They argue that stress is an adaptive response to a conscious or unconscious threat.

Like McGrath, they point out that stress is a result of a "perceived" threat, and is not necessarily related to actual

environmental conditions. The amount of stress that is produced by a given situation depends upon one's perception of the situation, not the situation itself. In other words, stress is a relativistic phenomena. In *Gestalt Therapy Verbatim* Perls proposes a more general definition, where stress is a manifestation of thinking about the future. Anxiety is created by focusing attention away from the "here and now". It is created by expectations of the future—the tension between the now and the later. According to Perls, there is no difference between good stress and bad stress. They are both created by thinking about the future. When anxiety finds an outlet, we say that the stress was motivating; when it doesn't, we call it debilitating.

French, Kast, and Rosenzweig also emphasized the idea that stress itself is not necessarily bad. "The term *stress* can be considered neutral with the words *distress* and *eustress* used for designating bad and good effects." They propose a model that defines an optimum range of stress in terms of its effect on performance. Stress levels that exceed an optimum level result in decreased performance and eventual burnout. Stress levels below a minimum level result in decreased performance and "rust-out".

Signs of Stress

Selye was the first to describe the phases that the body goes through in response to a threat. The *general adaptation syndrome* model states that the body passes through three stages.

- The first stage is an alarm reaction. The body prepares for a potential emergency. Digestion slows down, the heart beats faster, blood vessels dilate, blood pressure rises, and breathing becomes rapid and deep. All bodily systems work together to provide maximum energy for fight or flight.
- The second stage is resistance. If the stress continues, the body builds up a tolerance to its effects. The body

becomes habituated to the effects of the stressor, however, the bodies adaptive energies are being used as a shield against the stressor.

- The third stage is exhaustion. When the body's adaptive energies are depleted, the symptoms of the alarm reaction reappear, and the stress manifests itself as an illness, such as ulcers, heart ailments, and high blood pressure.

During the first or second stages, the removal of the stressor will eliminate the symptoms. Ivancevich and Matteson point out that during the early days of our evolution, we needed the fight-or-flight response for our survival. "The problem we encounter today is that the human nervous system still responds the same way to environmental stressors, although the environment is radically different. The tigers are gone and with them the appropriateness of the fight-or-flight response."

Reitz writes that individuals in modern society often substitute other psychological reactions for flight-or-flight. Substitutions for fighting include negativism, expression of boredom, dissatisfaction, irritability, anger over unimportant matters, and feelings of persecution. Substitutions for fleeing include apathy, resignation, fantasy, forgetfulness, inability to concentrate, procrastination, and inability to make decisions.

Short-term stress has served a useful purpose in our survival. Long-term stress, however, involves increasingly higher levels of prolonged and uninterrupted stress. The body adapts to the stress by gradually adjusting its baseline to higher and higher levels. For example, workers in stressful jobs often show an increased "resting" heart rate. Pelletier believes that the deleterious effects of stress are created only by unrelieved long-term stress. Albrecht also believes that the effects of stress are cumulative in nature. Ulcers do not just happen overnight in a high stress situation; they are generally the result of long extended

exposure to stress. "The health breakdown is simply the logical conclusion of a self-induced disease development over a period of 10 to 20 years."

Job stress can have a substantial negative effect on physical and emotional health. Williams and Huber provide a comprehensive list of the symptoms of stress. These are: "constant fatigue, low energy level, recurring headaches, gastrointestinal disorders, chronically bad breath, sweaty hands or feet, dizziness, high blood pressure, pounding heart, constant inner tension, inability to sleep, temper outbursts, hyperventilation, moodiness, irritability and restlessness, inability to concentrate, increased aggression, compulsive eating, chronic worrying, anxiety or apprehensiveness, inability to relax, growing feelings of inadequacy, increase in defensiveness, dependence on tranquilisers, excessive use of alcohol, and excessive smoking." Furthermore, job stress can make people more susceptible to major illnesses. High stress managers are twice as prone to heart attacks as low stress managers.

Excessive job-related stress is not a small or isolated problem. Over one-third of all American workers thought about quitting their jobs in 1990. One-third believe they will burn-out in the near future, and one-third feel that job stress is the single greatest source of stress in their lives. Nearly three-fourths of all workers feel that job stress lowers their productivity, and they experience health problems as a consequence. Furthermore, this is not exclusively a United States phenomena. A Japanese poll conducted by the Health and Welfare Ministry in 1988 indicated that 45 percent of workers felt stress from their jobs.

MANAGING STRESS

Managers of organisations have a dual perspective of stress. They need to be aware of their own stress levels, as well as those of their subordinates. Most of the literature focuses

on ways of reducing stress. However, a more appropriate approach might be to examine ways of optimising stress. French, Kast, and Rosenzweig state that the challenge is to minimise *distress* and maintain *eustress*. They point out that the conditions of organisational life create a series of paradoxes, that demonstrate the need for balance and equilibrium.

- Uncertainty can lead to distress, but so can certainty or overcontrol.
- Pressure can lead to distress, but so can limbo or lack of contact.
- Responsibility can lead to distress, but so can lack of responsibility or insignificance.
- Performance evaluation can lead to distress, but so can lack of feedback concerning performance.
- Role ambiguity can lead to distress, but so can job descriptions that constrain individuality.

The role of management becomes one of maintaining an appropriate level of stress by providing an optimal environment, and “by doing a good job in areas such as performance planning, role analysis, work redesign/job enrichment, continuing feedback, ecological considerations, and interpersonal skills training.”

There are essentially three strategies for dealing with stress in organisations:

- treat the symptoms,
- change the person, and
- remove the cause of the stress.

When a person is already suffering from the effects of stress, the first priority is to treat the symptoms. This includes both the identification of those suffering from excessive stress, as well as providing health-care and psychological counselling services. The second approach is to help individuals build stress management skills to make

them less vulnerable to its effects. Examples would be teaching employees time management and relaxation techniques, or suggesting changes to one's diet or exercise. The third approach is to eliminate or reduce the environmental situation that is creating the stress. This would involve reducing environmental stressors such as noise and pollution, or modifying production schedules and work-loads.

Many modern organisations view the management of stress as a personal matter. An effort to monitor employee stress levels would be considered an invasion of privacy. However, Lawless found that nine out of ten employees felt that it was the employers responsibility to reduce worker stress and provide a health plan that covers stress illnesses. She emphasized that "employees have no doubt that stress-related illnesses and disability should be taken seriously. Employees expect substantive action by their employer and hold their employer financially responsible for the consequences of job stress."

Lawless reported that four different employer programmes were effective in reducing job burn out, where the percent of people reporting burn out was reduced by half. Furthermore, when these programmes were offered, there were also half as many stress related illnesses. They are:

- supportive work and family policies,
- effective management communication,
- health insurance coverage for mental illness and chemical dependency, and
- flexible scheduling of work hours.

Managers can take active steps to minimise undesirable stress in themselves and their subordinates. Williams and Huber suggest five managerial actions that can be used to reduce stress in workers.

- Clarifying task assignments, responsibility, authority, and criteria for performance evaluation.
- Introducing consideration for people into one's leadership style.
- Delegating more effectively and increasing individual autonomy where the situation warrants it.
- Clarifying goals and decision criteria.
- Setting and enforcing policies for mandatory vacations and reasonable working hours.

Establishing one's priorities (i.e., value clarification) is an important step in the reduction of stress. The demands of many managerial positions cause the neglect of other areas of one's life, such as family, friends, recreation, and religion. This neglect creates stress, which in turn affects job performance and health. Value clarification is linked to time management, since we generally allocate our time according to our priorities. By setting personal priorities, managers and subordinates can reduce this source of stress. It is typically the first step in any stress reduction programme.

Many sources of stress in organisations cannot be changed. These might include situations like a prolonged recessionary period, new competitors, or an unanticipated crisis. Organisational members generally have little control over these kinds of stressors, and they can create extended periods of high-stress situations. People who adjust to these stressors generally use a form of perceptual adaptation, where they modify the way in which they perceive the situation.

Other sources of stress in organisations can be changed. One particularly effective way for managers to minimise employee stress is to clarify ambiguities, such as job assignments and responsibilities. Employee stress is directly related to the amount of uncertainty in their tasks, expectations, and roles. Managers can encourage

employees to search for more information when they are given unfamiliar tasks, or when they are uncertain of their roles. Another way to reduce employee stress is to incorporate time management techniques, as well as setting realistic time schedules for the completion of projects.

There are many other successful ways of dealing with stress. These include stress reduction workshops, tranquilisers, biofeedback, meditation, self-hypnosis, and a variety of other techniques designed to relax an individual. Programmes that teach tolerance for ambiguity often report positive effects. One of the most promising is a health maintenance programme that stresses the necessity of proper diet, exercise and sleep.

Social support systems seem to be extremely effective in preventing or relieving the deleterious effects of stress. Friends and family can provide a nurturing environment that builds self-esteem, and makes one less susceptible to stress. One study found that government white-collar workers who received support from their supervisors, peers, and subordinates experienced fewer physical symptoms of stress. Managers can create nurturing and supportive environments to help minimise job-related stress.

Albrecht hypothesized that there are eight relatively "universal" factors that come into play when evaluating the balance between stress and reward (job satisfaction) in organisations. These are:

- workload,
- physical variables,
- job status,
- accountability,
- task variety,
- human contact,

- physical challenge, and
- mental challenge.

Each individual has a “comfort zone” for the eight factors. The goal of management is to find the “comfort zone” for each employee that results in optimal performance without producing undesirable side effects. Albrecht’s taxonomy is important because it recognises the necessity of balance. For example, Taylorism stresses the ideas of maximum output, minimal task variety, and continuous supervision. The predicted effect of these imbalances would be stress and a reduction in job satisfaction. Perhaps many of today’s organisational problems with worker stress are the result of the effective application of Taylorism.

The social climate of an organisation is often viewed as a cause of stress. However, social climate is a relativistic concept, and “the social climate of an organisation is whatever most of the people think it is.” There are three factors that need to be examined when evaluating social climate. The first is the degree to which employees identify with or alienate themselves from the organisation. Employee attitude surveys are an effective method of measuring this factor. Identification can be measured through employees pride in membership, and the extent to which they take initiative and offer constructive suggestions.

Alienation can be detected by examining whether members openly criticise the organisation, or the degree to which they oppose change. The second factor of organisational climate is the degree to which labour and management are polarised. One of the most effective ways of dealing with this problem is to make all levels of management more visible and accessible. Employees are less likely to criticise management who they see on a regular basis. The goal is to change to perception from “they” (the managers) to “we” (the members of the organisation). The third factor is the perceived social norms

of the organisation. Social norms are abstract organisational values, such as trust, fairness, and respect. Interviews and questionnaires can be used to ascertain organisational social norms, but corrective action involves setting up management programmes that clarify organisational values, and may involve replacing certain managers when necessary.

Quick and Quick suggest several diagnostic procedures for determining stress levels in organisations. Interviews allow in-depth probing, but they are time consuming and depend primarily on the listening skills of the interviewer. Questionnaires have the advantage of being able to process higher volumes of data, but they often lose the "flavour" or feel of the responses. Observational techniques (both medical and behavioral) can be either quantitative or qualitative. Quantitative techniques might involve gathering company records, such as the rates of absenteeism, tardiness, turnover, and production. Qualitative techniques involve observing workers for signs of stress-related behaviour.

Job engineering and job redesign are recent concepts that attempt to minimise job-related stress. Job engineering takes into account the values and needs of the worker, as well as the production objectives of the organisation. It involves a six-step cyclical process, beginning with defining the job objectives. This initial step makes statements about "accomplishing something of recognised value." The second step is to define the job conditions. This step specifies the physical, social, and psychological characteristics of the job. The third step is to define the job processes, equipment, and materials.

Processes are often presented in a flow chart to show the sequence of operations. The fourth step is to re-evaluate the design from the perspective of the worker, the goal being to achieve a balance between job satisfaction and performance. The fifth step is to test the job design.

Employees often experience problems not anticipated by job engineers. The evaluation should look at the "total combination of person, equipment, materials, processes, and surroundings as an integrated whole, and you must measure both productivity and employee satisfaction before you can say the job is well designed." The sixth step involves the ongoing re-evaluation and redesign of the job. Employee attitudes and values change, and new technology provides alternatives to the status quo. Job engineering attempts to be sensitive to these changes, and to modify job descriptions as necessary.

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Principles of Public Administration

The definition of the role of public administration, government and self-government in the new political and economic conditions has not attracted sufficient attention in India. This is connected with the overall ambiguity of the role of public and private sectors and of the responsibility of the State for creating conditions for their development. So far, reform documents only point out these problems at a general level.

There is little understanding of the fact that this should be a principal conceptual change with practical consequences for the definition of functions and concrete tasks of public administration, the shape of its institutions, the means for its activities and its relations to citizens and to the public. The issue has its political, economic and other dimensions, and it is naturally determined by the Constitution and the legal order.

What has been made so far both at the theoretical and practical level is not sufficient for the transition from the system in which public administration was understood primarily as a tool of power of the Party and State, to targeted and consistent implementation of the contemporary concept of democratic public administration. Modern democracies understand public administration primarily as service to citizens and to the public. Such understanding of the basic role of public administration is the foundation

from which its principles, forms and methods of activities, requirements for professional and impartial performance etc. are derived.

The focus of public administration lies in providing public services. In addition to traditional services, they also include some "classical" administration activities in advanced countries, such as issuing licences, permits, documents, certificates, providing information etc. A number of these activities are no longer viewed as an exclusive domain of the State. Our new experience shows that many operational tasks, professional decision-making, execution of supervision, testing etc. can be decentralised and transferred to self-government or to private entities.

Shifts in this area have their limits, though. Economic aspects cannot be the only guide (and, moreover, it has been proved on many occasions abroad that the exclusion of public tasks from the responsibilities of public authorities did not bring expected savings, however, it resulted in the erosion of the values and principles upon which the provision of public services was based). After all, our country has also witnessed hasty abolition of control authorities, for example, which will have to be re-established.

It should also be stated clearly that stress on the conception of public administration as service to the public does not mean, on the other hand, a denial of the power, authoritative component of public administration. This comprises tasks in the sphere of security and internal order, regulation and enforcement of the fulfilling of legal duties, the application of administrative supervision tools, the imposition and execution of sanctions within the limits of administrative authority etc.

The material content and extent of public tasks and public services depend on how the importance of social automatism and the extent of state intervention is viewed at a specific period, how the balance between the freedom

of an individual and his responsibility for himself on the one hand, and solidary care of the human community for an individual and responsibility for him on the other hand operate. This is a matter of protection and execution of interests and values recognised by the decisive majority of citizens. The basic characteristics of public administration comprises the knowledge of heterogeneous and often contradictory aims that it is obliged to defend.

In the present period of principal social changes and new demands which must be secured despite limited financial and human resources, public policy is exposed much more to pressure to make responsible selection of priority aims and to redefine tasks and functions of public administration in accordance with the aims. A permanent professional and political dialogue is fundamental for the process of defining these tasks and functions, leading to new economic, legal and other solutions.

The functions and tasks of public administration can and must be derived from identified and recognised public interests since securing them is the reason of its very existence. The way in which general or public interests are accepted and satisfied is a cross-section of historical traditions, the concrete development stage of the respective society, the existing institutional framework of public administration as well as the enforced political emphasis. The orientation of public administration towards securing public interests can be understood as its direction towards the solution of concrete problems of individual citizens and population groups and towards securing the functioning of the society as a whole. In this respect, public administration is interconnected with public policy, the aim of which is to identify, express and recognise public interests and to choose adequate means of satisfying them. Of course, the process of identifying, recognising and satisfying public interests is always influenced by politically and ideologically affected interpretation.

Public administration and the whole public sector are going through a radical change of their position in relation to economy while the elimination of ineffective and bureaucratically burdensome methods of direct interventions in the economic sphere from the totalitarian era does not mean any liquidation of the economic regulatory function of the State and the related tasks of public administration. The principal changes result from the changing internal and external conditions of the development and functioning of economy, primarily from the needs to complete the market transformation of economy and from the international process of globalisation of economic relations. The consequence of this is the need to increase the potential and effectiveness of the State and public administration in respect of the implementation of the following tasks:

- promotion of a rational development of economic proportions through macro-regulation,
- control of the privatisation process of state-owned enterprises and public services, securing free competition and transparency in its implementation,
- securing an effective exercise of ownership rights of the State and other public entities,
- support of the private sector, especially of small and medium-sized enterprises, the development of effective cooperative relations between the public and private sectors,
- drafting and implementing effective sectorial policies, especially securing internal and external security, regional policy, transport policy, information and communication policy, environmental policy, education policy, social policy, employment policy and health care policy.

A well-functioning public administration and public sector provide conditions for the prosperity of private enterprise

by creating an optimum and rational infrastructure by means of modernising communication networks, systems of information services for citizens and businesses, through providing professional assistance to territorial self-government authorities, through support to investments in public interest etc.

It requires an increased quality and capacity of public administration in the sphere of regulation and control of the compliance with conditions and rules of the market environment, particularly the conditions of free competition and the elimination of monopolies, securing the quality, technological level, products free from health damaging defects and consumer protection. An important role of public administration lies in restricting "grey" economy, in securing proper tax collection, in discerning and preventing economic crime.

In connection with the discharge of these and other tasks, public administration is in charge of public funds management, and the state-owned movable and immovable property which, after all, should also serve all citizens. The financial area is remembered in the Constitution at least in the provisions on the state budget, the final state account and on an audit carried out by the Supreme Audit Office; the regulation of the "details"—which can be, however, of far-reaching importance—is implied in ordinary laws.

On the other hand, the management of state-owned property is not regulated although the power of control is delegated to the Supreme Audit Office. The general legislation on the management of national property from the period before 1990, which is a residue of the previous regime, is still in force, leaving the management of state-owned property practically in the hands of the Executive.

Neither any law has been adopted in accordance with Article 11 of the Charter to stipulate which property necessary for securing the needs of the whole society, for

the development of the national economy and for public interest may be owned by the State, a municipality or certain legal entities, nor any legal regulation of the management of state property has been passed which would, among other things, regulate the relationships between the legislative and the executive power in this respect so that every significant case of the disposal of state-owned property could be in accordance with the law.

Thus a modern, rationally and effectively functioning public administration is a substantial and irreplaceable prerequisite for the economic growth. Another significant function of public administration is to secure and strengthen democratic institutions and mechanisms. Two main directions of the development of political democracy can be mentioned here:

- towards the strengthening of institutions and mechanisms of representative democracy,
- towards the development of institutions and mechanisms of participative democracy, i.e. direct participation of citizens and their organisations in the management and administration of the State.

The social function of the State and public administration arises primarily from the duties of the State owed to its citizens, which correspond to their economic, social and cultural rights in accordance with the Charter, the International Convention on Economic, Social and Cultural Rights etc. The role of the State in those matters where the State also has a duty to fulfil positively or to secure such fulfilling has been a topic of permanent discussions, especially with respect to the issue of to what extent the principle of personal responsibility of each individual and the principle of human solidarity should be applied.

Administrative processes—strategic decision-making, the preparation of conceptions and programmes, regulatory activities, quasi-judicial decision-making, operative management, coordination, controlling processes

etc. form the cross-sectorial functions which are contained to a certain extent in the activities of all administrative bodies or which are concentrated at certain levels or in special bodies in charge of these tasks.

The evaluation of public administration depends upon the fulfilment of its tasks and functions, how it contributes to securing social tasks and aims. What is important are the results of its activities. Next, there is a question how suitable its internal organisation is for the performance of its tasks and how it supports its external effectiveness.

CONCEPT OF ADMINISTRATION

The concept of administration as a tool of power still survives in a general understanding surviving from the authoritarian regime, which has maintained, on the one hand, the negative attitude of the population to public administration and, on the other hand, distorted ideas and stereotypes in the behaviour and actions of a number of politicians and officials. Now it is primarily a matter of exercising a citizens right to participate, including the expression of their views in a referendum, and other forms provided for by the legislation, the right to information and to democratic control.

The following attitudes of the public and of business people to the functioning of public administration have been found out within the framework of the project:

- The relation of the public to public institutions is characterised by a certain crisis of trust. The social distance between citizens and the administration is still considerable, in some cases even critical. The citizens are thus insufficiently informed of the reasons of the prepared reform of the territorial self-government and, consequently, they have not accepted it.
- According to the survey, more than one half of citizens are not ready to get personally involved in solving public issues. The reasons are also their stress due to

the transformation and insufficiently developed dialogue of the post-November governments with the civic society, in addition to inherited behaviour stereotypes.

- Most representatives of municipalities included in the survey (74%) consider the limited interest of citizens in what is happening in the municipality as one of the biggest problems of their work. A certain promise for the future is represented by the latent interest in local self-government and, surprisingly, also in public administration expressed in the survey, under the condition that better institutional mediation of such participation is provided.
- Public administration often fails to establish good contacts with citizens, either due to a low degree of its professionalism and impartiality, or to its attitude towards citizens. According to the survey, the mistrust of citizens in relation to the Government and ministries mostly prevails, and in some cases the disproportion is enormous.

In a survey conducted by the IVVM in March 1998, 48% of interviewees stated that they had met with an unjust decision of the authorities. Negative experience is expressed primarily by people of productive age, with higher education, and by entrepreneurs. The majority does not have much hope in success in dealing with the authorities and enforcing their justified demands and rights.

An important task of public administration is the support of enterprise, especially of small and medium-sized enterprises. A report of the Chamber of Commerce prepared for the Analysis identifies difficulties which hamper this kind of enterprise in the legislative, taxation and financial fields. The entrepreneurs expect concrete support from the State and from public administration in the sphere of training, in research and science.

They demand an amendment to the Trades Act, speeding up the process of recording in commercial registers, coordination of inspection authorities and the exclusion of duplication of control. A substantial improvement is proposed in the fields of investments support and information. According to the survey, small and medium-sized enterprises find the biggest obstacles in the lengthy registrations in the courts that keep business registers, and in the second place the obtaining of a trade licence. The average time needed for the complete setting-up of a firm is almost four months and sometimes it takes up to two years. Stress is laid on lack of transparency and on frequent changes of regulations, crime and corruption.

BUREAUCRACY PROBLEMS

Administrative staff is necessary in the present-day democratic state, however, it must be "non-bureaucratic bureaucracy" provides a "public service": since the State has monopoly in providing such a kind of service and there is no competition, the State must take consistent and purposeful care in order to restrict significantly the inclination of the staff to bureaucratic behaviour, especially when administration is no longer mere legal implementation of laws and as there is a steadily increasing need for its acting in a creative way and taking the initiative to be contact-friendly and "human" towards the public.

It should be noted that the relation between public administration and citizens has changed notably within the last 20-25 years. A citizen, who was originally mostly given orders and prohibitions, is becoming a partner, a user, a client. The administration thus gives up its privileged position, public administration is presented increasingly as a provider of services, administration authorities are seeking ways of better and more open cooperation with citizens. Such far-reaching shifts could not have happened in our country yet but certain steps taken in the 1990s have

contributed to the elimination of some obstacles between public administration and the public:

- the renewal of local self-government and better organisation of local authorities have helped to bring the administration closer to citizens at a local level
- a number of restricting regulations of the previous regime has been abolished
- in 1995, the government adopted its resolution No. 255/95 on the catalogue of measures to simplify and improve the execution of state administration in relation to citizens
- various forms of improvement in informing citizens.

The conducted analyses also show a number of problems and contain some suggestions for their solution. Particularly:

- The administration is “non-transparent” for the public if information barriers prevent anyone to get acquainted, without any obstacles, with their activities and with the information available to the administration. According to Article 17(5) of the Charter, state authorities and territorial self-government authorities are obliged to provide information on their activities in an adequate way but a statutory instrument which would regulate the discharge of this duty has not been adopted yet. So far, the provision of Article 35(2) of the Charter, according to which everyone has the right to timely and complete information on the state of the environment and natural resources, has not been sufficiently implemented yet. The principle of “discreteness” of the administration is still being applied instead of the democratic principle of “publicity” of the administration.
- Orientation not only in the legislation but also in the organisation of administrative authorities and even

inside the individual authorities is often difficult for citizens, despite numerous improvements introduced in recent years.

- Sometimes the distance between a citizen and the administrative authority is also of importance, especially when the local public transport is being restricted.
- It is important for the relation between administration and the public that the administration should not act arbitrarily, especially in decision-making in administrative proceedings. The citizen must not have the feeling that he is a mere "object" of the proceedings, that he can apply for something but then can only wait and keep silent. On the contrary, he must have a real right "to be heard", an opportunity to express his opinion and attitude.
- The feeling of helplessness experienced by a citizen is often connected with unjustified absence of activity of the administration against which the legislation provides little protection so far although the scale of possible remedies is relatively wide.
- The distrust of administration is also caused due to inconsistent prosecution of public offences. The knowledge that the administration prosecutes every offence impartially would undoubtedly have a positive impact not only on the general legal knowledge of citizens but also on the evaluation of public administration.
- Protection against the interference by public administration must be effective and fast, otherwise the public feels helpless in relation to the administration. The protection of subjective rights in administrative proceedings is relatively good but it still does not meet present-day requirements; a participant in administrative proceedings becomes an equal partner to the administration only within the administrative

judiciary system; however, the present regulation of administrative judiciary also has its legal and material imperfections, the powers are not sufficiently wide. In this sense, the Constitutional Court has dealt with these administration matters only exceptionally.

- The administration often burdens itself and the public by insufficient co-operation of its components. So far, the laws regulate insufficiently such cooperation at central and local levels.
- A citizen is not sufficiently acquainted with his rights and duties in relation to public administration. It is no exception that original requirements are changed by the public administration in the course of administrative proceedings.

STATE AND PUBLIC ADMINISTRATION

Opinions on the role of state and public administration have gone through considerable development. Most West European countries have long adhered to the idea and practice of social state whereas the philosophy of a paternalistic state survives in the countries in Central and Eastern Europe. It is primarily due to restricted or deficit public budgets that solutions of the situation were sought in more or less comprehensive reforms of public administration and in a review of the extent and content of public sector.

The requirement of a small state, deetatisation and decentralisation of public tasks has been emphasised and applied. Basic changes have occurred in the organisation and methods of traditional public administration in those countries where this approach has been enforced most radically. Expectations of savings of public expenditure have been met only partially; a trend to the contrary has also been observed.

The erosion of values and standards of "good old public administration", especially of the ethical standards of civil

service, has also been considered as a negative feature. The provision of public services within a certain extent, which is considered necessary and useful belongs inseparably to the basic functions of modern state, whether it is motivated by basic and common needs and interests of various components of the society, or by the idea of solidarity or by the pragmatic effort to maintain social peace.

The definition of the content and extent of public services is undoubtedly limited by economic possibilities. However, the economic interpretation of the public sector cannot be the only argument in favour of the participation of the state in securing certain tasks and functions. Legitimate political decision-making on the issue which services are of public interest, on priorities and ways of ensuring them, requires the consensus of citizens, the compliance with democratic forms and procedures, guarantees of equal access to public services. There are also indisputable supranational contractual and ethical obligations.

Most OECD countries deal with the public sector in a positive sense so that they aim at finding a model of a modern social state, or a model of a post-social state. This approach is also confirmed by the conclusions of the World Bank based on an analysis of an extensive worldwide survey and supporting the transition from the conception of a minimum state to an effective state. Generally speaking, the development of public administration in the Western civilisation in this century is characterised by deep changes which can be summed up in two basic blocks:

- *democratisation*: decentralisation, strengthening of self-government; participation of citizens and of the public; shift from authority-type administration to the concept of public administration primarily as service to citizens and to the public; the strengthening of the rule of law, guarantees of civic and human rights, "declassification" of the administration—from discrete

to open, informing, transparent, accommodating and helpful administration;

- *increasing effectiveness*: orientation towards socially valid tasks and aims, results, efficiency, economy; the utilisation of experience and methods of company management in the private sector; the utilisation of information and communication technologies and a transition towards an information society.

In modern democratic states, public administration is understood primarily as service to citizens. Such understanding is of completely principal importance for the definition of all functions, forms, principles and methods of activity of public administration as a whole as well as of its individual bodies and employees.

The relationship between public administration and the public is changing substantially: on the one hand, the development of the rule of law and consistent application of the developed concept of human rights and, on the other hand, the information revolution enable public administration to be more understandable and accessible, to reach more effective interaction with and the control of public administration by the general public.

The space for arbitrary and uncontrolled decision-making by public administration bodies is restricted, there is more space for its openness towards the public. Strategic decision, whether they concern the definition of public services, the allocation and distribution of public funds, territorial plans, the environment, the infrastructure etc., are increasingly becoming a subject of a broad dialogue with citizens in advanced democracies.

The principle of accountability to the public dominates today in the present-day Western concept of public administration. Unlike a "mere" control of public administration, this is considered an active duty to account for ones activities. Unfortunately, no Czech equivalent has been found for this term yet, nor for the system which

introduces this requirement into life. It represents a duty to explain taken decisions and to bear responsibility for them. It covers a whole range of forms from accounting and other records, reports, auditing and control of legality to civil and political "accountability" to citizens by all those who carry out their activities on the basis of delegated authority.

Not only the government to the parliament and lower executive bodies to elected self-government bodies but each significant public institution considers the proof of their credibility to inform citizens of their activities and the public funds management, and gets engaged in a dialogue with the public. This is a concrete demonstration of requirements for public administration: service to citizens and to the public, transparency, democratic nature and effectiveness.

NATURE OF PUBLIC ADMINISTRATION

Over time many changes have taken place in the environment, technology, assumptions and dynamics of public administration. Recent globalisation trends, the computer and communications revolution, easy movement across borders of professional and technical personnel, data, information and technology, have had a significant impact on the practice of public administration.

These trends have not only stimulated new opportunities, but also generated new problems. In particular, due to new national and international realities, standards and techniques of public administration have been changed, adapted, augmented or even replaced, although many basic principles remain valid. Rethinking Public Administration takes a new look at public administration, identifies major influencing forces, and highlights public administration approaches and techniques which need updating and revision. It is intended to provide an overview and a comparative perspective on public administration in developing

countries and particularly, the evolution of administrative problems, practices and strategies. It depicts the functioning of the State and a checklist of current scenarios, issues and approaches in public administration. The checklist facilitates the identification of opportunities for institutional development, capacity building and performance improvement.

All of the foregoing represent challenges to administrative practice. To effectively meet these challenges and their consequences, public administration needs to modify its style and substance. In many cases, far reaching institutional changes are required and involve strengthening inter-institutional cooperation to promote harmony among changing administrative, political, market and non-governmental institutions.

Administrative processes also need to be reviewed and/or re-engineered. For example, planning, control and accountability are becoming increasingly decentralised and diffuse. Finally, public managers need more training in the new realities and skills which are required for more effective performance in increasingly complex environments. Within this context, *Rethinking Public Administration* presents a wide array of experiences and approaches to public administration reform.

At the same time, this diversity reveals some caveats. The number of countries which are the focus of this study is indeed large. They represent great diversity in location, population, ecology, history, culture, religion, colonial heritage, political evolution and economic progress. Naturally, it is difficult, if not impossible to enter into a detailed discussion of each administrative system with all its subtle nuances and customs.

Ecology of Administration

To understand public administration correctly, one has to know the forces which shape it and the environment in

which it functions. Public administration represents the authority system for government in action, which is the product of political dynamics. The public administration is instrumental in its operation, and is expected to carry out politically determined goals and values. Public administration is part of the web of governance, deriving its form and substance from public policy. Thus, the most important attribute of public administration is its place in the political system.

Developing countries are formally committed to three goals.

- Survival of the State and strengthening of national political and economic independence;
- Modernisation of society through industrialisation, social development, the application of science and technology, and changes in socioeconomic relationships and behaviour;
- Increased participation, thereby bringing about representative institutions, political equality, participative governance and the guarantee of collective and individual rights.

These goals are the products of the colonial experiences of most developing countries, and, where not already existing, often emerged with independence. Participative, nationalist values have also resulted from the aspirations of freedom struggles, and represent the hopes and desires of developing countries to reap the benefits of modernity.

For many years, the experiences of the industrialised countries fuelled the ambitions of only a small ruling elite in most developing countries. Over time, with the revolution in communications technology, and increasing international mobility and educational opportunities, a mind set of rising expectations has spread in most developing societies. Some of the most intractable problems facing developing countries have involved attempts to

eliminate basic inequalities and inequities in society. Thus, considerable attention has been given to developing mechanisms to deal with competition among groups for wealth and participation in decision-making.

A critical success factor in modernising societies is their capacity to build institutions and organisations which can promote consensus and reduce conflict, get things done, facilitate equitable well-being and check abuses of power. Organising for these tasks has overwhelmed many countries. Faced with severe scarcities of organisational, human, technical and financial resources, many politicians, public managers and international donors have given priority to the centralised State. They argued that a well-organised State was the best hope for achieving wide-scale social transformation and nation-building. It was also reasoned that, over time, the centralised State could generate and strengthen appropriate societal institutions.

The accumulated experiences of developing countries show that governance and the development processes are difficult, and often quick-fix temporary solutions create new problems. For example, the institutional capacity available to new States was rarely adequate to undertake all the tasks visualised. In fact, some key institutions were never established, and others were poorly organised or negatively oriented. Some institutions were openly hostile to change and development.

The emphasis on centralisation resulted in massive concentration of relevant resources in government institutions. The expectation that government institutions would voluntarily shed power proved illusory. Starved for resources, autonomous centres of power outside of government rarely developed. The legacy of the centralised state endures. In many countries, the imbalance between a strong State and weak societal capabilities persists. A few countries have been successful in institutionalising political

processes, and now have in place a framework for the peaceful transition of power.

The achievement of this precarious equilibrium between State and society has facilitated the growth of civil society in these countries. The gradual reawakening of civil society is an important factor in reorienting State-society relations, and may be the State's best hope in establishing its legitimacy to govern. Many countries, however, have not yet succeeded in updating traditional or colonial administrative patterns. The more familiar situation is to find an array of modern institutional forms and practices formally espoused, but rarely practised.

Developing countries differ widely in their spectrum of institutional capacity. Nevertheless, there are certain generalisations which apply to most of them. For example, institutional capacity is generally weak and inadequate, both inside and outside of government. In the best of times, State-society relations are tenuous, and the political-administrative environment is rarely conducive to the development of autonomous centres of expertise and authority. The result is an inability to amass the wide array of resources needed to confront largescale problems in society. Both the formulation and implementation of public policy have suffered.

A weak institutional base has frequently resulted in sterile policy debates and the absence of feedback about policy impacts. The public policy process, because it lacks information both about inputs and outputs, has adopted a crisis management approach. The improvement of public administration is an integral part of governance and social transformation. It is the arena where technical applications and methods combine with political mandates and social sensitivities in the pursuit of the public interest and welfare.

The emergence of the executive as the dominant institution in society is characteristic of many developing countries. Historical factors are important in understanding

how this came about. On achieving independence or entering the industrial age, the strongest and most reliable institutions were often the military and public administration. Although frequently weak in relation to their assigned functions, these institutions were the only entities in many developing countries with a modicum of organisation and knowledge.

Thus, the military and public administration served as instruments for consolidating and stabilising power as Governments relied on them as vehicles for achieving nation-building and modernisation. A great deal of effort and money was invested in their renovation and enhancement. The approach was based on the need for stability during the transition phase to modernity. There was much talk of guardian bureaucracies, tutelary democracy, and the mobilisation potential of these institutions.

The post-independence period involved the extensive expansion of state functions. For example, economic management programmes and projects were launched, and new public organisations and parastatals were created. Mobilisation programmes were also established, and variously labelled community development or nation-building programmes. Their main goal involved bringing people into the mainstream of economic and social development.

Public organisations and career civil servants were the centrepiece of most of these new endeavours. Doctrines of guardianship and technocracy were promoted to justify their role. The international aid agencies reinforced the central role of these development administrations. In a few cases, national political parties took the lead in mobilisation programmes. But most of these political parties quickly merged with public administration organisations, or became public bureaucracies in their own right.

The cumulative effect of these developments was the creation of a serious imbalance between a strong State and what should have been an institutional network outside of government. The executive, whether drawn from the society or from the military, dominated the management of public affairs largely to the exclusion of other institutions. At the national level, potential institutional contenders for governance participation include a legislature and a court system. The absence or weakness of legislative institutions in many developing countries is well known.

The result is that policies and programmes are adopted through executive decrees, rather than legislation. Many legislatures are used as rubber stamps and cheerleaders, and sometimes completely ignored. In many cases, judicial powers combined with executive functions. Where courts, at one or more levels, have tried to assert themselves, their powers have been circumscribed. The end result has been executive and administrative discretion unfettered by legislative or judicial constraints.

The institution of a strong executive has many sources of rationalisation and support. Old wisdom advocated government by a wise, benevolent leader with a cadre of virtuous officials. Classical political thought included the concept of guardianship of government over society. Likewise, imperialism emphasised power by might in most of the colonies. Under the imperium, civil servants ruled their subjects and assumed responsibility for them.

More recently, it has been argued that subjects need to adjust to whatever administrators developed for them, and that specific forms of government were immaterial. A history of complementary relations between the ruler and the ruled developed into a pattern that was replicated throughout the third world. In the post-independence era, many third world rulers espoused an ideology that stressed the saviour aspects of their mission, including the claim to provide protection for the people from exploitation. Many

people believed in the role of benevolent dictators and charismatic leaders.

Even some academic observers noted the utility of a strong executive as a stabilising and modernising force in society. But the argument for a strong executive characterises the incumbent and his officials as being upright, honest, morally cultivated, devoid of self-interest and genuinely committed to public welfare. These assumptions arise from notions of integrity and moral education, rather than institutional control and accountability, as the means to achieve strong, modern government oriented to facilitating the well-being of the general population.

An alternative view holds that many countries with strong and charismatic leaders are more similar to dictatorships, and illustrate the failures of nation-building, modernisation, and even continuity of the State. The more recent experiences of both developed and developing countries show that power and authority must be responsive and accountable, and that a flourishing network of institutions throughout society is necessary for undertaking economic and social endeavours.

While the exact mix of institutions may vary among countries, the realisation of the fundamental principle is imperative for continuity and modernisation. The principle also applies to government. In this view, the strong executive would be one institution among many, both inside and outside of government.

Public administration should be a key element in the web of governance institutions sometimes influencing other institutions, and sometimes being influenced by them. Within this complex network, the capacity, productivity and accountability of public administration may depend upon the strengthening of extra administrative institutions.

The accumulated experience of public administration, given its capacity and relationships, illustrates the difficulty in bringing about strong national integration, development and modernisation. In fact, optimistic rhetoric has raised people's expectations of public administration beyond reasonable levels. National goals must reflect what public administration can realistically achieve, both alone and as part of the necessary institutional framework for implementing policy goals.

Public administration comprises two levels. One level consists of the political directorate. Members of the political directorate may be elected, co-opted, nominated by interested groups or selected through some other means. The political directorate may also include members from the military or civil services. The other level comprises permanent career officials and bureaucratic organisations. Civil servants are supposed to be selected on merit, and spend their entire careers in the civil service subject to satisfactory performance.

In theory, both civil service neutrality and the policy-administration dichotomy emphasise the role differentiation between the members of political directorates and the career services. In practice, there is a close nexus between political directorates and civil servants within the executive branch. The result is a blurring of the distinction between political and administrative roles, especially at the senior levels.

Political directorates frequently introduce their supporters in the career services through lateral entry or special programmes. Civil servants, under pressure, temptation or ambition may become amenable to partisan political actions. Tendencies toward the politicisation of the civil service can arise with each transition in political leadership. Sometimes career civil servants and professional institutions are used for largely political functions.

For example, administrative systems through their web of organisations can be used for partisan purposes to hold the State together, consolidate power, maintain or transform social relations, and control and influence economic management. When there is confusion concerning the role of career and political institutions, the identification of responsibility and the linkages between administrative performance and political accountability can be threatened. Administrative systems also carry out a number of other activities which can be readily used for political ends.

For instance, they provide intelligence services to political directorates, manage public information systems, run or regulate the electronic and print media, perform law and order functions, organise receptions for political dignitaries and gather crowds to greet them, and exercise legal controls over the right to assemble and organise meetings. The police, security, intelligence and general administration agencies are particularly vulnerable to political orientation because of the nature of their activities.

In some cases, administration has become so politicised that administrators are the actual political decision makers. While typically this will occur under the facade of political directorates, it has been known to take place quite openly. In other instances, a partnership to manage public affairs has developed between the careerists and politicians in support of public and private interests in varying proportions. A number of consequences follow from the political-administrative nexus. For instance, many administrative abuses emanate from the close connection between political directorates and civil servants.

Principles of responsibility and responsiveness can become difficult to enforce, and role ambiguities and frequent collusion occur. Both the civil service and parastatals can become overstaffed for political reasons. Motivation and performance of the civil service can also

suffer, causing some competent administrators to leave. This, in turn, negatively impacts the legitimacy of the civil service. Where possible, there is a need to clarify and better demarcate political and career roles. Ambiguities give rise to problems of responsibility and responsiveness.

In some cases, permanent secretaries have been officially designated state functionaries, and given conflicting responsibilities and roles. The end result is that public administrators are charged with policy formulation and execution, as well as being the custodian of public funds. However, it is the ministers who are responsible to the public and legislative bodies, and who are supposed to supervise the work of civil servants. The nature of evolving relationships between politicians and careerists depends upon the personnel involved, as well as the emergence of conventions and precedents over time.

Nevertheless, the legal situation requires clarification to avoid misunderstandings, and to inform the public about who has responsibility for specific government actions. Many administrative doctrines are also in need of revision to reflect emerging realities. In countries that have achieved independence since 1945, the institutionalisation of public administration preceded the emergence of legislative bodies and political processes.

The civil services usually combined legislative, administrative and frequently judicial functions in the same officials, and administrative discretion was a major feature of governance systems. With changed circumstances, differentiation should be encouraged as the basis for greater specialisation and professionalisation of the civil services. This would also make administrative discretion more responsible and accountable.

The march of history shows an inexorable movement from personal and absolute dictates to the primacy of the rule of law. Almost all countries now subscribe to the principle, although there are many differences among them

about the nature and source of law. The majesty of law is now a well-established doctrine. Law provides the basic principles for the organisation and survival of civil society. To be effective, however, laws have to be explicit and universally acceptable within society. They should be applicable generally and without discrimination. The resolution of doubts or ambiguities in individual laws, and their application in specific cases, must be handled by strong institutions which can interpret, apply and enforce the laws in an objective manner. The highest governing principles or laws are enshrined in constitutions. Within the constitutional framework, statutory laws are enacted.

Delegated legislation or administrative law is the result of executive orders, rules and regulations. Collectively, this body of law provides the legal framework and the authority exercised by public administration. Developing countries have attempted constitution-making with varying degrees of success. To the extent that some countries have succeeded in bringing about constitutional regimes that enjoy a degree of legitimacy among the people, their governance and public administration system has functioned rather smoothly.

A more common experience is countries whose constitutions have proved ephemeral, or whose legitimacy is not accepted by certain segments of society. These conditions can lead to a wide gap between formal constitutions and realities, and weak processes to resolve constitutional problems through judicial review and interpretation. There may also be differences among national institutions on the role of the judiciary in interpreting laws. In some cases, judgements have been given which have rendered constitutions virtually inconsequential, conferring legal legitimacy on whoever is in power.

Equally important in creating a just society is the guarantee of fundamental human rights. These have been

codified in the United Nations Declaration of Human Rights, and frequently are included in national constitutions. As with other laws and even some constitutions, many countries have also chosen to ignore human rights violations when it suits political purposes. Some laws are actually biased against citizens.

Examples include such practices as preventive detention and administrative or collective punishment. Other laws discriminate against minorities or other disadvantaged groups, or seek to regulate the private behaviour of individuals. Laws regarding access to information also vary widely across developing countries. Protecting state secrets is an obsession in many countries, and their secrecy laws are so sweeping that even trying to get legitimate information can be a crime. Few countries have laws that guarantee and protect access to information, and both privacy rights and property rights can change quickly if political regimes feel threatened.

The legal dimensions of public administration stem from a number of factors. In many countries law making processes do not inform public administration structures and practices. Instead, recourse is made to executive action in setting up departments and other administrative entities. For example, there is a widespread practice of establishing non-statutory corporations and authorities to carry out economic, educational and social activities. Similarly, monitoring and inspection functions and contracting procedures are modified through administrative actions. These practices create anomalies, and encourage expediency rather than rational criteria in organising administrative institutions and processes.

While it is not feasible to subject every minor issue to the lawmaking process, major issues of organisation and management should be dealt with by it. It is equally important to establish legally guidelines for the setting up of non-statutory corporations, authorities and procedures.

There are also fundamental weaknesses in many of the laws that provide public administration with implementation responsibility, such as ambiguities in the laws themselves, arbitrariness, contradictions and complexity.

Some laws give vast discretionary powers to the State and its functionaries, or allow for the suspension of fundamental rights under certain conditions. Sometimes old laws are retained on the statute books alongside new laws on the same subject. Laws may also be made or unmade arbitrarily when a country suffers from political discontinuities.

More important perhaps is the absence of laws covering emerging issues. This is frequently the case in economic and white-collar crimes. Similarly, administrative law has failed to keep current with emerging issues regarding the introduction of market principles and market-based systems. Policy implementation continues to be a problem because the judicial system is weak, inconsistent and slow.

The law may provide for the rule of exception or necessity, which then becomes the norm and defeats the intent of the original law. No procedures may exist for the making and enforcement of administrative laws. Obscure laws may be resurrected when deemed useful to leaders. The majesty of law may be ignored when powerful people are involved, shaking society's confidence, and launching an increasing disrespect for the rule of law. For example, laws may give excessive privileges to senior officials and political directors.

Many observers have lamented that competition for political power and the use of power for material gains are related to a reduced reverence towards the majesty of law. Others have attributed the weakening respect for laws to exploding population, scarce resources and the rapid pace of change. All agree there is a need to change many of the laws inherited from the colonial era to make them

compatible with the workings of a modern independent State.

The objectives of colonial law were control and stability, rather than justice or political empowerment. Frequently, these laws combined executive and judicial powers in the same civil servants, a system still retained in some countries. Legal reforms should be a high priority on government agendas if they are to bring about administrative reform and strengthen the rule of law.

The reforms need to include the codification of laws to eliminate conflicts and confusions, as well as the revision of old laws or enactment of new laws to reflect changed conditions. Judicial institutions also need strengthening to enhance the enforcement of administration law procedures. Likewise, more needs to be done to inform citizens about their rights and responsibilities under the law.

One way to promote respect for the rule of law is for public organisations to become models of legal compliance. Public officials must treat the laws and rules as common standards of official behaviour. More importantly, public officials need to vigilantly review their own and others' behaviour to maintain the highest standards of ethics and performance.

In many countries, citizens are disdainful of the law because they see their government and its officials disregard it. Consequently, many individuals have chosen to exit the state system. Many of the reforms currently being attempted are designed to bring large segments of the national economy and polity back into the state system. These efforts will not be successful unless the average citizen feels the system is fair and just and the rules are clear and transparent.

PUBLIC ADMINISTRATION PROCESS

Within the framework of a "pragmatic" approach, doubts are often cast on the practical importance of conceptual

approach and of clarifying the substance of a matter. Visions, strategic decision-making and even democratic institutions and principles are sometimes perceived as mere play of words without any practical consequences, or even as burdensome for the professional practitioner operation of state administration. The connection with the profanation of the former way of planning and socialist quasi-democracy is obvious.

This fact can be seen in the management of administration without any clear orientation, "based upon a feeling" of officials randomly appointed to their offices, and in the course of inadequate simplification of problems. If the halo-effect, well-known from psychology, and the impact of continuously repeated truths in a little informed environment are considered, no wonder that the statements of officials as well as of the public and politicians confirm attitudes and opinions which show lack of understanding of the sense of the issue and superficial evaluation.

Emphasis is then laid more on non-interference of the self-government with bureaucracy rather than on primarily seeking ways of the full application of the role, powers and responsibilities of self-government and its elected representatives. This can be proved by a certain kind of confusion and embarrassment concerning the role of public administration as public service.

So far, all reform materials have declared this proposition, without interpreting the consequences and proposing concrete measures. Research of the process of formation and implementation of public policy identifies also the following weaknesses in the functioning of public administration:

- Lack of time and concentration, missing legislative and intellectual capacities of the State machinery for the solution of basic conceptual issues of public administration.

- Lack of relevant analytical information, necessary for an effective legislative process and for the allocation of funds in order to support promising innovations and development. Various hypotheses and suggestions in public administration and individual sectors have been integrated neither into a comprehensive vision, nor into consistent long-term interlinked programmes. Formulated concepts remained at the general level, they are rather reflections of political and philosophical views or even prejudice.

A significant disproportion between the need to strengthen the strategic dimension of decision-making and management in India in comparison with the practice in many countries of the world and recommendations of renowned world specialists and institutions can be eliminated only through creating the respective systemic institutional and personnel prerequisites.

Primarily, it is necessary to change political and bureaucratic attitudes in order to abandon existing improvisation, to create necessary databases, a professional basis and to discontinue the reliance on the routine experience only. Neglecting this area, the Government deprives itself of a service which is used currently by governments in the world for securing their success.

Creating the Legislation

Public administration is, in fact, of decisive importance not only in the application and implementation of law but it is designed to fulfil a key role in creating the legislation, with a view to its economic, technical and other special expertise and to its legislative and technical facilities. Urgent needs of securing the democratic system, guarantees of rights and freedoms of citizens and the creation of a legal framework for free business activities and for the functioning of market economy led to extensive and hectic legislative activities.

This development led to an extensive quantitative increase in legal regulations in the past, frequent amendments to which led to confusion in the legislation, to a weakened regulatory function of law, to unstable legislation and thus to weakened legal certainty. Therefore, the criticism of this situation by citizens, the public and entrepreneurs has been justified. The incomprehensibility of some legal regulations, the high administrative demands connected with their use, the ambiguity and inaccuracy of many legal concepts, the validity of numerous obsolete regulations from the times of the old regime and the federation, ambiguities ensuing from many indirect amendments etc. are particularly pointed out.

The creation of laws often fails to consider the requirement that law should be formulated as clearly and in as a reproducible way as possible so that every citizen could know his rights and duties in advance; in addition, citizens must have the possibility of estimating in with sufficient certainty advance what standpoint a judge will keep when hearing his case. Documents adopted within the framework of so-called regulatory reform are stimulating for improving the level of the preparation of legal instruments.

In 1995, the OECD issued recommendations concerning the enhancement of quality of regulatory systems and activities with the aim of increasing the quality and transparency of legislation issued at all management levels and an overall reduction of amendments, improved regulatory co-ordination, the elimination of ineffective regulations and a reduction of bureaucratic formalities. For this purpose, the OECD prepared detailed methodology consisting of ten questions according to which each regulation should be assessed in the course of political decision-making whether or not it is necessary and useful and whether it should be used.

The aim is here to restrict legal regulation, to apply it to a rational extent in which it is necessary and cannot be replaced by other means, especially by self-regulating mechanisms.

In addition to basic approaches, which should either eliminate or justify the necessity of legal regulation, it is necessary to consider in advance the relation between regulation costs and expected benefits while the distribution of the regulation costs and benefits should be made transparent even in the cross-section of social groups.

The requirements that all parties involved in the prepared regulation should have an opportunity to apply their viewpoints and that means for fulfilling the aims of the regulation should be evaluated and assessed is an important methodological instruction.

Legislative rules adopted by the Government are prepared in a traditional way from the viewpoint of organisational procedure used for the preparation of legislation and legislative techniques, they do not contain, however, methodological viewpoints of the regulatory reform. It is necessary to achieve the adoption of new rules which reflect fully UN recommendations concerning the regulatory reform and apply them to the conditions of India.

It would be reasonable in this connection that the Parliament and the Government should orient public administration and all entities participating in the preparation of legislation to a radical cleaning of the legal system to eliminate totalitarian and federal legal regulations, to deregulate or substantially simplify the legislation wherever possible, to rationalise, simplify and accelerate legal procedures and proceedings in favour of citizens and business with the aim of gradually accomplishing the requirement of functioning of public administration as a public service.

As far as the legal harmonisation with EU legislation is concerned, real progress has already been made in a number of areas including legislation, and the ministries and other central bodies monitor this task quite systematically. The structure of ministries and the quality of their staffing, of course, still does not correspond to growing demands not only in respect of approximation of the legislation but also in relation to the securing and checking of its subsequent application.

Administrative rules

The decision-making concerning the rights and duties of natural persons and legal entities is governed by administrative rules and by a whole number of special laws. These legal regulations are undergoing a substantial review at present, with the aim of:

- increasing legal certainty relating to legitimacy, material correctness and predictability of decision-making and procedures of public administration,
- eliminating bureaucratic obstacles which cause troubles to citizens, make business activities more difficult and make the administration more costly,
- meeting our international obligations and European standards.

Some improvements have already been achieved, e.g. the updating of building permit proceedings. Basic changes should be introduced by means of legal regulation of the whole complex of interlinked institutes of administrative proceedings, administrative punishment and administrative judiciary which are being prepared at present.

Public Administration Transformations

The world of government and public administration has travelled far since the early days of its struggle for

disciplinary independence. Lately, there has been talk of the advent of a new spirit in the public sector, or at least expectations of its coming. Some say that such a spirit is already here.

Others aver we are witnessing only the tip of change. The world wide globalisation process supported by stronger orientations towards open markets, open highways of information, growing levels of organisational learning and interdisciplinarity in the social sciences have also made their impact on the study of our bureaucracies.

Yet by all definitions public administration in the beginning of the 2000s still lacks the sense of identity that other fields of the social sciences has long since obtained. In other words, the field is looking back and down into its individuality, searching for orientations and signs that can direct it on its way forward. Today, public administration is already very different from what it used to be forty, thirty, and even twenty or ten years ago. In the coming years it is going to be even more different.

For many years public administration has struggled for its independent position in the social sciences. While in its early years it was part of the more conservative fields of Law, Politics, and Economy, it has been developed today to a unique field, independent in many ways but still enjoying mutual contributions of other disciplines in the social sciences. Moreover, in the last century it has developed a theoretical but also an impressive practical agenda that created remarkable achievements in different ways.

The public sector, both as a science and as a profession is responsible for much of these achievements. At the dawn of the new millennium, however, various new social problems still await the consideration and attention of the state and its administrative system. The question of independency of public administration as a science seems

today less important than in the past. Instead, there are many calls to take advantage of multi disciplinary orientations in the social sciences and to find better ways to integrate them in the current ethos of public administration. It is also suggested that such interdisciplinary ideas, tools, and methods can help to overcome social problems and create effective remedies for the new type of state maladies.

Interdisciplinarity is also translated into is cooperation, collaboration, and a share of information and knowledge. The multi-level, multi-method, and multi-system analysis with a look towards the future are the main frontiers of modern public administration.

The interdisciplinary view endeavours to provide an insight into the complexity of the field by combining different levels of analysis into an integral whole, which better accords with reality. This knowledge may well serve our understanding of how the state, and its executive branches, is managed and of the obstacles to better public performance.

An important task is to illuminate cross-disciplinary principles for greater effectiveness and efficiency of public management in future generations, when environmental pressures will grow, together with an increase in citizens' demands and needs.

An interdisciplinary approach to public administration may thus be of merit for a contentious field in a state of rapid change. It may stimulate new and viable thinking that can lead to additional positive innovation in the old type of bureaucracies.

The central assumption of this essay is that slowly and gradually, but constantly and extensively, a change is being nurtured in public systems and in the attitudes of public managers, politicians, and citizens to the conservative role of public institutions. These transformations carry many

challenges, as well as risks, that citizens, governments, an administrators of the future will have to confront and address. They all represent new alternatives for the evolution of public administration as an art, perhaps also as a science and as a profession.

Our task, as stemming from such a perspective, is to understand better the changes ahead, which have the potential of building bridges into the future of modern democracies. A core assumption, as will be developed here, is that this goal can be achieved only through cooperation among the public, private, and third sector organisations that collaborate through mutual efforts and combined knowledge available in all the relevant social sciences.

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Indian Bureaucratic Systems

India is a Union of States. According to its constitution, India is a "sovereign, socialist, secular, democratic republic." India has a federal form of government. However, the central government in India has greater power in relation to its states, and its central government is patterned after the British parliamentary system.

India's central government is divided into three distinct but interrelated branches: legislative, executive, and judicial. As in the British parliamentary model, the leadership of the executive is drawn from and responsible to the legislative body. In addition, one of the more dramatic institutional battles in the Indian polity has been the struggle between elements wanting to assert legislative power to amend the constitution and those favouring the judiciary's efforts to preserve the constitution's basic structure.

Parliament consists of a bicameral legislature, the Lok Sabha and the Rajya Sabha. Parliament's principal function is to pass laws on those matters that the constitution specifies to be within its jurisdiction. Among its constitutional powers are approval and removal of members of the Council of Ministers, amendment of the constitution, approval of central government finances, and delimitation of state and union territory boundaries. The legislatures of the states and union territories elect 233

members to the Rajya Sabha, and the president appoints another 12.

The elected members of the Rajya Sabha serve 6-year terms, with one-third up for election every 2 years. The Lok Sabha consists of 545 members; 543 are directly elected to 5-year terms. The other two are appointed. The Rajya Sabha is to consist of not more than 250 members 238 members representing the States and Union Territories, and 12 members nominated by the President. Rajya Sabha is a permanent body and is not subject to dissolution. However, one third of the members retire every second year, and are replaced by newly elected members. Each member is elected for a term of six years.

The Vice President of India is the ex-officio Chairman of Rajya Sabha. The House also elects a Deputy Chairman from among its members. Besides, there is also a panel of "Vice Chairmen" in the Rajya Sabha. The senior most Minister, who is a member of Rajya Sabha, is appointed by the Prime Minister as Leader of the House. The Lok Sabha is composed of representatives of people chosen by direct election on the basis of Universal Adult Suffrage. The Constitution provides that the maximum strength of the House be 552 members - 530 members to represent the States, 20 members to represent the Union Territories, and 2 members to be nominated by the President from the Anglo-Indian Community.

At present, the strength of the House is 545 members. The term of the Lok Sabha, unless dissolved, is five years from the date appointed for its first meeting. However, while a proclamation of emergency is in operation, this period may be extended by Parliament by law for a period not exceeding one year at a time and not extending in any case, beyond a period of six months after the proclamation has ceased to operate.

India has a federal form of government and the central government in India has greater power in relation to its

states, and its central government is patterned after the British parliamentary system. The government exercises its broad administrative powers in the name of the president, whose duties are largely ceremonial. The president and vice president are elected indirectly for 5-year terms by a special electoral college. Their terms are staggered, and the vice president does not automatically become president following the death or removal from office of the president. Real national executive power is centered in the Council of Ministers, led by the prime minister. The president appoints the prime minister, who is designated by legislators of the political party or coalition commanding a parliamentary majority. The president then appoints subordinate ministers on the advice of the prime minister.

The Supreme Court has original, appellate and advisory jurisdiction. Its exclusive original jurisdiction extends to any dispute between the Government of India and one or more States or between the Government of India and any State or States on one side and one or more States on the other or between two or more States, if and insofar as the dispute involves any question on which the existence or extent of a legal right depends. The Supreme Court has also a very wide appellate jurisdiction over all Courts and Tribunals in India in as much as it may, in its discretion, grant special leave to appeal under Article 136 of the Constitution from any judgment, decree, determination, sentence or order in any cause or matter passed or made by any Court or Tribunal in the territory of India.

The High Court stands at the head of a State's judicial administration. There are 18 High Courts in the country, three having jurisdiction over more than one State. Among the Union Territories Delhi alone has a High Court of its own. Other six Union Territories come under the jurisdiction of different State High Courts. Each High Court comprises of a Chief Justice and such other Judges as the President may, from time to time, appoint. The Chief Justice

of a High Court is appointed by the President in consultation with the Chief Justice of India and the Governor of the State. The procedure for appointing puisne Judges is the same except that the Chief Justice of the High Court concerned is also consulted. They hold office until the age of 62 years and are removable in the same manner as a Judge of the Supreme Court. To be eligible for appointment as a Judge one must be a citizen of India and have held a judicial office in India for ten years or must have practised as an Advocate of a High Court or two or more such Courts in succession for a similar period.

Each High Court has powers of superintendence over all Courts within its jurisdiction. It can call for returns from such Courts, make and issue general rules and prescribe forms to regulate their practice and proceedings and determine the manner and form in which book entries and accounts shall be kept.

LOCAL GOVERNMENTS IN INDIA

India has 25 states and 7 union territories. At the state level, some of the legislatures are bicameral, patterned after the two houses of the national parliament. The states' chief ministers are responsible to the legislatures in the same way the prime minister is responsible to parliament. Each state also has a presidentially appointed governor who may assume certain broad powers when directed by the central government. The central government exerts greater control over the union territories than over the states, although some territories have gained more power to administer their own affairs. Local governments in India have less autonomy than their counterparts in the United States. Some states are trying to revitalise the traditional village councils, or panchayats, which aim to promote popular democratic participation at the village level, where much of the population still lives.

Local Government Categories and Hierarchies is included in the constitutional amendment act (CAA) of 1992 that sought to bring some uniformity in the constitution of the municipal bodies by classifying them as follows:

- Nagar Panchayat, to be constituted in rural-urban transition areas. These have been conceived to properly channelise the growth impulses in such settlements and also to bring some sort of order in their growth and provision of service;
- Municipal Councils for smaller urban areas; and
- Municipal Corporations for larger urban areas.

Local Government Functions are divided in two categories of obligatory and discretionary.

Obligatory functions:

- Supply of pure and wholesome water;
- Construction and maintenance of public streets;
- Lighting and watering public streets;
- Cleansing public streets, places and sewers;
- Regulation of offensive, dangerous or obnoxious trades and callings or practices;
- Maintenance or support of public hospitals;
- Establishment and maintenance of primary schools;
- Registration of births and deaths;
- removing obstructions and protections in public streets, bridges and other places; and
- Naming streets and numbering houses.

Discretionary functions:

- laying out of areas,
- securing or removing dangerous buildings or places;
- Construction and maintenance of public parks,

- gardens, libraries, museums, rest houses, leper homes, orphanages and rescue homes for women, etc.;
- Planting and maintenance of roadside and other trees;
 - Housing for low income groups;
 - Making a survey;
 - Organising public receptions, public exhibitions, public entertainment, etc.;
 - Provision of transport facilities with the municipality;
 - Promotion of welfare of municipal employees; and
 - providing music for the people

In addition, compulsory primary education is the responsibility of the local bodies in a large number of states. The Municipalities elect the school-based members. Thus, local governments are required to provide for services irrespective of their administrative capacity to do so and have to face unexpected new terms of their own as a consequence of new sets of standards.

STATE AND CIVIL SOCIETY

At the national level, there is no ombudsman. However, ombudsman at state level (Lok Ayutka) have been created in some Indian states such as Karnataka. However, three issues that have clearly emerged across states where the institution exists need to be highlighted.

In the first place, the success and visibility of the institution has more to do with the person who occupies the position than the authority and powers vested in the office. Second, in many states the Lok Ayukta is hampered by the fact that it does not have an independent investigating agency and is dependent on the government agencies to carry forward its investigations. Third, the Lok Ayukta is largely recommendatory and enjoys limited powers to initiate action.

The Constitution of India guarantees every citizen the fundamental right to form associations. These non-governmental organisations have intervened, in significant ways, on behalf of common citizens to ensure the protection of their rights on the one hand and secure the accountability of those exercising power on the other. Some states are involving NGO in the decision making process as well as in defining expenditure priorities. However, a major bottleneck in the Indian democratic framework has been the severe restrictions on the free flow of information to citizens on various aspects of the functioning of government, which has been partially remedied by the Right to Information Act in 2002. A by-product of this new legislation is the need for public agencies to create a Citizens Charter and enumerate the rights of stakeholders. However, the Right to Information Act has faced serious problems in implementation.

The bureaucracy entrusted with the responsibility of making the Act operational has delayed the entire process and created more obstacles in the process in the name of ensuring fairness and justice for all. In addition, the media acted as a watchdog by reporting incidents of misuse of power and corruption.

CIVIL SERVICE RECRUITMENT

The Constituent Assembly, after independence, saw the need for giving a secure and autonomous status to Public Service Commissions both at Federal and Provincial levels for ensuring unbiased recruitment to Civil Services as also for protection of service interests. With the promulgation of the new Constitution for independent India on 26th January, 1950, the Federal Public Service Commission was accorded a constitutional status as an autonomous entity and given the title—Union Public Service Commission. The

Union Public Service Commission have been entrusted with the following duties and role under the Constitution:

- recruitment to services & posts under the Union through conduct of competitive examinations;
- recruitment to services & posts under the Central Government by Selection through Interviews;
- advising on the suitability of officers for appointment on promotion as well as transfer-on deputation;
- advising the Government on all matters relating to methods of Recruitment to various services and posts;
- Disciplinary cases relating to different civil services; and
- Miscellaneous matters relating to grant of extra ordinary pensions, reimbursement of legal expenses etc.

The two Organisations through which the Department ensures recruitment of personnel for the Government are the Union Public Service Commission (UPSC) and the Staff Selection Commission (SSC). The former is constituted under a provision of the Constitution and is responsible for conducting examinations for appointment to the higher civil services and civil posts under the Union Government, including recruitment to the All India Services. There is a mandatory provision for consulting the Commission on all matters relating to methods of recruitment, principals to be followed in making promotions and transfers from one service to another and on all disciplinary matters.

The SSC is responsible for making recruitment to subordinate staff such as Assistants, Stenographers etc. Public Enterprise Selection Board (P.E.S.B.) is responsible for the selection and placement of personnel in the posts of Chairman, Managing Director or Chairman-cum-Managing Director (Level-I), and Functional Director (Level-II) in Public Sector Enterprises as well as in posts at any other level as may be specified by the Government.

In accordance with the procedure decided by the Government, in consultation with the Commission,

Chairman or a Member of the Commission presides over the Departmental Promotion Committee Meetings to consider promotions from Group B to Group A and from one grade to another within group A, where promotion is to be made by Selection. For lower civil servants promotions are time bound and increase in privileges are automatic. Selected candidates are first put through a training session for a short period.

The Government of India has fixed salary grades for Civil Servants. Approximately the range of salaries drawn at various levels is as follows:

- Junior Officers: Rs. 8000-275-13500
- Senior Officers: Rs. 10650-325-15200
- Junior Administrative Grade: Rs. 12,750-375-16,500
- Selection Grade: Rs. 15,100-400-18,300
- Additional Secretary: Rs. 22400-525-24500
- Secretary/Cabinet Secretary: Rs. 26,000/30,000

However, different branches of the service have different scales of pay as well as receive various allowances such as Dearness Allowance, City compensatory Allowance, Leave Travel Allowance, Medical and subsidised housing.

Established in the year 1948, with the ideals of "Efficiency and the Public Good", the Institute of Secretariat Training & Management was mainly engaged in the task of imparting training to the various grades of officers in the Central Secretariat.

The objective of the institute is to:

- plan, design and conduct post-entry foundational, refresher and specialised training programmes for different grades of officers upto the middle management level, so as to enable them to perform their duties more effectively and shoulder greater responsibilities in the future, by increasing their professional competence;

- assess the training needs at various levels in the Secretariat as well as the related field organisations and organise training programmes to meet these needs;
- create and foster among the participants a positive and innovative outlook to work, and a sense of fraternity and team-spirit;
- provide faculty support to State Governments and Union Territory Administrations by way of conducting Peripatetic Training programmes, assist them in designing their training courses and help them in preparing their training materials; and
- To produce monographs and other training literature/ material, relevant to the training courses designed and conducted by the Institute.

The Institute is one of the leading training institutes in the country and is providing training to the officials of the Central and the State Governments, Public Sector Undertakings and Autonomous Bodies, in a number of specialised areas. The Director of the Institute is an officer of the rank of Joint Secretary to the Government of India. After being identified as one of the Govt. training institute for implementing Total Quality Management practices in 1997 the institute has developed Vision/Mission statement, identified key processes and framed objectives for the Institute leading to its ideal of "Efficiency & Public Good".

INDIAN CONSTITUTION AND ADMINISTRATION

The Preamble to the Indian Constitution deals with the aims and objectives, the targets and ideals; and the basis and foundations of the Indian Constitution. The Preamble is directly related to the Objective Resolution passed by the Constituent Assembly on January 22, 1947. Some of the important provisions of the Resolution were as follows :

- This Constituent Assembly declares its firm and solemn resolve to proclaim India as an Independent

Sovereign Republic and to draw up for the future governance a constitution;

- wherein all power and authority of the Sovereign Independent India, its constituent parts and organs of government are derived from the people;
- wherein shall be guaranteed and secured to all the people of India justice - social, economic and political; equality of status, of opportunity, and before the law; freedom of thought, expression, belief, faith, worship, vocation, association and actions, subject to law and public morality, and
- wherein adequate safeguards shall be provided for minorities; backward and tribal areas, and depressed and other classes.

B.N Rau, the constitutional advisor to the Constituent Assembly, prepared a draft of the Preamble based on this Resolution. The Drafting Committee considered this draft and after making some changes adopted it at the stages of the working of the Constituent Assembly so that it was in conformity with the constitutional provisions.

The Preamble states that "We, the People of India, having solemnly resolved to constitute India into a Sovereign, Socialist, Secular, Democratic Republic and to secure to all its citizens; Justice - social, economic and political; Liberty of thought, expression, belief, faith and worship; Equality of status and of opportunity; and to promote among them all Fraternity assuring the dignity of the individual and the unity and integrity of the Nation; in our Constituent Assembly this twentysixth day of November, 1949, do hereby Adopt, Enact and Give to Ourselves this Constitution".

Now, if we analyse the Preamble, the first thing that we note is that it refers to The People of India who have adopted, enacted and given to themselves this Constitution. The implication of this terminology is that it

declares the people of India to be the sovereign authority. It is to be noted that the leaders of our national movement always emphasised the sovereignty of Indian people. This Constitution was drafted and adopted by a Constituent Assembly that was not elected directly by the people.

In fact, the Legislative Assemblies of the Indian Provinces elected it indirectly. The Assemblies themselves were elected in 1946 according to the provisions of the Government of India Act, 1935. The Act had provided for a restricted franchise. Most of the representatives of the princely states in the Constituent Assembly did not enjoy even this much representative character. In spite of these limitations, the Constituent Assembly could be called real representative of the people because it had representation of almost all shades of opinions. It was possible because of the magnanimity of those who ruled over India then. They saw to it that all sections of people of India have a place in the Constituent Assembly.

Another important feature of the Preamble is that it aims at making India a sovereign, socialist, secular, democratic Republic. Sovereignty implies that India is absolutely free from any other authority, internal or external. Though some critics are of the opinion that the membership of the Commonwealth compromises this status, yet it is not true. The Commonwealth has undergone a sea-change from its original position and now it is purely a voluntary association of independent and sovereign States.

The terms socialist and secular were added in the Preamble by the Constitution (Forty Second Amendment) Act, 1976. The term socialist indicates the incorporation of the philosophy of socialism in the Constitution. It is to be remembered that K.T. Shah, a member of the Constituent Assembly proposed in the Assembly, had the inclusion of this term in the Preamble. But Nehru had strongly opposed it because according to him, they had already provided for

the substance of economic democracy in the Constitution in chapters on Fundamental Rights and Directive Principles of State Policy and there was no need for the inclusion of such terms that were likely to be interpreted differently by different people.

Similarly, there was also a proposal in the Constituent Assembly for inclusion of the term secular in the Preamble, but it was also opposed on the ground that there was no fixed meaning attached to this term. However leadership, in 1976, felt the need for inclusion of this term in the Preamble. It is noteworthy that the term secular, as interpreted by the courts in India, means that 'the State' shall not discriminate between different religions and all shall be treated equally.

The term democratic implies that the Governments are elected and accountable for their deeds to the people of India. Elections have to be held at regular intervals and people are allowed to exercise their franchise freely and fairly. It also means that there shall prevail the rule of law and no one could act arbitrarily. The term Republic implies that the Head of the State gets his office by election by the people and not by hereditary claims. The Preamble also aims at securing to all citizens Justice: social, economic and political.

Though it is not easy to give a precise meaning of the term justice, by and large, it can be stated that the idea of justice is equated with equity and fairness. Social justice, therefore, would mean that all sections of society, irrespective of caste, creed, sex, place of birth, religion or language, would be treated equally and no one would be discriminated on any of these grounds. Similarly, economic justice would mean that all the natural resources of the country would be equally available to all the citizens and no one would suffer from any undeserved want.

Similarly, Political justice entitles all the citizens equal political rights such as right to vote, right to contest

elections and right to hold public office etc. The Preamble also keeps liberty of thought, expression, belief, faith, and worship as its ideals. It means that the citizens would be free to follow a religion of their own choice and express their views freely and frankly. 'The State' would not interfere in all these matters. The Preamble also provides for equality of status and opportunity. It implies that all the citizens would be able to make full use of their talents without any interruption and develop their personality to the maximum extent possible.

Lastly, the Preamble also aims at developing fraternity assuring the dignity of individual and the unity and integrity of the nation. It means that the common brotherhood, to be developed in India, would be based on the dignity of the individual without any consideration of his status in society. Similarly, such a brotherhood should also lead to the unity and integrity of the nation.

In nutshell, the Preamble aims at a social order wherein the people would be sovereign, the government would be elected by and accountable to people, the powers of the government shall be restricted by the rights of people and people would have ample opportunities to develop their talents. Though the Preamble is not technically enforceable through courts of law, it is useful in interpreting the various provisions of the Constitution and acts as a beacon in conflicting situations.

Features of the Indian Constitution

The salient features of the Indian Constitution are of two types. There are some features that are unique to this Constitution; no previous constitution possessed them, while there are others which, though not peculiar, are still important characteristics.

Framed by the People of India: This Constitution has been framed by the representatives of the people of India through a Constituent Assembly during 1946-1949. Prior to

it, the British Parliament enacted all the constitutions. The Constituent Assembly, however, was elected indirectly by the Provincial Legislative Assemblies that were themselves elected on a restricted franchise. The representatives of the princely states were the nominees of their rulers. In spite of it, the Constituent Assembly could be called a representative body because the then ruling party at the Centre had decided to give representation to all sections of society as well as to all shades of opinion.

Derived from Various Sources: It is a unique document that was derived from various sources. Our constitution makers were inspired to draft the provisions regarding Fundamental Rights and Supreme Court from the U.S.A, Directive Principles of State Policy from Ireland, Emergency from Germany, Distribution of legislative powers from Canada, and Parliamentary Institutions from the United Kingdom. Besides, they borrowed extensively from the Government of India Act, 1935.

Sovereignty of the People: The Constitution declares the people of India to be the supreme authority. Prior to it, the supreme authority lay in the British Parliament. Even the Indian Independence Act, 1947 through which India got independence recognised the supremacy of the British Parliament. The term Sovereignty implies that the people of India are not subordinate to any other external agency. The membership of the Commonwealth of Nations, sometimes, is misinterpreted as a limitation on the sovereignty of the people of India. This, however, is not correct. The Commonwealth has now undergone a sea-change. It is now purely a voluntary association of independent sovereign States.

Republican Polity: The Constitution provides for the republican form of polity in India. Prior to it, the British king was the Head of the State who owed his office to the laws of inheritance. It is noteworthy that in Ancient India there existed republican governments in a number of parts

for about one thousand years. But in modern times there was not a single territory where republican form of government prevailed.

Secular Polity: This Constitution provides for a secular polity in India. Though the term secular has not been defined in the Constitution anywhere, the substance of secularism can be deduced from various provisions of the Constitution. It has been used in the sense of absence of discrimination on grounds of religion and equal respect for all religions. Prior to it, the Government of India Act, 1935 had provided for a separate department of Ecclesiastical Affairs.

Fundamentals Rights and Duties: The Constitution provides for Fundamental Rights and Fundamental Duties of the citizens of India. No previous constitution provided for them. The leaders of the Indian National Movement always demanded for the inclusion of Fundamental Rights in the Constitution of India. The Constitution initially did not provide for Fundamental Duties. This provision was inserted in the Constitution through the Constitution Act, 1976.

Directive Principles of State Policy: The Constitution provides for the Directive Principles of State Policy. No previous constitution had such a provision. Though the Instrument of Instructions attached to the Government of India Act, 1935, appears to be analogous to the Directives, the aims and objects of the two are very different. It is to be noted that the leaders of the Indian National Movement had made various promises regarding the Fundamental Rights that the citizens of free India would enjoy.

But when India got independence in 1947, the leaders realised that they did not possess sufficient means to grant those rights, particularly economic and social rights, immediately. But at the same time they did not want to go back upon their promises. They, therefore, decided to put the Fundamental Rights into two categories:

- those that were granted immediately and
- those that would be granted in future if and when they were capable to do so.

Judicial Review: The Constitution provides for the judicial review of the Acts of Legislatures as well as of the activities of the executives. Prior to it, there was no such provision. This provision keeps the legislative and the executive branches of governments under restraint and they cannot exercise their authority arbitrarily.

Universal Adult Franchise: It provides for the universal adult franchise. Prior to it all the constitutions provided for restricted franchise. According to the Government of India Act, 1935, which granted the largest amount of franchise, only 14% of the people had a right to vote. It is noteworthy that most of the western democracies had taken a number of decades to grant such a right to their citizens. It is really a very revolutionary step taken by the Constituent Assembly to grant universal adult franchise by a stroke of pen.

Recognition of Hindi as an Official Language: The Constitution recognises Hindi as the official language of the Indian Union. Prior to it, English was the only official language of India. Besides Hindi, the Constitution also recognises seventeen other Indian languages as regional languages.

Unique Blend of Rigidity and Flexibility: The Constitution provides for an amending procedure. Prior to it, there was no provision for an amendment of the prevalent constitution. The British Parliament alone was entitled to do it. The procedure for an amendment is a unique blend of rigidity and flexibility. Some provisions of the Constitution can be amended by simple majority of the two Houses of Parliament, though technically they are not treated as amendments in the constitution, others require absolute majority of the total strength of the two Houses of Parliament and two-thirds majority of the members present

and voting and still others require an additional support by half of the States' legislatures.

For instance, a change in the name or territory of a State can be made through an ordinary law enacted by the two Houses of Parliament; whenever there is a change proposed in the federal character of the Constitution, absolute majority of the total strength of the two Houses of Parliament and two-thirds majority of the members present and voting and also ratification by at least half the State Legislatures is required; in all other matters a resolution passed by an absolute majority of the two Houses of Parliament and two-thirds majority of the members present and voting is sufficient for any change in the Constitution.

Comprehensive Document: It is a comprehensive document having 395 Articles and twelve Schedules. Originally there were only eight Schedules. Later on, various Constitution Amendment Acts added four new Schedules. Prior to it, the Government of India Act, 1935, was also an extensive document having 321 Sections and ten Schedules.

Parliamentary Democracy: It provides for a full-fledged Parliamentary Democracy. Prior to it, steps were taken in this direction, particularly by the Government of India Act, 1935, which provided for Provincial Autonomy, but there were so many restraints laid down that full Parliamentary Democracy could not be evolved. In a parliamentary democracy elections are held at regular intervals for choosing the representatives of the people. The representatives control the executive and the Council of Ministers who in turn is collectively responsible to them.

Federal Form of Polity: It provides for a federal form of polity. Though the Government of India Act, 1935, had also provided for the establishment of a federal form of government, due to strong opposition, particularly from the princely states, it could not take a practical shape. Even after the establishment of a federal form of government,

according to the provisions of the Constitution, there are critics who are dissatisfied with it as it is fully loaded with strong centralising tendencies. In fact, some critics go to the extent of calling it a Unitary Constitution with some Federal features rather than a Federal Constitution with strong unitary tendencies.

Affirmative Action: The Constitution provides for affirmative action by the State to improve the conditions of the weaker sections of society by providing reservations in the legislatures and government jobs. Prior to it the Indian Councils Act, 1909, the Government of India Act, 1919, and the Government of India Act, 1935, also had provided for the policy of reservation.

Emergency Provisions: The Constitution makes provisions for national emergency, failure of constitutional machinery and financial emergency. Prior to it the Government of India Act, 1935, also had, more or less, similar provisions. By national emergency we mean an emergency which is declared when the President is satisfied that the security of India or of any part thereof is threatened by war or external aggression or armed rebellion, he may proclaim an emergency.

In such a situation the federal character of the Constitution takes the shape of a unitary constitution. By failure of constitutional machinery we mean a situation where President feels satisfied that it is not possible to carry on the Government of a State according to the provisions of the Constitution, he can impose President's rule in that State. The executive authority of the State becomes subordinate to the Union executive and the legislative authority of the State becomes subordinate to Parliament.

By financial emergency we mean a situation when the financial stability of the nation or of any part thereof is at stake, then President may declare a financial emergency. Such a declaration authorises the President to issue directions to States with regard to the way they must

manage their financial affairs. It also authorises President to reduce salaries, allowances etc., of all such office holders who get them from Consolidated Fund of India and ordinarily are not subject to reduction.

Independent Agencies: The Constitution also provides for some Independent Agencies to perform functions allotted to them. Prior to it, the Government of India Act, 1935 also had provided for such Agencies. Some of the Agencies, provided by the Constitution are as follows:

- Election Commission for conducting free and fair elections of the Union and States' Legislatures and of the President and Vice President of India. Provisions have been made to make the members of the Commission free from executive control.
- Comptroller and Auditor General to keep a watch on the finances and accounts of the Union and States. Provisions have been made to keep him free from any control of the executive of the Union or States.
- Union and State Public Service Commissions to conduct examinations and interviews for recommending candidates for appointments in higher services in both the Centre and the States.

73RD AND 74TH CONSTITUTIONAL AMENDMENTS

73rd Constitutional Amendment

Panchayats

3 – *Tier System:* PART IX of the Constitution envisages a three-tier system of Panchayats, namely, (a) The village level; (b) The District Panchayat at the district level; (c) The Intermediate Panchayat which stands between the village and district Panchayats in the States where the population is above 20 lakhs.

Composition: All the seats in a Panchayat shall be filled by persons chosen by direct election from territorial

constituencies in the Panchayat area. The electorate has been named Grama Sabha consisting of persons registered in the electoral rolls relating to a village comprised within the area of a Panchayat. In this way representative democracy will be introduced at the grass roots. The Chairperson of each Panchayat shall be elected according to the law passed by a State and such State Law shall also provide for the representation of Chairpersons of Village and Intermediate Panchayats in the District Panchayat, as well as members of the Union and State Legislature in the Panchayats above the village level.

Reservation of seats for Schedule Castes and Scheduled Tribes: Article 243D provides that seats are to be reserved for (a) Scheduled Castes, and (b) Scheduled Tribes. The reservation shall be in proportion to their population. If, for example, the Scheduled Castes constitute 30% of the population and the Scheduled Tribes 21%, then 30% and 21% seats shall be reserved for them respectively. Out of the seats so reserved not less than 1/3rd of the seats shall be reserved for women belonging to Scheduled Castes and Scheduled Tribes, respectively.

Reservation for women: Not less than 1/3rd of the total number of seats to be filled by direct elections in every Panchayat shall be reserved for women.

Reservation of offices of Chairpersons: A State may by law make provision for similar reservation of the offices of Chairpersons in the Panchayats at the village and other levels. These reservations favouring the Scheduled Castes and Scheduled Tribes shall cease to be operative when the period specified in Article 334. A State may by law also reserve seats or offices of Chairpersons in the Panchayat at any level in favour of backward classes of citizens.

Duration of Panchayat: Every Panchayat shall continue for five years from the date of its first meeting. But it can be dissolved earlier in accordance with the procedure prescribed by State Law. Elections must take place before

the expiry of the above period. In case it is dissolved earlier, then the elections must take place within six months of its dissolution. A Panchayat reconstituted after premature dissolution (i.e., before the expiry of the full period of five years) shall continue only for the remainder of the period. But if the remainder of the period is less than six months it shall not be necessary to hold elections.

Qualification for Membership: Article 243F provides that all persons who are qualified to be chosen to the State Legislature shall be qualified to be chosen as a member of a Panchayat. The only difference is that a person who has attained the age of 21 years will be eligible to be a member (in case of State Legislature the prescribed age is 25 years—Article 173). If a question arises as to whether a member has become subject to any disqualification, the question shall be referred to such authority as the State Legislature may provide by law.

Powers, Authority and Responsibilities of Panchayats: State Legislatures have power, to confer on the Panchayats such powers and authority as may be necessary to enable them to function as institutions of self-government [Arts. 243G-243H]. They may be entrusted with the responsibility of (a) preparing plans for economic development and social justice, (b) implementation of schemes for economic development and social justice, and (c) in regard to matters listed in the Eleventh Schedule (inserted by the 73rd Amendment). The list contains 29 items, e.g., land improvement, minor irrigation, animal husbandry, fisheries, education, women and child development etc. The 11th Schedule thus distributes powers between the State Legislature and the Panchayat just as the 7th Schedule distributes powers between the Union and the State Legislature.

Powers to impose taxes and financial resources: A State may by law authorise a Panchayat to levy, collect and appropriate taxes, duties, tolls etc. The law may lay down

the procedure to be followed as well as the limits of these exactions. It can also assign to a Panchayat various taxes, duties etc. collected by the State Government. Grants-in-aids may be given to the Panchayats from the Consolidated Fund of the State.

Panchayat Finance Commissions: Within one year from 25th April 1993, i.e., the date on which the Constitution 73rd Amendment came into force and afterwards every five years the State Government shall appoint a Finance Commission to review the financial position of the Panchayats and to make recommendations as to—

- the distribution between the State and the Panchayats of the net proceeds of taxes, duties, tolls and fees leviable by the State which may be divided between them and how allocation would be made among various levels of Panchayats;
- what taxes, duties, tolls and fees may be assigned to the Panchayats;
- grant-in-aid to the Panchayats.

The report of the Commission, together with a memorandum of action taken on it, shall be laid before the State Legislature. These provisions are modelled on Article 280 which contains provisions regarding appointment of a Finance Commission for distribution of finances between the Union and the States.

74th Constitutional Amendment

Municipalities

PART IXA which has come into force on 1-6-1993 gives a constitutional foundation to the local self-government units in urban areas. In fact such institutions are in existence all over the country. Some of the provisions are similar to those contained in Part IX, e.g., Reservation of Seats, Finance Commission, Election Commission etc.

This part gives birth to two types of bodies:

- Institutions of self-government [Art. 243Q], and
- Institutions for planning [Arts. 243ZX and 243 ZE].

Institutions of self-government, called by a general name “municipalities” are of three types:

- Nagar Panchayat, for a transitional area, i.e., an area which is being transformed from a rural area to an urban area.
- Municipal Council for a smaller urban area.
- Municipal Corporation for a larger urban area.

Article 243Q makes it obligatory for every State to constitute such units. But if there is an urban area or part of it where municipal services are being provided or proposed to be provided by an industrial establishment in that area then considering also the size of the area and other factors the Governor may specify it to be an industrial township. For such an area it is not mandatory to constitute a Municipality.

Composition of Municipalities: The members of a municipality would generally be elected by direct election. The Legislature of a State may by law provide for representation in a municipality of (i) persons having special knowledge or experience in municipal administration, (ii) Members of LOk Sabha, State Assembly, Rajya Sabha and Legislative Council, and (iii) the Chairpersons of Committees constituted under Cl of Art.243S. The Chairperson shall be elected in the manner provided by the Legislature.

Wards Committee: For one or more wards comprised within the territorial area of a municipality having a population of three lacs or more it would be obligatory to constitute Ward Committees. The State Legislature shall make provision with respect to its composition, territorial area and the manner in which the seats in a ward committee shall be filled.

Other Committees: It is open for the State Legislature to constitute Committees in addition to the wards committees.

Reservations of seats for Scheduled Castes and Scheduled Tribes: As in Part IX reservations of seats are to be made in favour of the Scheduled Castes and Scheduled Tribes in every Municipality.

Reservation for Women: Out of the total number of seats to be filled by direct elections at least 1/3rd would be reserved for women. This includes the quota for women belonging to Scheduled Castes and Tribes.

Reservation of offices of Chairpersons: It has been left to the State legislature to prescribe by law the manner of reservation of the offices of the Chairpersons of Municipalities. All reservations in favour of Scheduled Castes and Tribes shall come to an end with the expiry of the period specified in Art. 334. It is permissible for a State Legislature to make provisions for reservation of seats or offices of Chairpersons in favour of backward classes.

Duration of Municipalities: Every Municipality shall continue for five years from the date of its first meeting. But it may be dissolved earlier according to law. Article 243Q further prescribes that before dissolution a reasonable opportunity of being heard must be given to the municipality. Elections to constitute a Municipality shall be completed before the expiry of the period of five years. If the Municipality has been superseded before the expiry of its term, the elections must be completed within six months of its dissolution. A Municipality constituted after its dissolution shall continue only for the remainder of the term. But if the remainder of the period is less than six months it shall not be necessary to hold elections. It has been provided that no amendment of the law in force shall cause dissolution of a Municipality before the expiry of the five years term.

Qualification for Membership: Article 243V lays down that all persons who are qualified to be chosen to the State

legislature shall be qualified for being a member of a Municipality. There is an important difference. Persons who have attained the age of 21 years will be eligible to be a member. While the constitutional requirement is that for election to the State legislature of a State a person must have attained the age of 25 years.

Powers, authority and responsibilities of Municipalities: Legislatures of States have been conferred the power [Art. 243W] to confer on the Municipalities all such powers and authority as may be necessary to enable them to function as institutions of self-government. It has specifically been mentioned that they may be given the responsibility of (a) preparation of plans for economic development and social justice, (b) implementation of schemes as may be entrusted to them, and (c) in regard to matters listed in the 12th schedule. This schedule contains 18 items, e.g., Urban Planning, Regulation of Land Use, Roads and Bridges, Water Supply, Public Health, Fire Services Urban Forestry, Slums etc.

Powers to Impose Taxes and Financial Resources: A State Legislature may by law authorise a Municipality to levy, collect and appropriate taxes, duties, tolls etc. The law may lay down the limits and prescribe the procedure to be followed. It can also assign to a Municipality various taxes, duties etc. collected by the State Government. Grants-in-aid may be given to the Municipalities, from the Consolidated Fund of the State.

Panchayat Finance Commission: The Finance Commission appointed under Art. 243-I shall also review the financial position of the Municipalities and make recommendations as to-

- the distribution between the State and the Municipalities of the net proceeds of taxes, duties, tolls and fees leviable by the State which may be divided between them and how allocation of shares amongst various levels of Municipalities.

- the taxes, duties, tolls and fees may be assigned to the Municipalities.
- grant-in-aid to the Municipalities
- the measures needed to improve the financial position of the Municipalities.
- any other matter that may be referred to it by the Governor.

ORGANISATION AND FUNCTIONS OF ADMINISTRATION BODIES

The Ministries and the Departments are collectively known as the Secretariat. The Secretariat can be divided into two categories - Central Secretariat and the Cabinet Secretariat. While the Central Secretariat caters to the needs of the administration in general, the Cabinet Secretariat deals with the administration relating to the Cabinet affairs only. The number of Ministries and Departments varies from time to time depending on the volume and variety of work priorities and political expediency.

A ministry may comprise one or more allied Departments or may not have any separate Department. The ministry is headed by a Minister, who is assisted by career bureaucrats such as the Secretary, Additional Secretaries, Joint Secretaries, Directors, Deputy Secretaries, Under Secretaries and the Section Officers. For purposes of internal organisation, a ministry is divided into segments with an officer in charge of each of them to expedite matters.

The lowest segment is a Section, which is in charge of a Section Officer and consists of a number of assistants, clerks, 'daftaries', typists and peons. It deals with the work relating to the subjects allotted to it. It is also referred to as the Office. Two Sections constitute a Branch, which is under the charge of an Under Secretary, who is also known as the Branch Officer. Two Branches ordinarily form a Division, which is normally headed by a Deputy Secretary. When the

volume of work in a ministry exceeds the manageable size, one or more Wings are established, with a Joint Secretary in charge of each wing. The functions and the role of all these above-mentioned officers are as follows.

- *Secretary*: A Secretary is the administrative head of a ministry or a department; as the case may be. He is the principal advisor to the Minister on all the matters of policy and administration and is responsible for its efficient administration. He represents his Ministry/ Department before the Public Accounts Committee of Parliament. He receives weekly report from the Department. Recently, a new trend has developed in the administrative structure. In some ministries a post has been created by the name of Special Secretary to look after some specific work.
- *Additional Secretary*: Originally, the officer next in hierarchy to the Secretary was the Deputy Secretary, but then, due to either pressure of work on the Secretary or to reward some senior Joint Secretaries, by raising both their salary and rank, the post of Additional Secretary was created.
- *Joint Secretary*: This post was created for three reasons: increase in the functions of some departments making it difficult for one Secretary to cope with the increased work, difficulty in combining separate items of business under one Secretary and the emergence of two Houses of Central Legislature which necessitated the presence of senior officers in both the Houses to assist the members in the legislative work.
- *Deputy Secretary*: A Deputy Secretary is an officer who acts on behalf of the Secretary and holds charge of a Division. He ordinarily disposes off the majority of cases coming to him.
- *Under Secretary*: An Under Secretary is in charge of a Branch and exercises control both in regard to the dispatch of business and the maintenance of discipline.

- *Section Officers:* Superintendents, who are in charge of Sections, are called Section Officers. Their supervisory duties comprise distribution of work among their staff; training, helping and advising the staff; coordination of work in the section; ensuring prompt and efficient disposal of work in the section and adoption of proper methods to deal with the cases; timely submission of arrear statements and other periodical returns etc.

In addition to the Section Officer, each section consists of Assistants, Upper Division Clerks, Lower Division Clerks and Typists. They are entrusted the work of a routine nature and submit the relevant papers to the Section Officer referring to the pages of the file. The bulk of the posts are filled by the officers of the Indian Administrative Service, Class I Central Services and the Selection grade of the Central Secretariat Service. The Union Government, thus, depends, to a large extent, on officers taken on deputation for a fixed period. However, there are some exceptions. For instance, all the Secretariat posts in the Ministry of External Affairs are held by officers belonging to the Indian Foreign Service. Similarly, the officers in the Ministry of Railways and Central Legal Service are held by those who belong to the Railway Service and Central Legal Service respectively.

Central Secretariat

The main functions of the Central Secretariat are to assist the Minister in the process of policy making; assist in the framing of legislation, rules and regulations; exercise supervision and control over the executive departments or semi-autonomous field agencies, regarding the execution of policies and programmes; help the Minister in the discharge of his parliamentary responsibilities and help in preparing the Budget and controlling the expenditure to be incurred by the Ministry/Department.

Cabinet Secretariat

The origin of the Cabinet Secretariat can be traced back from the time of the British period. When the work of the Government of India expanded, the Governor-General distributed the work of different departments among the various members of the Executive Council and retained only some important functions with himself. He was assisted by a Private Secretary in these functions. In the beginning, the Private Secretary did not accompany the Governor-General to the Executive Council, but during the regime of Lord Wellington, the Private Secretary, for the first time, was asked to accompany the Governor-General to the meetings of the Executive Council.

Later on, in 1935, the Private Secretary was designated as the Secretary to the Executive Council. He performed twofold functions, Private Secretary to the Governor-General as well as Secretary to the Executive Council. A little later the two functions were separated and were assigned to two different persons holding two different posts. Thus, the post of the Secretary of the Executive Council came into being. This post, later on, when India became independent, began to be called the Cabinet Secretary. The office attached to the Cabinet Secretary began to be called Cabinet Secretariat.

The efficiency of the Cabinet depends, to a large extent, on the Cabinet Secretariat whose functions are to prepare the agenda of the Cabinet meeting, to provide information and material necessary for its deliberations and to draft records of the discussions and decisions, both of the Cabinet and its committees. It keeps the President, the Vice-President and all the Ministries informed of the major activities of the Government. It has three wings viz. the civil wing, the military wing and the intelligence wing.

The civil wing provides secretarial machinery for the Cabinet and the various Committees of the Cabinet. The military wing is responsible for all secretarial work

connected with meetings of the Defence Committee, National Defence Council, Military Affairs Committee and a number of other Committees concerned with defence matters. The intelligence wing concerns itself with matters relating to the Joint Intelligence Committee of the Cabinet.

The head of the Cabinet Secretariat is the Cabinet Secretary. The Cabinet Secretary is usually the senior most civil servant of the country and the official precedence gives him the first place among the civil servants. The role of the Cabinet Secretary has been very well brought out by S. S. Khera, who states that the Cabinet Secretary provides the eyes and ears for the Prime Minister to keep in touch with the process of official business in the Central Government.

Public Undertakings

A significant feature of administration in independent India is the increasing Government intervention in the economic field. Such intervention has assumed three principal forms introduction of planned economy, manipulation of public finance and administration of public undertakings. Governmental intervention of a positive kind in the ownership, operation and regulation of public enterprises and public utility services has today become all comprehensive and varied. There are three principal forms in which our public enterprises have been organised: Departmental Undertakings, Government Companies and Statutory Public Corporation.

Public Corporations

A public corporation is a legal entity created by the Government, but exterior to the Government organisation, hence financially independent for the purposes of carrying on the specified activity in the manner prescribed in the law creating it. It is "a combination of public ownership, public accountability and business management for public ends". Some of the important public corporations are Damodar

Valley Corporation, Indian Airlines Corporation, Air India, Life Insurance Corporation, Food Corporation of India, Industrial Finance Corporation.

Public Corporations are owned by the State and created by a special law defining its objects, powers, duties and privileges and prescribing the form of management and its relationship with government departments. They are usually independently financed. They obtain funds by borrowing either from the government or, in some cases, from the public and through revenues derived from the sale of goods and services. The employees of public corporations are not government servants. However, they may be taken from government departments on deputation.

Statutory Authorities

In the administration of public affairs, along with the Ministries and Departments, extensive use has been made of Statutory Authorities at various levels of Government. In order that the executive functions of the Government could be carried out without any fear or pressure, the constitution makers have provided for setting up of the following Constitutional Statutory Authorities to deal with certain specified duties.

The Constitution makes it obligatory for the central government to constitute a Public Service Commission to assist it in the recruitment, promotion and maintenance of discipline amongst the Central and All India Services. The exact strength of the Commission is not specified in the Constitution. The President is empowered to determine the strength. The President appoints the Chairman and other members of the Commission on the advice of the Central Ministry.

The Constitution provides that, as nearly as may be, one-half of the members must be persons who have held office for at least ten years under the Government of India.

A member of the Union Public Service Commission holds office for a period of six years from the date he assumes his office or until he attains the age of sixtyfive years, whichever is earlier. A member of the Commission may address his resignation letter to the President.

The Chairman or any other member of the Commission can be removed from his office by the order of the President only on the ground of misbehaviour after the Supreme Court, on reference being made to it by the President, has, on inquiry held in accordance with the procedure laid down, reported that the Chairman or the member, as the case may deserve, to be removed. The President may remove the Chairman or any other member, as the case may be, if he is adjudged insolvent or is engaged in any paid employment outside the duties of his office or is, in the opinion of the President, unfit to continue in office by reason of infirmity of mind or body.

Functions: It shall be the duty of the Commission to conduct examinations for appointments to the services of the Union Government. The Commission shall be consulted on all matters relating to methods of recruitment to civil services and for civil posts and on the principles to be followed in making appointments to civil services and posts and in making promotions and transfers from one service to another and on the suitability of candidates for such appointments, promotions or transfers.

The Commission is also consulted on any claims for the award of a pension in respect of injuries sustained by a person while serving under the Government of India or the Government of a State, in a civil capacity and any question as to the amount of any such awards as well as on all disciplinary matters affecting the persons serving under the Government of India or the Government of a State. It shall be the duty of the Commission to present annually to the President a report as to the work done by the Commission

and the President shall cause it to lay before each House of the Parliament.

In order to hold the elections freely and fairly; the Constitution provides for an Election Commission that consists of the Chief Election Commissioner and such number of other Commissioners, as the President may from time to time fix. They are appointed by the President. If other Commissioners are appointed as members of the Election Commission, the Chief Election Commissioner acts as the Chairman. The President may also appoint, after consultation with the Election Commission, such Regional Commissioners, as he may consider necessary, to assist the Election Commission in the performance of its functions.

The Chief Election Commissioner cannot be removed from his office except in the like manner and on the like grounds as a judge of the Supreme Court. The conditions of service of the Chief Election Commissioner cannot be changed to his disadvantage after his appointment. Any other Election Commissioner or a Regional Commissioner cannot be removed from office except on the recommendation of the Chief Election Commissioner.

Functions: The powers and functions of the Commission are determined not only by the Constitution but also by the Acts of Parliament. The main powers and functions of the Commission are to superintend, direct and control the preparation of electoral rolls; conduct elections/by-elections for Parliament, State Legislative Assemblies and the offices of the President and Vice President; receive election petitions challenging the validity of elections and appoint tribunals to enquire into them; examine the returns of election expenses filed by the candidates; entertain and decide the applications for removal of disqualifications; give recognition to political parties about their status, as to whether they are national parties or regional parties and allot/withdraw symbols to/from political parties.

The Constitution provides for a Finance Commission consisting of a Chairman and four other members. The President of India appoints all of them. The Chairman is a person having experience of public affairs and the four other members are selected from among the persons who are qualified to be appointed as judges of a High Court, have special knowledge of the finances and accounts of the governments, have had wide experience in financial matters and in administration and have special knowledge of economics.

Every member of the Commission holds office for such a period as is specified in the order of the President appointing him and is eligible for reappointment. The members of the Commission render whole-time or parttime service to the Commission, as the President in each case specifies. The Commission has the power to require any person to furnish information on such points or matters as in the opinion of the Commission may be useful.

Functions: It is the duty of the Commission to recommend to the President as to - the distribution and allocation of the net proceeds of taxes; the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India and any other matter referred to the Commission by the President in the interests of sound finances. The President causes to lay before each House of Parliament the recommendations made by the Finance Commission and on the action taken by it.

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Indian Civil Service and Good Governance

The Indian Civil Service serves as the backbone of India and carries great respect and responsibilities. India's best brains vie for entry into the Indian Civil Services as officers. Even though corporate jobs may offer the best of salaries and perks, a majority of youngsters and their parents still crave entry to the prestigious Indian Civil Services held by the UPSC. The very fact that a big share of every year's top posts in the civil services exams are bagged by professionals from various streams, shows that the IAS is still the dream job for many.

Transfers, postings, promotions, and disciplinary and other personnel matters, pertaining to higher civil services, are dealt with, at present, in an *ad-hoc* and secretive manner. The question of minimum tenure of 2-3 years for secretaries to government and heads of departments and important organisations such as Commissioner of Police, Mumbai, has assumed importance due to frequent changes of incumbents of these posts. It is necessary that all such matters are handled in a non-political, non-partisan, open and transparent manner so as to improve the morale of the services by setting up a statutory civil service board for All India Service officers and state civil service officers, to begin with.

The Board may consist of four members, namely, chief secretary who will be the chairman, a retired judge of high court, and two retired officers of the rank of chief secretary in the State or secretary to Government of India. Secretary (Services) of General Administration Department may serve as the secretary of the Board. The Secretary and the Head of the Department of each department may be permanent invitees at the meetings of the Board at which their proposals are considered.

Frequent and untimely transfers pose a number of problems for government employees. These include: finding suitable and affordable residential accommodation; admission of children in schools and colleges, particularly in the middle of the academic year; difficulties in getting permission for transfer of children studying in professional institutions; and wives, who are in full time employment, not being able to get transfer to the new location. This often means keeping establishment at two places, causing lot of financial and other worries for the employees.

All this affects the efficiency and morale of the employees. Frequent transfers also mean considerable avoidable expenditure for the government. Interference in transfers by non-officials compromises the discipline in the services and leads to their politicisation, apart from leading to corrupt practices. Against this background, it is recommended that the state government should undertake a legislation on transfers and the following, among other, principles may be incorporated therein:

- Transfer will not be ordered as a punishment to an employee. If an employee is found remiss in his duties, he will be proceeded against departmentally.
- All employees with good record will be transferred, by rotation, to remote, inaccessible and tribal areas for a period of three years. Wherever educational and other facilities are not available, the place of posting will be treated as a non-family station and the employee will

be held eligible to retain government accommodation at the previous place of his posting or he would be given house rent if he chooses to retain his family elsewhere.

- Every transferable government employee will be retained at one station for a minimum period of three years.
- No employee will be retained at any station for more than six years comprising two postings of three years each in two offices located in the same station.
- If an employee is transferred within a period shorter than three years, it will be for special reasons such as his promotion, commencement of a departmental inquiry against him and so on. These reasons will be communicated in writing to the employee before effecting his transfer and he will be given a reasonable opportunity to give his say there on.
- All transfers will be effected only during the summer vacations of the academic institutions.
- As far as possible, husband and wife who are employed in the same or different offices will be posted at the same station.
- When transfer is effected at the choice of an employee, he will not be eligible for transfer T.A.
- As far as possible, suggestions of employees, who are due for transfer, will be called regarding the places where they would like to be posted and these will be taken into account while finalising the transfers.
- Wide publicity will be given to the names of employees and officers who try to bring pressure for their transfers, along with the names of those who interceded on their behalf. This will be apart from starting departmental action against them
- An employee may be appointed in his home town/tehsil/district for a period of two years prior to his

retirement so as to facilitate his making post-retirement arrangements.

The Government of Maharashtra has issued executive orders on 27 November 1997 laying down the policy guidelines for effecting transfers of employees but these are observed more in breach. During the transfer season, the Mantralaya is overflowing with applicants seeking the transfers/cancellation of transfers and their supporters and may one of these days may collapse under their weight! The "transfer bazaars" have been so disconcerting that opinion in several states is veering round to passing of laws or framing of rules governing transfers. Thus, the Karnataka Administrative Reforms Commission has recommended that only a legislation on transfers would help to curb the maladies that are associated with the present transfer process. The Commission has accordingly recommended passing of the Karnataka Transfer Regulation Bill.

The Rajasthan Administrative Reforms Commission is of the view that the transfer policy framed by the state government should have a legal force by incorporating some basic principles in the Rajasthan Service Rules. Alternatively, this policy may be notified by the state government in the form of separate rules under Article 309 of the Constitution so that the policy framed by the government may be strictly followed by all concerned and violations, if any, may be viewed seriously.

Ad hoc extension in service or re-employment of a few favourite officers cause considerable demoralisation in services due to the limited promotion opportunities available at higher levels. Playing favourites also leads to officers adopting a policy of not displeasing their political masters. If an officer is expected to be objective, fearless and non-political, he should have no allurements of any kind before him. Whatever is due to him must come in its turn, provided he deserves it on the basis of his work and merit. It is, therefore, recommended that the state government

should make an unambiguous policy announcement that in future no extensions in service or re-employment will be allowed in any case, at any level.

PRINCIPAL SECRETARIES AND ADDITIONAL CHIEF SECRETARIES

These posts which are currently treated as interchangeable with those of secretaries to government need to be treated separately in view of the fact that they carry higher pay and are manned by officers above a certain seniority in the Service. The committee recommends that these posts should be treated as supervisory posts over those of secretaries. This is particularly necessary since there are now a surfeit of posts of secretaries. Almost all departments have been bifurcated and trifurcated and separate posts of secretaries have been created for them.

It is recommended that the posts of secretaries should be grouped together and put in charge of a Principal secretary or Additional Chief Secretary to ensure better co-ordination, supervision and output. It is also recommended that one of these posts may be designated as Agriculture Production Commissioner and all relevant departments of the government dealing with agriculture, including marketing, dairy development, and others may be put under his overall charge for better supervision, co-ordination and direction.

The number of posts of secretaries in the state government can be easily reduced to 45, if not lower, from the present strength of 58—this includes a full time post of secretary for the Maharashtra-Karnataka border dispute! Correspondingly, the posts of Principal Secretaries and Additional Chief Secretaries also need to be reduced. If down-sizing the government is to be achieved, the action must begin with the top. Simultaneously, the strength of the council of ministers in the state should also be brought down to 45 as was the case for a long time in the state. A

firm policy should be laid down that these numbers will not be permitted to go up to meet the exigencies of the situation.

The proliferation of higher level posts is seen in all services, whether belonging to All India Services or the State Services. Currently, there are 4 Directors General of Police (DGP) and there are 17 Additional DsGP. There are 6 Additional Chief Secretaries and any number of Principal Secretaries. There are nearly a dozen officers of the rank of Secretary in Irrigation Department, including its corporations. These examples can be multiplied. While the state government is creating so many posts for accommodating the claims of officers for timely promotion, the central deputation quota is remaining unfilled. Thus as against the central deputation quota of 44 posts for the IPS, only 27 have been filled up.

All India Service officers are increasingly reluctant to go on deputation to the Centre. If this is to be permitted, why have the All India Services at all? The whole question of proliferation of higher level posts needs to be looked into by an outside expert committee to give a dispassionate and objective advice to the state government. It is recommended that such a committee be appointed very early.

During the last few years there has been proliferation of departments and heads of departments in the state government. During the decade of 1990-2000, as many as 11 new departments were created in Mantralaya leading to large proliferation of bureaucracy. These decisions have been taken in an *ad hoc* manner without any concern for the substantial increase in non-developmental expenditure that they lead to. It is proposed that the number of departments may be curtailed substantially. The posts of heads of departments may also be reviewed as soon as possible so as to reduce their number to the barest minimum.

At present, there are hardly any supersessions of officers at various levels. This is particularly true of All India Service Officers. The committee would recommend

that a system of empanelment at various levels starting with the senior time scale should be started as is the case in respect of joint secretaries and above in the Government of India. Any officer who is superseded may be reconsidered for empanelment only after a period of two years from the date of his rejection in the empanelment. It is also recommended that the present system of promoting all officers of the same batch simultaneously should be given up and persons may be promoted only when a vacancy in the higher grade occurs.

The existing orders require that a rigorous review be made of the performance of officers on completion of the age of 50-55 years to prematurely retire those whose performance is below the mark. This practice has fallen in disuse as can be seen by the minimal number of officers retired on attaining the qualifying age. It is recommended that strict instructions be issued to retire at least 10 percent of officers on completion of 50 years of age and further 20 per cent on completion of 55 years of age. Such rigorous scrutiny will bring about a qualitative change in the working and productivity of officers and staff.

One issue which came up prominently before the committee was regarding lack of motivation to lower level staff in field offices. In most cases, they have nothing to look forward to in terms of promotion prospects and therefore feel that their good work is unlikely to be rewarded. A special scheme will have to be devised to improve the motivation of such staff. The government could consider giving merit based increases in pay more liberally to such staff. If necessary, a special study be undertaken for the purpose.

For various reasons, the morale of bureaucracy is at a low ebb. This is partly due to the freezing of the D.A. and certain other benefits to employees. It is necessary to underline that the terms of service of government servants can be improved only if their numbers are reduced

perceptibly. The aim must be to have, as in several other countries, a small, compact, well trained, efficient and highly paid bureaucracy which will not have any temptation to take resort to corrupt practices. But clearly, we are a long way off from this objective.

The low morale is also partly due to the sullied public image of a government servant and the harsh criticism heaped on bureaucracy by all stakeholders in society. There have been several instances of government servants having been physically beaten up and manhandled by people and their elected representatives in a number of places. The state government has hardly ever taken any action against such persons.

A large number of field officers are called for meetings in Mumbai. However, there is no proper residential accommodation for such officers. Often, officers have to spend the night in the car or even on the railway platform. Those who are posted at reasonable distance from Mumbai try to leave Mumbai for their headquarters as soon as the meetings are over. This is a shocking state of affairs. The old MLA's hostel is also not available to the officers to stay for even a day or two. It is surprising that this subject has not received the attention of the authorities in the state government for all these years. It is recommended that a suitable building may be constructed for the purpose as soon as possible.

The responsibilities of CEOs have increased manifold but their powers have remained the same. This is adversely affecting the working of ZPs. The following fourfold action is therefore proposed:

- It is necessary that the CEOs are given the same powers as the municipal commissioners in so far as their subordinates are concerned.
- They should have powers to initiate CRs of all officers working under them.

- They also need to be given powers to transfer the officers within the district.
- They should not be held responsible for or asked to defend the decisions taken by the Zilla Parishad or any of its committees. This responsibility should lie with the office bearers.

Powers of Divisional Commissioners

The powers which were vested in divisional commissioners to transfer staff within the division have been withdrawn by the government. For more effective control, it is incumbent that these powers are given back to the commissioners. Simultaneously, a review may be carried out and such of the other powers which have been withdrawn from them may also be re-vested in them.

A reference was made earlier to enactment of a special law for giving protection to whistle-blowers. In addition, it is proposed that the state government should institute annual awards for recognition of the contribution made by such persons in exposing wrong-doings in the government.

Field Inspections System

The old system of inspections of field offices, field and village visits has fallen in disuse in all departments. Due to the curse of meetings held at short notice and visits of ministers, a convenient excuse has become available to the officers to shirk their responsibilities in this behalf. It cannot be denied that field visits and inspections prove most effective in keeping a close watch over the administrative machinery and assessing the real situation on the ground. It is recommended that the past practices in this regard be revived and followed scrupulously in future.

Introduce rotation between mantralaya and field staff: There is a widespread feeling that the Mantralaya has lost touch with ground realities and the staff in the secretariat does not

know the field conditions. At the same time, the field staff does not know how the Mantralaya functions and the kinds of considerations which weigh in arriving at policies. It is suggested that officers of the rank of under secretaries and above be periodically sent on field postings for a period of 2-3 years. Simultaneously, the field officers be posted in Mantralaya for a similar period. This is equally relevant for the rotation of the staff working in the field and that posted in the desk jobs in offices. Greater interchange and rotation will improve the quality and speed of decision making in the offices.

Legislature Committees, Ministers and Senior Officers

Normally this subject is a taboo and hardly anyone dares to speak about it openly. But, any discussion on good governance will be incomplete, if no reference is made to it. There are always some honourable exceptions, but, by and large, more often than not, the field staff has to collect contribution to defray such expenditure. This in turn leads to corrupt practices on the part of the staff. It is imperative that this age-old practice is put a stop to. It is recommended that strict instructions may be issued in this behalf by the state government. The matter, in so far as it relates to the committees of the Legislature, may be taken up with the Speaker of the Assembly and Chairman of the Council for appropriate action.

TRANSPARENT AND ACCOUNTABLE GOVERNANCE

Adoption of a mission statement by each office will be possible to bring in accountability in each office only if the people at large know what that office is expected to achieve. This is equally important for the staff and officers in any office as, in most cases, they themselves are not clear about what they are expected to achieve and on the basis of what parameters would their performance be judged. It is

therefore time each office adopts each year a mission statement and gives it a wide publicity.

One more way to bring in accountability is to start the system of holding *lok adalats* (public hearings) in matters pertaining to the work handled by each office once in three months. Prominent social workers and NGOs may be associated with this exercise for more productive results. Wide publicity in the print and electronic media will generate large public response and help each office to judge the pulse of the people in so far as its own sphere of activities is concerned.

One factor which has led to blurring of accountability in the government is the artificial distinction drawn between Plan and Non Plan expenditure. As is well known, at the end of each five year plan, on-going schemes and programmes undertaken in that plan become non plan. This, by no means, implies that such expenditures are any less important or worthy than the plan expenditures. Thus, it will be wrong to assume that all non-plan expenditure is necessarily non-developmental. In fact, some primary schools and public health centres may be in the non-plan and some may be in the plan. Both are as important and relevant for development. The real distinction must be drawn between developmental and non-developmental expenditure. It is proposed that the state government should take steps to exhibit its expenditures accordingly for better understanding of development issues.

All government schemes and programmes are generally meant to continue till the end of the world, howsoever the world may have changed in the meanwhile. This has meant large and infructuous expenditure in the name of development. The government should announce that all existing schemes and programmes shall lapse on 31 December 2001 unless a conscious decision is taken, in the meanwhile, at the level of the Cabinet to continue them in the same or in any modified form. This will enable the state

government to meet the challenges of the new millennium, by discarding the dead-wood and with a resolve to use its scarce financial and managerial resources efficiently, productively and diligently.

Standing orders should be issued that, in future, any scheme will continue for a *maximum* period of three years from the date of its sanction, unless, after detailed evaluation of the same, a conscious decision is taken by the government, at the level of the Cabinet, to continue it in such form as may be considered necessary. It is necessary that in the evaluation of the schemes and programmes as above, NGOs are actively associated. For, what matters is not just the processes adopted for incurring the expenditure but also the final output of the given scheme.

The present practice of getting such evaluation done only through the governmental agencies needs to be discarded as soon as possible. Standing instructions may be laid down that no scheme or programme will be continued unless it is evaluated jointly by the Directorate of Economics and Statistics, reputed NGOs working in the field and social workers of eminence. There is considerable overlap and duplication in a number of central sector and centrally-sponsored schemes and programmes. This is particularly true in the case of schemes pertaining to rural development, land development and employment generation. This may be brought to the notice of the concerned administrative Ministry, Finance Ministry and the Planning Commission for immediate remedial action.

The population of scheduled tribes (STs) in the state, as per the 1991 census, was 73.18 lakh. Maharashtra has the second highest tribal population in the country, after Madhya Pradesh. In spite of fifty years of development, economically, the tribal population is at the lowest level with more than 65 per cent of the households living below the poverty line. The literacy rate for the total population of the state was 64.87 per cent in 1991. The comparative

figure for the tribal population was 36.79 per cent. Large scale deaths, particularly of children, due to malnutrition has been a shocking recurring phenomenon year after year. Looking to the past experience, the following points deserve consideration:

- There is considerable duplication and overlap of schemes. This needs to be looked into.
- There are currently 363 schemes under implementation. Most of these are not necessarily best suited to meet the requirements of the tribals. Also, with such a large number of schemes, the resources get spread too thinly and there is no appreciable impact of development expenditure.
- There is a need for a much larger involvement of NGOs in the development efforts in the tribal areas. It is necessary that successful and dedicated NGOs are used by the government for better implementation of its schemes and programmes. As a first step, the government should compile a directory of NGOs working in the tribal areas.
- The government should seriously explore the possibilities of handing over government Ashram Schools to NGOs and other suitable voluntary organisations.
- The staff posted in tribal areas hardly ever stays at its headquarters. More often, posting in these areas is treated as a punishment posting for officers and staff whose performance is below the prescribed standards or for those who are involved in dereliction of duties. One posting in tribal areas may be made compulsory for all officers categorised as good or outstanding. Such a posting should be considered mandatory for promotion to higher levels.
- The work of Tribal Development Corporation needs to be examined critically so as to decide whether it be

- continued, and if so, in what form and with what charter. Such a study may be undertaken immediately.
- There is no need to have a separate Shabari Tribal Finance and Development Corporation. It may be merged with the Tribal Development Corporation.
 - All schemes and programmes of development may be got assessed by NGOs so as to decide on their continuance in the same or modified form.
 - The working of employment exchanges in the tribal areas must be open and transparent. Names of all those who are on the registers and whose names are sponsored from time to time should be exhibited on the notice-boards for the information of all job-seekers. This will go a long way to instil a sense of confidence among them.
 - It is very difficult to get committed officers for posting in the tribal areas and it is still more difficult to retain them for a long enough period. It is necessary that a tenure of three years is scrupulously observed in tribal areas.
 - By their very nature, all schemes pertaining to tribal development deserve to be transferred to ZPs under section 100 of the Z.P. Act. Unfortunately, only two minor schemes pertaining to Mangalore tiles and maternity grant have been so transferred. It is recommended that very early steps may be taken to transfer the remaining schemes to ZPs.

The state governments and the Centre are finding it increasingly difficult to govern with firmness, primarily due to the fractious polity in the country, short time horizon of political rulers, and a downhill race for populism. It is unfortunate that, in spite of fifty years of Independence, political parties in the opposition have not evolved the system of shadow government to instil in themselves a

sense of responsibility in dealing with the problems facing the State or the Centre.

The only way for a political party in power to get out of this impasse and to meet the formidable challenges is to create a public opinion in favour of responsible actions by the government. This will, more often, mean taking difficult, unpopular and unpalatable decisions. This will be possible only by education of the people at large on the size and complexity of the problems facing the State from time to time. This objective can be achieved by placing on the table of the State Legislature white papers on various issues. These papers will have to be given wide publicity through print and electronic media.

Discussions, seminars, meetings and similar other public discourses will have to be organised to explain the *pros and cons* of the problems at all levels. Senior officers of the government as also Ministers will have to actively participate in these endeavours. The administration will have to be thus proactive rather than merely reacting to public criticism as at present. This will require a change in the mindset of the higher bureaucracy. Periodical training and refresher courses will help in this task.

The single most important problem facing the state governments and the Centre is that of management of their finances. Over a period of time, all soft options are over. Now, there is no escape from some hard decisions. It is seen time and again that hard budget constraint alone compels the generally inert bureaucracy and the political masters to act. It is unfortunate that no effort has been made in the country so far to bring home to the people the harsh realities in this behalf. It is interesting to see that in a country like United Kingdom, the need for annual presentation of white paper on public expenditure was accepted over two decades ago.

The driving force in any such exercise must be to demystify the budget. All relevant information must be

presented up-front and in an unambiguous manner. For example, all subsidies must be transparent and shown explicitly in the budget to enable an assessment being made as to whether they are well targeted and they reach the target group, and the impact made by them and the extent of leakages in them. Who pays for whom is as important in public life as it is in the life of any person. Against this background, it is recommended that the state government should bring out each year a white paper on its public expenditure and pose for public discussion and debate options which are available, in the short and medium term, for dealing with the situation.

Looking to the dire state of government finances, it is imperative that the government expenditures are examined closely to bring about a change in the composition there of. This is a massive task and will have to be undertaken in a dedicated manner. It is proposed that a three member expenditure commission be appointed on the lines of a similar commission appointed by the central government. According to the study carried out by the National Institute of Public Finance and Policy (NIPFP), the subsidies in Maharashtra in 1997-98 had reached the astronomical figure of Rs. 18,827 crore from Rs 9,413 crore in 1993-94. By comparison, the annual Plan outlay was just about Rs 10,000 crore in 1997-98. It is thus high time that the recovery of charges in various sectors is pursued vigorously.

Looking to the size and the complexity of the problem, it is proposed that a Board for Review of Subsidies (BRS) may be set up comprising three part-time members, including a chairman, to advise the government on the subsidies which may be abolished, curtailed, modified and better targeted in any manner. It is further proposed that whenever there is a proposal for giving a new subsidy or enhancing or modifying any existing subsidy, the advice of BRS should be invariably sought and placed before the cabinet for a final decision.

Ideally, the government should not be in the business of providing services such as electricity, water, milk, transport and so on. Though it may take some time to get out of these activities or cease to be a dominant player in the field, at least the government should not be in the business of fixing prices for sale of these services. It is every day experience that if a private sector producer/distributor or a co-operative society increases prices of any goods or services, there is no outcry or public agitation. But, the government is held to ransom for similar action.

This is partly because, in the past, the government has shown, time and again, that it is amenable to public pressures. The vote-bank politics also plays its role. Equally important is the fact that the process of price fixation in the government is shrouded in secrecy and is hardly ever transparent. It is high time, the governments, whether at local, State or Central level, get away from it. It is seen that techniques and methodology for computation of costs incurred by the government in providing the various services leave a great deal to be desired. It is necessary to standardise this exercise by commissioning a special study for the purpose. It is recommended that this be done as soon as possible as otherwise, in the absence of proper costing, setting up of regulatory commissions will not serve the desired purpose.

One way out of the present impasse in cost recovery is to set up statutory autonomous regulatory commissions to fix the prices of all goods and services in the governmental sector. In the case of public utilities, this will have to extend to the private sector as well. This would mean giving opportunity to all interested parties to present their point of view in open hearings of these bodies. It would also mean these bodies passing "speaking orders". The appeals over the orders of these bodies will lie only to the high court.

The decision of the commission will be binding on all parties, including the state government. In arriving at its decisions, the commission will take into account the capacity of various consumer groups to pay the proposed tariff. The commission may also provide for a reasonable cross-subsidisation among consumer groups. If the state government would like a lower tariff to be charged to any group or category of consumers, the state government will have to provide explicit subsidy in its annual budget for disbursement to the concerned agency and give an undertaking to the commission to discharge such an obligation regularly each year for the period of the award of the commission.

Yet another advantage of such regulatory commissions also needs to be noted. A regulatory commission is expected to go into the question of whether the cost of providing the service estimated by the concerned department is reasonable or whether there is scope for bringing it down. In open hearings of the commission, the various interested groups such as those of consumers and others will get an opportunity to comment on it and make suitable recommendations for the consideration of the commission. It is equally important to note that a regulatory commission will also lay down the standards of service to be provided by the department/organisation concerned.

If the service is not up to the standards laid down, a consumer can approach the commission for redressal of his grievance. This will compel the concerned government department to exhibit greater efficiency and productivity in its work. Thus, setting up of regulatory commissions will further the objective of good governance. It is gratifying to note that the state government has already set up the Maharashtra Electricity Regulatory Commission (MERC).

Against this background, it is recommended that the state government should take steps to set up the following statutory commissions:

- Water Regulatory Commission (WRC) for all matters relating to distribution and pricing of water for irrigation, and drinking, industrial and commercial purposes. The Commission will also look after the pricing of sewerage services. The jurisdiction of WRC will cover the state government agencies as also the private sector when it enters this field.
- Transport Regulatory Commission (TRC) for the transport services provided in the urban, rural and other areas of the State by the state government agencies and private and municipal operators.
- Other Services Regulatory Commission (OSRC) may be entrusted with the responsibility of deciding the prices of all other services provided by the state government such as those in the government hospitals, computerised facilities at the integrated citizen service centres, computer-aided administration of registration department, and similar efforts which may be launched in several other departments in future. This commission may also be asked to decide on periodical revision of fees in schools and colleges of various disciplines. In short, this commission may be empowered to decide on cost recovery pertaining to all activities of the state government, except those which are entrusted to the ERC, WRC and TRC.

Looking to the large and varied charter of OSRC, this commission may have a larger strength and should be enabled to have two or even three Benches at a time to simultaneously hear matters pertaining to several services. To enable this scheme to succeed, it is imperative to ensure the empowerment of citizens. This is necessary to convey a clear and unmistakable message that the regulatory commissions are meant primarily not only to safeguard but further the interests of the consumer. Towards this end, the government must aid special programmes for the education

of consumers which could be undertaken by the NGOs in the concerned field.

The government should also implement a special scheme to equip the NGOs in the diverse fields for which regulatory commissions are set up to improve their advocacy of the interests of the consumers. This will mean training the persons working in these organisations and giving them technical support by deputising, if necessary, government servants, at government cost, for a period of up to three years till they build their own cadres, internal organisation and technical competence.

The NGOs could also be encouraged to maintain panels of experts in various subjects who would be prepared to assist them preferably on voluntary basis, and, at the most, subject to reimbursement of certain costs. Some grants could be given to the NGOs for this purpose on a tapering basis. This whole new field has exciting prospects of building bridges with the society and getting over the present resistance to the concept of cost recovery.

Commissions Appointed by the Government

It is seen that the government appoints several committees and commissions, including judicial commissions, to study certain matters in depth. Persons from several walks of life are asked to work on these committees and commissions. At times, senior officers are asked to study the matters in depth and submit a report to the state government. For example, the state government had, in recent months, asked special reports to be prepared in this manner in respect of affairs of Thane, Pune and Nagpur Municipal Corporations.

A report was also asked to be prepared on the reported starvation deaths of tribal children in the state. But, once their reports are received, they are, more often, straightaway consigned to archives or are kept as super secrets! In several cases, even copies of the reports are not readily available after a lapse of some time. The record of

follow up action on the recommendations is exceedingly tardy. And this is not just the case with a commission such as Srikrishna Commission.

A lot of work put in the preparation of the reports and formulation of recommendations is thus totally wasted. Apart from leading to lot of infructuous expenditure, a valuable opportunity to create and educate public opinion on the respective subjects is lost in the process. To remedy these matters, the committee would suggest the following course of action in such cases:

- The report of every committee, including an officer level committee, should be published as soon after its submission as is feasible. The publication of the report should not be held up for the translation of the report in English/Marathi. Such translation can be released later. It also need not be held up for the detailed consideration of the report by the government and the cabinet. While releasing the report, the government can announce that the government decisions there on will be announced separately later. A recent noteworthy precedent in this regard is regarding the publication and release of the report of the Energy Review Committee on Enron. This example needs to be repeated in the case of all such reports in the future.
- Every such report may be made a priced publication so as to make it easily available to the people at large. For publication and sale of such reports private publishing agencies may be utilised so that it can be available in bookstores freely and one does not have to approach the government printing press for the purpose.
- An action taken report on each report of the committee/commission may be placed before the legislature within a period of three months from the date of submission of the report.
- A statement of follow up actions taken on the report may also be placed on the table of the legislature at its

each successive session, from time to time, till such time as all actions are completed.

- Action should be taken to release all reports as above submitted to the state government during the previous three years, within the next three months positively.

There are a number of enactments under which final administrative appeals lie with the government. This is an archaic provision and is a vestige of the British days. There is no reason why the government need interfere in a matter which has been decided by a competent officer. If any person has a grievance, he should file a civil case against the government. This is important since in many cases such judicial powers are not exercised by the government properly. Such appeals are kept pending for months, and often for years together. Proper hearing is not given to the parties affected by the decision. No "speaking orders" are passed on the appeals.

As a result, it is difficult to know the rationale for decisions in most cases, particularly when matters are decided against the government, that is, the public interest. The courts too have passed strictures in several such cases. It is therefore recommended that by one amendment, all such appellate powers which are with the government under various enactments, should be abolished.

Reference may be made to two specific issues pertaining to revenue department. These relate to grant of nonagricultural (NA) permission and conversion of leasehold lands into free-hold lands. The present policies in this regard are a vestige of the past and are not in keeping with the needs of rapid urbanisation in the state. Ideally, policies need to be adopted to do away with the requirement of NA permission subject to certain conditions being fulfilled, and conversion of leasehold lands into free-hold lands on payment of prescribed sums by the parties to the government. It is recommended that both these issues be examined in depth and early orders issued.

The land records in the state create only a presumptive title in land. The Supreme Court has held more than once that land records is not a substitute for title documents. It is therefore necessary to adopt a system for registration of title to land or Torrens system of registration. Dr. D. C. Wadhwa has done a pioneering study in this behalf more than a decade ago. The study has been commended by the Government of India to the states for suitable follow-up action. This matter was examined by the state government way back in 1989-90 and it was decided to take steps to implement this crucial reform. It was also decided to take a pilot project in this behalf in Pune city. Unfortunately, there has been no follow up action so far.

The advantages of the new system are numerous. It will help in translating the land reforms in reality. It will reduce court litigation substantially. It will enable speedy sanction of loans by banks and financial institutions. It will help in speedy urbanisation. The new system will also increase the revenues of the state and local bodies substantially. Lastly, it will also create ample employment opportunities. Needless to say, it will create large-scale satisfaction all round. It is thus clear that this initiative will be welcomed by the people in both the urban as also the rural areas.

The finances need not pose a constraint as the multilateral institutions such as the World Bank will be willing to fund such a project enthusiastically. It may be worthwhile to note in this context that such a project is being assisted by the World Bank in Thailand for the last 18 years and now it is in the final stages of completion. In the light of the above, it is recommended that Maharashtra should take a lead in this behalf in the country by launching a pilot project in one district and in one large city such as Pune immediately.

Under the existing procedures for registration of documents, validity of transaction is not looked into. Only certain procedural matters are looked into. These include

the question of jurisdiction, whether proper stamp has been affixed, correctness of the description of the property, attestation of all corrections etc. These functions need not be done by a government agency and could as well be privatised as has been done in Canada where a private limited company has been registered for registration of documents.

Only the quality and time standards may be laid down by the government. In the United Kingdom, this responsibility has been entrusted to an independent agency of the government. In this arrangement, certain percentage of the revenue can be given to the agency. It is suggested that these alternatives may be examined so as to transfer this activity to the private sector, or at least to an autonomous body outside the government.

Accountability Issues

During the discussions with the field officers, an interesting issue was raised by officers—their accountability should be to whom: the members of the public or the elected representatives of the people? In a sense, this is the crux of the problem in several areas and is a reflection on our democratic institutions and practices, even fifty years after Independence. This question cannot be evaded if the interest of the common person is to be safeguarded by the state government. Very often the interests of elected representatives and the people at large do not coincide. In such cases, the government must be seen to be solidly supportive of officers who stand up for the interests of the common person in society. Such an unambiguous stand on the part of the government would do a great deal to improve the morale of the services and image of the government.

A universal complaint voiced before the committee was that there is an excessive interference in the working of field offices from Mantralaya. The role of Mantralaya is to lay

down policies. Their implementation must be left to the field offices. But, it is here that the Mantralaya wants to take a hand, and that too, not once in a while, but as a routine practice. This has led to special cases (*Khas Bab*) being made to agree to certain proposals in relaxation of rules. This is appropriately described as "You show me the man and I will tell you the rule!" This has also led to lower officers being called to Mantralaya from the field to give direct instructions to them without keeping their immediate supervising officers informed.

One evidence of this is to be seen in the throngs of people crowding the corridors of Mantralaya, a site hardly ever seen in any other country, particularly in the 21st century. This is real harking back to the days of princely states in the country! Unless this matter is dealt with, with a stern hand, it is unlikely to see any change. It is proposed that the government should take a conscious and categorical decision that the Mantralaya or for that matter any other level of the government shall not usurp to itself powers which belong to the lower levels and every decision will be taken only by the person who is competent to take such a decision under the powers delegated to him.

There is a widespread recognition of the fact in all knowledgeable circles that the quality of decision making in the government has deteriorated sharply. Decisions are no longer made by analysing the pros and cons of the proposals. Rarely, independent, free, frank and dispassionate advice is tendered on files. More often, decisions are taken first and then notes are recorded to justify them.

Independent notings on the file are hardly ever appreciated. It is not uncommon to see officers being shifted for plain-speaking and calling a spade a spade. All this makes for a very sad and depressing reading, particularly in respect of a state such as Maharashtra. What is required to set the matters right is not only the

administrative will but also the political will. It is hoped this will receive close and careful attention at the level of the government.

Instructions need to be issued that adverse note will be taken in the CRs of officers who fail to give free, frank, and objective advice and do not bring to the notice of the government illegality, impropriety or any other weaknesses in the orders proposed to be issued by the government. It may also be clarified that the officers will be free to resubmit the files where they believe that a particular decision may not be taken for any reasons and that resubmission of the files in this manner will not be held against them.

Quality of decision-making can also be improved perceptively by more free and open interaction between officers and staff at various levels without undue constraints regarding seniority. It has to be appreciated that all wisdom does not necessarily go with age. More often, younger persons can be expected to bring to bear fresh mind on the subject. It will be necessary that this culture is promoted consciously and diligently by the senior officers and secretaries in government.

CONCEPT OF GOOD GOVERNANCE

Good governance, as a concept, is applicable to all sections of society such as the government, legislature, judiciary, the media, the private sector, the corporate sector, the co-operatives, societies registered under the Societies Registration Act, duly registered trusts, organisations such as the trade unions and lastly the nongovernment organisations (NGOs). Public accountability and transparency are as relevant for the one as for the other. It is only when all these and various other sections of society conduct their affairs in a socially responsible manner that the objective of achieving larger good of the largest number of people in society can be achieved.

The canvas of governmental activities is so large and all encompassing that it is impossible for a one man committee to address all the relevant issues within a span of a few months given to the committee to complete its task. The report does not, therefore, cover areas such as electoral reforms, guidelines for conduct of Ministers and so on. The committee's report amply bears out the large scope for improving governance in all spheres of the functioning of the government. It is, therefore, necessary that a standing committee is appointed by the government to study the relevant issues department by department and organisation by organisation so as to make continuous recommendations on good governance for the consideration of the government.

The issues in the decentralised sectors such as those pertaining to the panchayat raj institutions and municipal bodies themselves call for a similar in-depth study. In the perception of a common person, the government is seen to be exploitative. From the viewpoint of the citizens, government epitomises corruption, inordinate delays, long-winded procedures, lack of transparency, and extreme rudeness and insensitivity, often bordering on callousness. As the experience shows, it is not easy to tame this wild animal. There are no shortcuts or easy answers. For any perceptible results to be achieved, the exercise will call for political and administrative will of the highest order, apart from all ingenuity, innovativeness and persistence, none of which have been particularly evident so far.

As the term good governance implies, it assumes that there is a government which would like to govern with a firm hand. Its writ must run and should be acknowledged and the people should not take the government for granted. In practical terms, it would mean the government taking all actions to retain its firm hold over people, their institutions and the situations arising from day to day. Looking around the country, not many governments would pass this test.

The foremost test of good governance is the respect for rule of law. As the saying goes, howsoever high a person may be, the law is above him and has to be considered supreme. The governance must be based on rule of law. Every lawfully established government must govern according to the laws of the land. All its actions must uphold the rule of law and any effort to take the law in one's own hand or to undermine the law by anyone, howsoever high and mighty he may be, must be dealt with speedily, decisively and in an exemplary manner. It is unfortunate that even after fifty years of Independence, one cannot say with confidence that the governance in most states is based on rule of law.

In any discussion on good governance, attention must be focussed on the primary responsibilities of the government. These must include the maintenance of law and order, administration of justice, and welfare of economically and socially weaker sections of society in terms of provision of safety net for them. Here again it is seen that, in its anxiety to do thousand and one other things, these primary responsibilities have been neglected over the years. It can truly be said that he who governs the least governs the best! If this principle had been followed in governance all these years, India would not have presented a picture of such squalor, filth, illiteracy and poverty even fifty years after Independence.

The main question is whether we are prepared to learn lessons for the future from our experience of the past. The principle of subsidiarity must become the guiding principle in the governance. This would imply doing things at the level at which they can be best done. Thus as much of legislative, executive and administrative actions must be decentralised as possible. No decisions must be taken at levels higher than the level at which they ought to be appropriately taken. Decentralisation of powers and functions must be adjudged on the basis of this criterion.

As is evident, we have a long way to go to reach anywhere near such an objective, in spite of the 73rd and 74th amendments of the Constitution.

It has to be admitted that the governance in India has not changed much though over half a century has elapsed since Independence. We have certainly made some gestures and 'noises' such as adoption of citizen's charter, passing of laws on right to information, mouthing the platitudes of downsizing of the government and promoting the *mantra* of public accountability and transparency. But, the impact of these measures is hardly perceptible to the common person. There is a widespread disenchantment with the functioning of governments all over the country, irrespective of which political party is in power. It is not, therefore, surprising to see the anti-incumbency factor in operation in practically all elections in the states as also the centre.

People are clamouring for a clean, open, transparent, accountable, corruption free and sensitive administration. Thus, it is necessary to underline that good governance can also be good politics. Finally, it must be appreciated that the process of economic liberalisation and globalisation will not go far enough without adequate attention being bestowed on good governance. There has been a clamour of demand from foreign investors for transparency in decision-making in the government.

Good governance can directly contribute to higher rate of economic growth. Thus, for example, according to the estimate of the UNDP report on South Asia 1999, if India's corruption level comes down to that of the Scandinavian countries, the gross domestic product will grow by 1.5 per cent and the foreign direct investment will go up by 12 per cent. Civil service reforms have to be an important element of any programme for good governance.

Downsizing of government has to be an important component of such a programme. Such reforms have been

vigorously implemented in a number of countries. Thus in the United Kingdom, by 1994, 60 per cent of the civil servants had been transferred to the agencies and other organisations. In 1965, Japan had a total of 8,34,391 members in the civil service. By 1970, the number decreased to 1,92,793 and by 1991, the number decreased still further to 1,80,700. Singapore civil service comprises just 70,000 persons. In New Zealand, when the civil service reforms began, there were 88,000 civil servants. After the reforms, only 36,000 of them remained and most of them were employed in departments of welfare, justice and revenue.

The New Zealand Government was able to effect such drastic reduction because departments were restructured, jobs redefined and accountability fixed. Along with the downsizing, a number of other steps were taken by these countries to restructure and reform the civil services. As a part of downsizing the government, steps will have to be taken to privatise or outsource certain activities.

The Fifth Pay Commission, whose report received very perfunctory attention at the hands of the governments both at the centre as also the states, except in regard to revision of pay-scales, allowances and other benefits to employees, had recommended certain criteria for identification of activities which could be privatised or outsourced. These included, among others, activities which are resource intensive, relatively discrete, subject to fluctuating work patterns and are subject to quickly changing market.

Needless to say, thriving and robust civil society is necessary for exercise of checks and balances in respect of good governance. A spate of public interest litigations by socially conscious and alert citizens have kept the government on its toes. The latest cases of its kind are the Enron controversy as also the deaths of a large number of tribal children due to malnutrition. Everything must, therefore be done to strengthen the civil society institutions.

Legislative and Institutional Framework

World over, there is a talk of downsizing the governments. Further, in view of the serious financial constraints facing the State Government, the time has come to give a serious thought to the question of the primary responsibilities of the government on which main attention will have to be focused. Spreading the resources thinly, as in the past, will be counter-productive. A "Christmas Tree" or "hold-all" approach under which small outlays are provided for a large number of schemes and programmes in all sectors of the economy, adopted so far, will have to be jettisoned.

The primary responsibilities of the government can be briefly stated as law and order and police, adequate and prompt criminal and civil justice system, and protection of interests of economically and socially weaker sections of society. The government will also have to take the responsibility for provision of primary education, public health, and water supply, particularly in the rural and semi-urban areas. If these are fully taken care of, a number of the remaining activities can be left to be provided by the private or co-operative sectors.

The State may step in to fill the gap only in sectors and activities which cannot be catered for by the private and co-operative sectors. Once this is accepted, the efforts for good governance can be more focused and properly targeted. It is recommended that the state government may prepare a working paper on this subject and publish it for eliciting views of the people.

As a part of these efforts, the state must also undertake responsibility for such items of work which are unlikely to be taken up by the private sector. Looked at from this perspective, historical monuments in Maharashtra, with their total neglect, present a distressing site. A society which erases its past cannot have any moorings. The budgetary requirements for the upkeep, maintenance and preservation of historical monuments are not likely to be

large as compared with those in the other sectors. It is recommended that the state government should announce a time-bound programme for undertaking this task and should then endeavour to involve the corporate sector in a joint partnership for this purpose.

One of the prime reasons for the harassment of citizens by government agencies is the need of the people to approach these agencies for various requirements from time to time. It is not uncommon to hear from people complaints regarding harassment, waste of time and money, repeated visits to offices, and institutionalised systems of informal payments which have to be made for getting stamp papers, VII-XII extracts of land records, encumbrance certificates, driving licenses, and, it is difficult to believe but, even for paying the dues of the government! A great deal of corruption and harassment can be reduced if these requirements can be met, without approaching the government departments, through single-window stations such as the TWINS in Hyderabad, funded in the course of time by private sector. Payment of all government dues through banks and even post offices can be another way to deal with this problem. The state government should announce that cutting down the citizen's interface with the government agencies will be one of the main instruments in the programme for good governance in the State.

As a part of down-sizing of government, each government office and organisation may be asked to identify the items of work which can be contracted out and need not be done in-house. Intensive and in-depth reviews need to be taken of the functioning of the government to contract out as much of its work as possible. This may also require amendment of the relevant labour laws so that the discretion of the government in this behalf is not fettered in any way.

The committee had requested the department of labour to help the committee in crystallising the proposals in this

behalf but there was reluctance to tread on this "dangerous" and politically sensitive ground! The committee would recommend more bold thinking on this matter both at the administrative and political level. This aspect is equally relevant to the work of the urban local bodies. A large number of activities of these bodies could be entrusted to private sector thereby reducing the size of the bureaucracy in these bodies. This is particularly true of areas such as municipal transport which are loss making and are a big drag on the finances of these bodies. There is no reason why urban transport services cannot be privatised.

The same is true of the water supply and sewerage services. These so-called traditional municipal services can be easily contracted out. The committee was told that the relevant law on the subject has already been amended to enable the municipal bodies to do so but it has not made any actual difference in practice. This subject needs to be pursued at the government level for speedy follow up action. This subject is also relevant to the work of the PSUs. Unfortunately, even though the state government has created a large number of irrigation development corporations, the size of the Irrigation Department of the state government has not contracted.

The same is true of the corporatisation of construction of highways, bridges and flyovers. The size of the Public Works Department has not contracted in the process! There is ample scope for privatisation of power generation and distribution in MSEB. Unfortunately, due to the resistance of the employees of MSEB, the state government is soft-peddalling the matter and postponing the day of reckoning! Needless to say, the down-sizing of government will require some bold decisions and firm handling. Otherwise, privatisation may remain a subject of academic seminars and discussions for a long time to come.

State government enacting a law

It is high time the state government enacts a law on good governance which will spell out the state government's commitment to the principles and precepts of good governance. This is a new concept which will have to be refined over the years though a beginning can be made without loss of any time. In fact, it was always argued that it was impossible to restrict the freedom of government in these matters and the state cannot be bound by extraneously fixed ceilings such as on borrowings, guarantees, fiscal deficit, revenue deficit and so on. But such legislations are on the statute books in a number of countries. The Government of India too has introduced a Bill for the purpose in Parliament in the year 2000. Similarly, commitment to good governance needs to be underlined by self-imposed restrictions in a suitable legislation enacted for the purpose.

In Maharashtra context, ensuring financial solvency of the state government has assumed special responsibility due to the profligacy of the government over the years. This matter can no longer be left to the good sense of the political parties in power. There must be a law on the basis of which the state government's performance can be judged from time to time. It is recommended that the state government may take steps to introduce a legislation on the subject on the lines of the Bill introduced by the central government in Parliament in the year 2000.

The concept of good governance needs to be translated into a quantifiable annual index on the basis of certain agreed indicators such as pendency of civil and criminal court cases, number of communal riots, number of people killed in police firings, increase in crime, custodial deaths, birth rate, death rate, infant mortality rate, extent of immunisation, literacy rate for men and women, sex ratio, availability of safe drinking water supply, electrification of rural households, rural and urban unemployment,

percentage of girls married below 18 years, percentage of villages not connected by *pucca* roads, and so on.

Some universally accepted criteria for good budgetary practices may also be included in the index. These would include, among others, revenue deficit/surplus, quantum of fiscal deficit, outstanding loan repayment liability, interest burden, capital expenditure and the extent of government guarantees. These values will have to be worked out as a percentage gross state domestic product (GSDP). The other criteria could include number of occasions and the period for which the state was in overdraft or in Ways and Means accommodation with the Reserve Bank of India, and the tax performance of the state and disbursement of subsidies as a percentage of GSDP. This is only an illustrative list of items which could figure in the index of good governance.

The government should take very early steps to amend its law on right to information. It was distressing to see that the state government has selected, as a model, the most regressive legislation in the country, namely, that of Tamil Nadu, for enacting its own law though several other models were available. These included enactments of State Governments of Goa, Rajasthan and Karnataka, and draft Bills recommended by the Press Council of India (PCI), Shourie Committee (SC) appointed by the Government of India, and the National Workshop on Right to Information held at the National Institute of Rural Development (NIRD), Hyderabad.

The model Bill formulated by the NIRD Workshop would be the most suitable for adoption by the Government of Maharashtra as it contains a number of important features and has made some major improvements in the PCI and SC Bills. Some of its distinguishing features are briefly brought out below:

- The title of the Bill contains the words “right to information” as opposed to “freedom of information”

mentioned in the Shourie Committee Bill. This is important as the Bill is meant to operationalise the right to information guaranteed by the Constitution and upheld by the Supreme Court in a number of cases.

- The Bill covers not just the government sector but also the private sector, cooperative societies, other societies registered under the Societies Act, public trusts, non-government organisations (NGOs) and so on. Right to information in respect of these organisations is as necessary as it is in respect of the government. Only then social accountability can be ensured in all sections of society.
- Information affecting the life and liberty of a person will be made available within 24 hours of the receipt of the application therefore in an office.
- There will be no presumption regarding rejection of any request for information if no reply is received within the stipulated time.
- The purpose for which the information is sought will not be relevant.

The exclusion clause, i. e. the cases in which information will be withheld, has been made considerably restrictive so that the basic purpose underlying the proposed legislation is not defeated. Thus, for example, notings and discussions on the files as also cabinet notes should be available for the information of the public once a decision is taken on any individual case. The Bill provides for punishment to the employees for contravening the provisions of the law. The extent of punishment should depend on the nature of default on the part of the employee.

There should be two appeals permissible in each case of rejection of any request for information. While the first one may lie in the department concerned, the second should be to an outside agency such as the Lok Ayukta. The information may be provided in the same medium in which

it has been asked for. Thus it should be possible to ask for and obtain information electronically, through internet, e mail, etc.

The Government of India has introduced a Bill on Freedom of Information in Parliament which is presently before the parliamentary standing committee on Ministry of Home Affairs and is meant to cover the central government and state governments and other related offices. Once this Bill is passed by Parliament, the Central Act will also be applicable to Maharashtra.

Each office should set apart a room as public concourse for easy access of the people. It should have all rudimentary facilities such as proper sitting arrangement, drinking water, fans, a notice board, an intercom telephone connection to the officers, etc. There should be a facilitation officer available in the public concourse for guiding the public. In the case of smaller offices, this responsibility can be entrusted to one of the officers/senior staff members on a part-time basis.

As a general rule, it may be stated that each office should bring uptodate every six months, and as often as may be necessary, and make available the following information in the public concourse:

- Its organisational structure
- Names of officers and work looked after by them, along with their telephone numbers, fax numbers, e mail address etc.
- Services offered and responsibilities dealt with by the office
- Activities which require licences and approvals
- Procedures for handling applications for licenses, permits etc.
- Time limits prescribed for disposal of applications
- Application forms prescribed, fees to be paid, manner of payment of fees etc.

- Acts, rules, regulations and guidelines laid down for the purpose
- List of publications, office manuals, standing order files, guard files which have to be referred to by the staff in deciding cases
- Decision-making processes in terms of procedures, powers and responsibilities of officers at various levels
- Applications invited under various schemes and programmes implemented by the office
- Criteria for selection of beneficiaries
- List of beneficiaries chosen under the schemes and programmes
- Copies of tenders issued from time to time, their dates of opening, scrutiny and final results
- Information regarding award of tenders
- Description of all classes of record under the control of the office in sufficient detail to facilitate access to it by prior permission, and
- The name of the facilitation officer.

Each office should identify the kinds of information pertaining to its activities which interests people at large and arrange to publish it on its notice board and by a communication to the media, and NGOs operating in the concerned field, at regular periodical intervals, as may be prescribed. Thus, for example, each municipal body should make public periodically building permissions granted, along with relaxations, if any, permitted.

Details of property tax levied in each case could also be published on the notice board for people to see. Such an experiment done in Vijayawada Municipal Corporation has led to large increase in the revenue of the municipal body. A village panchayat should make available, on its notice board, a list of workers engaged on employment programmes such as *Jawahar Rojgar Yojana*, for people to

see. The whole idea should be to transact all work in any given office in as open, transparent and accountable manner as possible.

It is suggested that three months time be laid down for all offices to set up public concourses and to identify, with the approval of their higher offices, the kinds of information which will be published *suo-motu* and the intervals at which it will be so published. It is recommended that, in the light of the above, very early steps may be taken to amend the Right to Information Act. It would be useful if an announcement to this effect is made by the state government very early.

A great deal of government work is transacted on the basis of standing orders and guidelines laid down from time to time. Guard files are the beacon lights for functionaries in government offices. It is necessary that the citizens know the basis on which a certain decision is likely to be taken by the government. Like the laws, rules and regulations, these also ought to be in public domain which are available for anyone to see, though they have never been treated as such in government offices.

In fact, the tendency in government offices is to treat them as super secrets. As a result, the working of a government is a mystique for a common person. It is time steps are taken to demystify the government. It is recommended that all offices/Heads of Departments/secretariat departments should take steps to publish within a period of three months all standing order files, guard files and guidelines and to make a copy thereof available in the public concourse for people to peruse. It will be equally important to publish, from time to time, any new standing orders or guidelines issued by the government.

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Bureaucracy and Public Sector Development

The evolution of the sectorial shares in output, consumption and employment as economies grow has been studied for well over fifty years. During the 1950s and 1960s, economic development would be associated with a sharp decline in the proportion of GDP generated by the primary sector, counterbalanced by a significant increase in industry and by a more modest increase in services. Sectorial shares in employment were predicted to follow a similar pattern. At current levels, India's services share of GDP is higher than the average for other low income countries. The evidence suggests that though the Indian services sector is somewhat higher than the average, India is not that unusual. In 1990, the share of India's services sector in GDP was very close to the average share predicted by this linear relationship.

As a result of rapid services growth in the 1990s, however, India's share in services had moved above the average share predicted by the cross country experience by as much as 5 percentage points of GDP by 2001. Even so, in terms of having a large share of services in GDP, India is by no means an outlier. If different sectors in India grow at the average growth rates experienced in 1996-2000, then by 2010, the share of services would increase to 58 percent, which would bring the size of the India's services sector,

relative to GDP, closer to that of an upper middle income country, even though India would still belong to the low income group.

Even though India has experienced profound changes in output shares, the same is not true for employment shares. A striking feature of India's development is that in contrast to the substantial decline in the share of agriculture in GDP, there has been rather little change in the share of employment in agriculture. Similarly, although services rose from 42 percent to 48 percent of GDP during the 1990s, the employment share of services actually declined by about one percentage point during the decade. Thus, while output generation has shifted to services, employment creation in services has lagged far behind. India's relatively jobless service sector growth is unlike the experience of other countries, where the service sector has also tended to gain a larger share of employment over time. India, in fact, has an exceptionally low share of services employment, when compared with other countries.

The normal pattern is thus for the share of services employment to rise faster than the share of output. This implies that labour productivity in services tends to fall as the service sector increases. In sharp contrast, since the labour share in services employment has been flat, labour productivity in Indian services has been increasing over time. In addition, the increase in labour productivity in Indian services has not been due to an increase in the relative capital intensity. This suggests that other factors have been at work in raising labour productivity, which could include the growth of services being concentrated in subsectors that are more dependent on skilled labour than on unskilled labour or capital. This trend has no doubt been reinforced by technological improvements, as well as by efficiency gains resulting from liberalisation.

The data on annual growth rate over the past fifty years suggest a structural break in growth in services starting in

1980. Through the 1970s, the growth path was more or less flat, but the trend shifted upwards in the 1980s and then perhaps again in the 1990s. By contrast, the growth path for industry, which exhibited a declining trend between 1954-80, has been flat over the past two decades. The acceleration in services growth in the 1980s and 1990s was not uniform across different activities. Some subsectors grew at a much faster rate than in the past, while for other subsectors, growth rates were similar to the past trend. To identify the growth-drivers within the services sector, we compare the growth rates of various activities in the 1990s with their previous trend growth rates.

The trend growth rates are estimated using the three year moving average of the growth rate, with the period 1954-90 used in estimating the trend. A comparison of the actual and the trend growth rates shows that growth in several service subsectors accelerated sharply in the 1990s; indicating some sort of a structural break in their growth series. We call these activities fast growers. The remaining activities grew more or less at a trend rate; these we call trend growers.

FAST GROWERS AND TREND GROWERS

Fast growers were as follows:

- Business services was the fastest growing sector in the 1990s, with growth averaging nearly 20 percent a year. Though desegregated data for this category are not available, export and software industry data indicate that the growth was mainly on account of the IT sector. Despite being the fastest growing sector, business services, particularly IT activity, was growing off a low base and its contribution to the services sector and GDP growth was quite modest in the 1990s. As we discuss later, this segment is expected to continue growing at a very high rate and is likely to contribute more significantly to services growth in the future.

- Communication services, which registered growth of 14 percent a year during the 1990s, made a significant contribution to services growth. The growth in communication was mostly due to telecom, which accounts for 80 percent of output.
- In the banking sector, growth jumped from about 7 percent over the period 1950-80, to 12 percent in the 1980s, and 13 percent in the 1990s. Growth was most rapid in the NBFIs, followed by growth in the banks. Overall, the contribution of banking to services sector growth was larger than that of the communications sector.
- Community services and hotels and restaurants increased at the trend growth rate through the early 1990s, but experienced a pick up in growth in the latter part of the decade. In community services, this was due to both education and health services growing at an average rate of 8 percent in 1990s.

Among the trend growers, the growth rate of distribution services, averaged about 6 percent in the 1980s, higher than in previous decades, and accelerated further to about 7 percent in the 1990s—just below the threshold for fast growers. The rate of growth of public administration and defense in the 1990s averaged 6 percent, which was similar to the growth experienced in previous decades.

Growth spiked in response to the Fifth Pay Commission awards to government employees in the late 1990s, but this did not substantially increase average sector growth for the decade as a whole. The growth rate of personal services jumped to 5 percent in the 1990s, but remained below the growth in most other services activities. The other subsectors such as transport, dwellings, and storage grew more or less at the same rate in the 1980s and 1990s as in previous decades.

The fast growing activities accounted for about a quarter of services output in the 1980s, but because of their

relatively fast growth, these activities represented one-third of services output by 2000. The high services growth in the 1980s was primarily due to the trend growing subsectors. These activities added about 1 percentage point of additional services growth in the 1980s, while fast growing activities made a contribution only about half as large.

In the 1990s, by contrast, fast growing sectors made about the same contribution to services growth as the trend growing sectors. In fact, since the growth of trend growing sectors was about the same in both decades, the fast growers collectively accounted for almost all of the higher services growth in the 1990s. This is consistent with new activities and industries having sprung up in the fast growth subsectors, but not in the trend growth ones.

SERVICES SECTOR GROWTH

A number of studies have attempted to explain the fast growth in the share of services activity observed in cross country data. The literature draws a distinction between demand and supply factors. On the supply side, the output share of services can be boosted by a switch to a more services-input intensive method of organising production. Such a change in production methods can arise as a result of increasing specialisation as the economy matures. For example, over time, industrial firms may make greater use of specialist subcontractors to provide services that were previously provided by the firms themselves.

Legal, accounting, and security services are obvious candidates to be contracted out. Bhagwati calls this process of specialisation splintering. Kravis points out that splintering can lead to growth in the share of services in GDP, even when GDP itself is not growing. On the demand side, an increase in the output share of services can arise from rapid growth in the final demand for services. This could be from domestic consumers with a high income

elasticity of demand for services, or from foreign consumers with a growing demand for the country's service exports.

Demandled growth of this type is likely to result, at least initially, in a rise in the prices of services, as well as a shift of resources into the production of services. Services activity can also be stimulated by technological advances, whereby new activities or products emerge as a result of technological breakthrough—such advances are likely to be particularly relevant in the case of the IT and telecommunication sectors and to some extent in financial services. Liberalisation can also provide a boost to services. In India, important policy reforms were made in the 1990s which were conducive to the growth of services sector, such as deregulation, privatisation and opening up to foreign direct investment (FDI). If the growth of services was previously inhibited by government controls, then policy changes may provide a positive shock that unleashes new activity and growth.

Changes in production technique can cause a firm to splinter, and, as a result, the proportion of output originating in the services sector to increase. Such splintering would be reflected in an increase in the use of services as intermediate inputs but not as final demand. One way to estimate the importance of splintering to services growth in India is to measure the increase in input usage of services in other sectors through changes in the inputoutput coefficients.

The matrices for different years show that the use of services sector inputs in industry increased by about 40 percent between 1979/80 and 1993/94; that is, the inputoutput coefficient increased from 0.15 to 0.21. In addition, the use of services inputs in agriculture almost doubled during this period, but still remained low. Another way to show how important splintering has been in India is to look at the change in the inputoutput coefficients for services input in agriculture and industry, which increased

by 0.03 and 0.04, respectively, during the 1980s. These coefficient changes would have increased demand for services by:

$$DY_s = 0.03Y_A + 0.04Y_i$$

where Y_i is the output in sector i . Dividing through by total output Y and evaluating at the average sectorial shares during the 1980s (0.35, 0.25 and 0.40 for agriculture, industry and services, respectively), yields:

$$\Delta Y_s / Y_s = ((0.03 * 0.35) + (0.04 * 0.25)) / 0.4 = 0.051$$

or 5.1 percent over the decade. This would suggest that splintering may have added about $\frac{1}{2}$ percentage point to annual services growth during the 1980s. Since the latest input-output matrix for India is available only for 1993-94, data for the 1990s are only partial. However, a similar calculation for the period 1989/90-1993/94 yields a splintering effect on annual services growth of about $\frac{1}{4}$ percentage point. Thus the increase in the use of services inputs is much less during early 1990s than in the 1980s.

We do not yet know whether this trend continued for the rest of the decade. However, it has already been seen that some of the fastest growing services activities in the 1990s were oriented toward final consumption, and this would be consistent with splintering having played a less important role in boosting growth in the 1990s. Overall, thus, increases in the use of services input in other sectors over time may be partly responsible for the increase in services share in GDP. However, the changes in input usage do not appear to have accelerated in the 1990s and thus cannot explain the recent pick-up in services growth.

Demand for Services

First, the share of services in private final consumption expenditure has almost tripled since 1951. The available

data do not permit a precise split of private final consumption expenditure into a goods and a services component. Nonetheless, a rough estimate can be made, which indicates a sharp rise in the growth of final demand for services in the 1990s. That is, final consumption of services grew at a rate broadly similar to services output in the 1990s, whereas in the 1980s, final consumption of services grew at a slower rate.

Another way of trying to understand how large a role could have been played by final demand is to examine the behaviour of services output as a share of GDP. The fast growers exhibit a sharp increase in the ratio of output to GDP from the early 1990s. For increases in final demand to explain this rapid growth would imply huge increases in the elasticities of final demand for these activities, but there is no prior reason to expect this kind of behavioural change.

Foreign Demand

With the advent of the IT revolution, it has become possible to deliver services over long distances at a reasonable cost, thus trade in services has increased worldwide. India has been a particular beneficiary of this trend. In India, exports of services grew by an average of 15 percent a year in the 1990s, compared with 9 percent in the 1980s. Cumulatively, services exports increased fourfold in the 1990s and reached US\$25 billion in 2002. Services exports from India now exceed 1 percent of the global exports in services.

The increase in services exports has been most dramatic in software and other business services, but there has also been growth in the export of transport and travel services. As a result, the composition of services has changed dramatically in favour of miscellaneous services. In order to make a rough estimate of the contribution of services exports to growth, we need to first estimate the value added component of exports. For this, we assume that input usage is same for services exports as for other services.

From the inputoutput matrix, the input usage in services is roughly about 40 percent of gross output. Thus, about 60 percent of services exports would be valued added. Assuming that this percentage remained broadly similar over time, we calculate the value added by services exports and its contribution to growth of the sector for each year in the 1980s and the 1990s.

The contribution of exports to annual average services growth is calculated to be about 0.2 percentage points and 0.6 percentage points in the 1980s and the 1990s, respectively. Even though this contribution is fairly small, services exports have continued to grow rapidly in the current decade, with the growth of software exports averaging nearly 40 percent per annum during 2000-03. With the IT sector expected to continue to flourish in the future, its contribution to growth will become increasingly significant over time.

Growth and Liberalisation

Policy changes are also likely to be a factor behind the growth in services sector activity in India, especially changes relating to deregulation, the liberalisation of FDI, and the privatisation of government-owned services. An example would be the telecommunications industry where inefficient provision of services by the government led to a situation of effective rationing of services until the early 1990s. Communications as a whole has been one of the fastest growing services subsectors in the 1990s, and liberalisation undoubtedly played a major role.

In order to empirically test the relationships between services growth and liberalisation measures, an index of liberalisation is needed. Such an index is difficult to create using the available information. Nonetheless, preliminary evidence of the effect of reform-related measures on services growth is provided by analysing the correlation between the flow of FDI and the increase in private sector

participation in services to sector growth. The relationship between the cumulative flow of FDI and services growth in the 1990s performance is found to be quite strong. The positive and significant association, holds even if we exclude the fastest growing communications sector. Similarly, the participation of the private sector in services activities also increased in the 1990s. The relationship is likely to be stronger if we include business services, for which the data on private and public shares are not available, but most of which originates in the private sector.

Many different factors played a role in explaining the growth of services in the 1990s, which we now attempt to estimate. We first estimate the trend part of the growth rates. For this, we estimate the trend rate at which various services activities as a share of GDP increased up until 1990. We use this estimate to predict the size of the services sector during the 1990s. High income elasticity and splintering effects would imply an increase in the share of services in GDP at a predetermined rate, but at one which is not likely to change much over time.

We compare the actual share of services in GDP with our predicted share and calculate the difference. This residual growth, which is positive for the fast growing sectors, cannot be attributed solely to elasticity and splintering effects, and therefore reflects other factors such as increased exports, policy reforms and technological progress. The residual component of growth in fast growers on average accounted for $13/4$ percentage points of growth of the services sector in the 1990s. The next step is to net out from the residual growth, the amount of growth attributed to increased exports of services in the 1990s. This we estimate at about $1/2$ percentage points. The remaining growth, or about $11/4$ percentage points, can thus be attributed to factors such as reforms.

ADMINISTRATION REFORMS IN INDIA

In comparing the performance prior to the July 1991 reforms and that following them, the conventional practice is to draw the line at 1990-91 and thus divide the time period into the decades of 1980s and 1990s. But this division does not accurately reflect the division into periods prior to and following the July 1991 reforms. Indeed, because 1991-92 was the crisis year and the 1991 reforms were a response to rather than the cause of the crisis, the conventional practice creates a serious distortion by including the year 1991-92 into the post-1991 reform period. The July 1991 reforms and subsequent changes could not have begun to bear fruit prior to 1992-93.

Therefore, we take 1991-92 as the dividing line between the two periods. The post-1991 reform period is defined to start in 1992-93 and last until the latest year for which data are available, 2002-03. Pre-1991 reform period precedes this period with the starting date left vague at this point. Though it may be argued that the June 1991 crisis was the result of the policies of the pre-1991 reform period and therefore the year 1991-92 legitimately belongs in it, where appropriate, we present the analysis with and without this year included in the pre-1991 reform period. Unless otherwise stated, the terms "1980s" and "1990s" refer to the pre- and post-1991 reform periods as per these definitions.

At the outset, it may be noted that it is difficult to pinpoint the timing of the upward shift in India's growth rate. Thus, in a recent attempt to pinpoint structural breaks in the growth series, Wallack is able to achieve at best partial success. She finds that with a 90 percent probability the shift in the growth rate of GDP took place between 1973 and 1987. The associated point estimate of the shift, statistically significant at 10 percent level, is 1980. When Wallack replaces GDP by gross national product (GNP), however, the cutoff point with 90 percent probability shifts to the years between 1980 and 1994.

The associated point estimate, statistically significant at 10 percent level, now turns out to be 1987. Thus, even though growth rates of GDP and GNP follow nearly identical, overlapping paths, Wallaek's cutoff dates for the shift in the growth rate turn out to be vastly different for them. The outcome is highly sensitive to small movements in the data. When we recognise the fact that the errors in the measurement of GNP and GDP perhaps dwarf the differences between the two series as measured, we cannot place a high degree of confidence in the cutoff dates obtained by Wallaek. Besides, by construction, the calculated cutoff date is itself influenced by the events following the cutoff date.

Future policies that influence future growth can automatically change the calculated date of the shift in the growth rate. For example, had the policies and therefore growth experience in the 1990s been vastly different, the cutoff date would also be different. Alternatively, addition or deletion of data points can alter the cutoff point. Even holding the data set fixed, Wallaek finds multiple candidates for the shift. Thus, while she reports only the year with the maximum F-statistic, for each series she finds additional years in the 1980s with test statistics close to the maximum value and above the 10 percent critical value.

The difficulty in pinpointing the date of shift in the growth rate does not allow us to precisely define the starting point of the "1980s" growth period. Fortunately, however, two important related facts remain valid regardless of which starting date we choose.

First, the years 1988-91 during which the economy grew at the super high average annual rate of 7.6 percent are critical to obtaining an average growth rate during the 1980s that is comparable to the growth rate in 1990s. Second, the variance of growth rates during the 1980s is statistically significantly higher than that in the 1990s. In this sense, growth during the first period was fragile

relative to that in the second and, indeed, culminated in the June 1991 crisis.

The average annual growth rate during the eleven-year period from 1992-93 to 2002-03 that we have defined as the post-1991 reform period or the "1990s" is 5.9 percent. One obvious criterion for defining the pre-1991 reform period or the "1980s" is to select 11 years immediately preceding the post-1991 reform period: 1981-82 to 1991-92. Average annual growth rate during this period is 5.3 percent. If the inclusion of the crisis year, 1991-92, into this period is objectionable, we can consider the ten-year period between 1981-82 and 1990-91. In this case, the average growth rate rises to 5.7 percent. Either way, growth rates between the 1980s and 1990s are comparable.

But consider for a moment annual average growth rates until 1987-88. If we take the ten-year period from 1978-79 to 1987-88, the average growth rate is an unimpressive 4.1 percent. In 1988, anyone looking back at the ten-year experience would have concluded that India was still on the Hindu growth path. Indeed, even limiting ourselves to 1981-82 to 1987-88, we get an average growth rate of only 4.8 percent, which is strictly below the growth rate of 4.9 percent achieved during the Fifth Five Year Plan. Thus, had it not been for the unusually high growth rate of 7.6 percent during 1988-91, we would not have reason to debate whether the reforms of 1990s made a significant contribution to growth. The implication is that any explanation of growth in the 1980s must explain the exceptionally high growth during 1988-91.

Progressive Liberalisation

To appreciate the role of liberalisation in stimulating growth in the 1980s, it is useful to begin with a brief historical background on import controls in India. In their pioneering study, Bhagwati and Desai provide the most comprehensive and systematic documentation of the wide

sweep of the interventionist policies that had come to exist by the late 1960s. As they note, general controls on all imports and exports had been present since 1940.

After independence in 1947, import controls were relaxed through the expansion of the Open General Licensing (OGL) list in a stop-go fashion, with the First Five Year Plan (1951-56) representing a period of "progressive liberalisation". But a foreign exchange crisis in 1956-57 put an end to this phase of liberalisation and comprehensive import controls were restored and maintained until 1966. In June that year, under pressure from the World Bank, India devalued the rupee from 4.7 rupees to 7.5 rupees per dollar. The 57.5 percent devaluation was accompanied by some liberalisation of import licensing and cuts in import tariffs and export subsidies for approximately a year. But by 1968, intense domestic reaction to the devaluation led India to turn inward with a vengeance.

Almost all liberalising initiatives were reversed and import controls tightened. This regime was consolidated and strengthened in the subsequent years and remained more or less intact until the beginning of a period of phased liberalisation in the late 1970s. According to Pursell, the severity of the controls was reflected in a decline in the proportion of non-oil and non-cereals imports in GDP from the low level of 7 percent in 1957-58 to the even lower level of 3 percent in 1975-76. Since consumer goods imports had been essentially banned, the incidence of this decline was principally borne by machinery, raw material and components. The impact on the pattern of industrialisation and efficiency was visible.

Two factors facilitated the emergence of the liberalisation phase. First, as already hinted in the above quote from Pursell, by the mid-1970s, industrialists themselves were beginning to find the strict regime counterproductive and started pressing the government for the relaxation of controls. A domestic lobby in favour of

liberalisation of imports of raw materials and machinery had come to exist. At the same time, in the case of raw materials and machinery imports that had no import substitutes, there was no counter lobby.

Second, improved export performance and remittances from overseas workers in the Middle East had led to the accumulation of a comfortable level of foreign-exchange reserves. These reserves lent confidence to policymakers and bureaucrats who had lived in the perpetual fear of a balance of payments crisis. Against this background, consider successively the reforms undertaken starting in the late 1970s and their impact on the economy.

In view of the continuing dominance of leftist ideology in India, pre-1991 reforms were introduced quietly and without fanfare. Therefore, the term "liberalisation by stealth," often used to describe them, is fully justified. Yet, this description gives the misleading impression that the reforms were marginal or inconsequential to the growth performance. Though the process of relaxation of regulation of industry began in the early 1970s and of trade in the late 1970s, the pace of reform picked up significantly only in 1985. Major changes were announced between 1985 and 1988 with the process continuing to move forward thereafter. Indeed, during this latter period, liberalisation had begun to take a somewhat activist form. In turn, GDP growth and the external sector registered a dramatic improvement in performance. GDP grew at the annual rate of 7.6 percent from 1988-89 to 1990-91. Exports, which had grown annually at a paltry 1.2 percent rate during 1980-85, registered a hefty annual growth of 14.4 percent during 1985-90.

Broadly, the reforms of the 1980s, which were largely in place by early 1988, can be divided into five categories. First, the OGL list was steadily expanded. Having disappeared earlier, this list was reintroduced in 1976 with 79 capital goods items on it. The number of capital goods

items included in the OGL list expanded steadily reaching 1,007 in April 1987, 1,170 in April 1988, and 1,329 in April 1990. In parallel, intermediate inputs were also placed on the OGL list and their number expanded steadily over the years.

Based on the best available information, this number had reached 620 by April 1987 and increased to 949 in April 1988. According to Pursell, 'imports that were neither canalised nor subject to licensing increased from about 5 percent in 1980-81 to about 30 percent in 1987-88.' The inclusion of an item into the OGL list was usually accompanied by an "exemption," which amounted to a tariff reduction on that item. In almost all cases, the items on the list were machinery or raw materials for which no substitutes were produced at home. As such their contribution to increased productivity was likely to be significant.

The second source of liberalisation was the decline in the share of canalised imports. Canalisation refers to monopoly rights of the government for the import of certain items. Between 1980-81 and 1986-87, the share of these imports in total imports declined from 67 to 27 percent. Over the same period, canalised non-POL (petroleum, oil and lubricants) imports declined from 44 to 11 percent of the total non-POL imports. This change significantly expanded the room for imports of machinery and raw materials by entrepreneurs.

Third, several export incentives were introduced or expanded, especially after 1985, which helped expand imports directly when imports were tied to exports and indirectly by relaxing the foreign exchange constraint. Replenishment (REP) licenses, which were given to exporters and could be freely traded on the market, directly helped relax the constraints on some imports. Exporters were given REP licenses in amounts that were approximately twice their import needs and thus provided

a source of input imports for goods sold in the domestic market.

The key distinguishing feature of the REP licenses was that they allowed the holder to import items on the restricted list and had domestic import-competing counterparts. Even though there were limits to the import competition provided through these licenses, as exports expanded the volume of these imports expanded as well. This factor became particularly important during 1985-90 when exports expanded rapidly.

In addition to a substantial widening of the coverage of products available to exporters against replenishment licenses, Joshi and Little list the following export incentives introduced between 1985-86 and 1989-90, referring to them as the "quasi-Southeast Asian style" reforms:

- In the 1985 budget, 50 percent of business profits attributable to exports were made income tax deductible; in the 1988 budget this concession was extended to 100 percent of export profits.
- The interest rate on export credit was reduced from 12 to 9 percent.
- In October 1986, duty-free imports of capital goods were allowed in selected "thrust" export industries. In April 1988, access for exporters to imported capital goods was increased by widening the list of those available on OGL and by making some capital goods available selectively to exporters without going through "indigenous clearance."
- Exporters were given an assurance that the incentives announced in the export-import policy would not be reduced for a period of three years.

The fourth source of liberalisation was a significant relaxation of industrial controls and related reforms. Several steps are worthy of mention:

- Delicensing received a major boost in 1985 with 25 industries delicensed. By 1990, this number reached 31. The investment limit below which no industrial license would be required was raised to Rs 500 million in backward areas and Rs. 150 million elsewhere, provided the investments were located in both cases at stipulated minimum distances from urban areas of stipulated sizes. Traditionally, the industrial licensing system had applied to all firms with fixed capital in excess of Rs 3.5 million. There remained 27 major industries subject to licensing regardless of the size and location of investment. These included a number of major industries like coal, large textile units using power, motor vehicles, sugar, steel, and a large number of chemicals. Products subject to Small Scale Industries (SSI) reservation were also off limits though the asset ceiling of firms designated as SSI units was raised from Rs. 2 million to Rs. 3.5 million.
- Broad banding, which allowed firms to switch production between similar production lines such as trucks and cars, was introduced in January 1986 in 28 industry groups. This provision was significantly expanded in the subsequent years and led to increased flexibility in many industries. In some industries, the impact was marginal, however, since a large number of separate product categories remained due to continued industrial licensing in those products.
- In 1986, firms that reached 80 percent capacity utilisation in any of the five years preceding 1985 were assured authorisation to expand capacity up to 133 percent of the maximum capacity utilisation reached in those years.
- Firms that came under the purview of the Monopolies and Restrictive Trade Practices (MRTP) Act were subject to different rules and could not take advantage of the above liberalising policy changes. To relax the

hold of the licensing and capacity constraints on these larger firms, in 1985-86 the asset limit above which firms were subject to MRTP regulations was raised from Rs. 200 million to Rs. 1,000 million. As a result, as many as 90 out of 180 large business houses registered under the MRTP Act were freed from restrictions on growth in established product lines. Requirement of MRTP clearances for 27 industries was waived altogether. MRTP firms in a number of industries were exempt from industrial licensing provided they were located 100 kilometers away from large cities. MRTP firms were allowed to avail themselves of the general delicensing measures in sectors in which they were not considered dominant undertakings. These measures significantly enhanced the freedom of large firms to enter new products.

- Price and distribution controls on cement and aluminium were entirely abolished. Decontrol in cement eliminated the black market and through expanded production brought the free-market price down to the controlled levels within a short time. New entrants intensified competition, which led to improvements in quality along with the decline in the price.
- There was a major reform of the tax system. The multi-point excise duties were converted into a modified value-added (MODVAT) tax, which enabled manufacturers to deduct excise paid on domestically produced inputs and countervailing duties paid on imported inputs from their excise obligations on output. By 1990, MODVAT came to cover all subsectors of manufacturing except petroleum products, textiles, and tobacco. This change significantly reduced the taxation of inputs and the associated distortion. In parallel, a more smoothly graduated schedule of excise tax concessions for small-scale-industries (SSI) firms

was introduced, which reduced incentives for them to stay small.

The relaxation of industrial controls reinforced the ongoing import liberalisation. In the presence of these controls, firms had to have an investment license before they could approach the import-licensing authority for machinery and raw-material imports. For products freed of industrial licensing, this layer of restrictions was removed. More importantly, under industrial licensing, even for products on the OGL list, machinery imports were limited by the approved investment capacity and raw material imports by the requirements implied by the production capacity. With the removal of licensing, this constraint was removed.

The final and perhaps the most important source of external liberalisation was a realistic exchange rate. At least during the years of rapid growth, there is strong evidence of nominal depreciation of the rupee correcting the overvaluation of the real exchange rate. According to the charts provided in Pursell, both the import-weighted and exportweighted real exchange rates depreciated steadily from 1974-75 to 1978-79 with the approximate decline of the former being 30 percent and of the latter 27 percent. It bears reminding that this was also a period of rapid export expansion and foreign exchange reserves accumulation that paved the way for import liberalisation subsequently.

The years 1977-79 also registered the hefty average annual GDP growth of 6.5 percent. The real exchange rate appreciated marginally in the following two years, stayed more or less unchanged until 1984-85, and once again depreciated steadily thereafter. Joshi and Little attribute a considerable part of the success in export expansion during the second half of the 1980s to the real exchange rate management. Observing that starting in 1986-87, Indian exports grew considerably faster than world trade and as fast as the exports of comparable developing countries.

EXTERNAL BORROWING AND PUBLIC EXPENDITURE

While the importance of liberalisation of industry and trade for the shift in the GDP growth rate during the 1980s can hardly be denied, borrowing abroad and rising government expenditures at home also played a role. Joshi and Little have pointed out that during the 1980s the investment-to-GDP ratio rose exclusively in the public sector while it fell in the private sector. At the same time, the growth rate of public sector output actually fell. Therefore, it is difficult to argue that borrowing abroad contributed to a boost in the growth rate by boosting investment in the 1980s. Nevertheless, it likely helped raise the total GDP growth rate indirectly by contributing to the rise in the growth rate of private sector output.

Thus, for example, the external borrowing helped bridge the considerable gap between exports and imports. Despite faster growth in exports than imports in the second half of the 1980s, due to a sizable initial gap the absolute difference between imports and exports remained large. Based on the RBI trade data on the balance of payments accounts, which differ significantly from the customs (DGCIS) data, total imports-to-GDP ratio exceeded the total exports-to-GDP ratio by 2.5 to 3 percentage points throughout the 1980s. Accordingly, the higher level of imports was financed partially through external borrowing.

Thus, foreign borrowing made a positive contribution to growth, it also led to a rapid accumulation of foreign debt, which rose from \$20.6 billion in 1980-81 to \$64.4 billion in 1989-90. The accumulation was especially rapid during the second half of the decade with long-term borrowing rising from the annual average of \$1.9 billion during 1980-81 to 1984-85 to \$3.5 billion from 1985-86 to 1989-2000. Moreover, "other" capital flows and errors and omissions turned from a large negative figure in the first half of the decade into a positive figure indicating an increase in the short-term borrowing in the latter period.

The external-debt-to-GDP ratio rose from 17.7 percent in 1984-85 to 24.5 percent in 1989-90. Over the same period, the debt-service ratio rose from 18 to 27 percent. The growth in debt was also accompanied by a rapid deterioration in the "quality" of debt between 1984-85 and 1989-90. The share of private borrowers in the total long-term debt increased from 28 to 41 percent. The share of nonconcessional debt rose from 42 to 54 percent.

The average maturity of debt declined from 27 to 20 years. Thus, while external debt was helping the economy grow, it was also moving it steadily towards a crash. A similar story was also evolving on the internal front. While external borrowing helped relieve some supply-side constraints, rising current domestic public expenditures provided the stimulus to demand, particularly in the services sector.

Srinivasan and Tendulkar assign much of the credit for the growth during the 1980s to this demand-side factor. Defense spending, interest payments, subsidies, and the higher wages following the implementation of the Fourth Pay Commission recommendations fuelled these expenditures. Documents the magnitude of the expansion of current government expenditures at the center and state levels combined during the second half of the 1980s. During the first half of the 1980s, these expenditures averaged 18.6 percent. In the second half, they rose to an average of 23 percent with the bulk of the expansion coming from defense, interest payments and subsidies, whose average rose from 7.9 to 11.2 percent of GDP.

As with external borrowing, high current expenditures proved unsustainable. They manifested themselves in extremely large fiscal deficits. Combined fiscal deficits at the central and state levels, which averaged 8 percent in the first half of the 1980s went up to 10.1 percent in the second half. Continued large deficits of this magnitude led to a buildup of very substantial public debt with interest

payments accounting for a large proportion of the government revenues. They also inevitably fed into the current account deficits, which kept rising steadily until they reached 3.5 percent of GDP and 43.8 percent of exports in 1990-91. The eventual outcome of these developments was the June 1991 crisis.

Liberalisation on External Trade

The July 1991 package also made a break from the 1980s' approach of selective liberalisation on the external trade front by replacing the positive list approach of listing license-free items on the OGL list to a negative list approach. It also addressed tariff reform in a more systematic manner rather than relying on selective exemptions on statutory tariffs. In subsequent years, liberalisation has been extended to trade in services as well.

Merchandise trade

The July 1991 reforms did away with import licensing on virtually all intermediate inputs and capital goods. But consumer goods, accounting for approximately 30 percent of the tariff lines, remained under licensing. It was only after a successful challenge by India's trading partners in the Dispute Settlement Body of the World Trade Organisation (WTO) that these goods were freed of licensing a decade later starting April 1, 2001. Today, except for a handful of goods disallowed on environmental, health, and safety grounds and a few others that are canalised such as fertiliser, cereals, edible oils, and petroleum products, all goods can be imported without a license or other restrictions. Tariff rates in India had been raised substantially during the 1980s to turn quota rents into tariff revenue for the government. For example, according to Government of India, tariff revenue as a proportion of imports went up from 20 percent in 1980-81 to 44 percent in 1989-90.

Likewise, according to WTO, in 1990-91, the highest tariff rate stood at 355 percent, simple average of all tariff rates at 113 percent, and the importweighted average of tariff rates at 87 percent. With the removal of licensing, these tariff rates became effective restrictions on imports. Therefore, a major task of the reforms in the 1990s and beyond has been to lower tariffs. This has been done in a gradual fashion by compressing the top tariff rate while rationalising the tariff structure through a reduction in the number of tariff bands.

The top rate fell to 85 percent in 1993-94 and 50 percent in 1995-96. Though there were some reversals along the way in the form of new special duties and unification of a low and a high tariff rate to the higher one, the long-run movement has been toward liberalisation with the top rate declining to 25 percent in 2003-04. The 1990s' reforms were also accompanied by the lifting of exchange controls that had served as an extra layer of restrictions on imports. As a part of the 1991 reform, the government devalued the rupee by 22 percent against the dollar from Rs 21.2 to Rs 25.8 per dollar.

In February 1992, a dual exchange rate system was introduced, which allowed exporters to sell 60 percent of their foreign exchange in the free market and 40 percent to the government at the lower official price. Importers were authorised to purchase foreign exchange in the open market at the higher price, effectively ending the exchange control. Within a year of establishing this market exchange rate, the official exchange rate was unified with it.

Since 1991, India has also carried out a substantial liberalisation of trade in services. Traditionally, services sectors have been subject to heavy government intervention. Public sector presence has been conspicuous in the key sectors of insurance, banking, and telecommunications. Nevertheless, considerable progress has been made toward opening the door wider to private-

sector participation, including participation by foreign investors. Until recently, insurance was a state monopoly.

On December 7, 1999, the Indian Parliament passed the Insurance Regulatory and Development Authority (IRDA) Bill, which established an Insurance Regulatory and Development Authority and opened the door to private entry including foreign investors. Up to 26 percent foreign investment, subject to obtaining license from the Insurance Regulatory and Development Authority, is permitted. Though the public sector dominates in the banking sector, private banks are permitted to operate in it.

Foreign direct investment (FDI) up to 74 percent in the private banks is permitted under the automatic route. In addition, foreign banks are allowed to open a specified number of new branches every year. More than 25 foreign banks with full banking licenses and approximately 150 foreign bank branches are in operation presently. Under the 1997 WTO Financial Services Agreement, India committed to permitting 12 foreign bank branches annually. The telecommunications sector has experienced much greater opening to private sector including foreign investors. Until the early 1990s, the sector was a state monopoly.

The 1994 National Telecommunications Policy provided for opening cellular as well as basic and value-added telephone services to the private sector with foreign investors granted entry. Rapid changes in technology led to the adoption of the New Telecom Policy in 1999, which provides the current policy framework. Accordingly, in basic, cellular mobile, paging and value added service, and global mobile personnel communications by satellite, FDI is limited to 49 percent subject to grant of license from the Department of Telecommunications.

FDI up to 100 per cent is allowed with some conditions for Internet service providers not providing gateways, infrastructure providers providing dark fiber, electronic mail, and voice mail. Additionally, subject to licensing and

security requirements and the restriction that proposals with FDI beyond 49 per cent must be approved by the government, up to 74 percent foreign investment is permitted for Internet service providers with gateways, radio paging, and end-to-end bandwidth. FDI up to 100 percent is permitted in e-commerce. Automatic approval is available for foreign equity in software and almost all areas of electronics.

One hundred percent foreign investment is permitted in information technology units set up exclusively for exports. These units can be set up under several schemes, including Export Oriented Units (EOUs), Export Processing Zones (EPZs), Special Economic Zones (SEZs), Software Technology Parks (STPs), and Electronics Hardware Technology Parks (EHTPs). The infrastructure sector has also been opened to foreign investment. FDI up to 100 percent under automatic route is permitted in projects for construction and maintenance of roads, highways, vehicular bridges, toll roads, vehicular tunnels, ports, and harbours.

In construction and maintenance of ports and harbours, automatic approval for foreign equity up to 100 percent is available. In projects providing supporting services to water transport, such as operation and maintenance of piers, loading, and discharging of vehicles, no approval is required for foreign equity up to 51 percent. FDI up to 100 percent is permitted in airports, with FDI above 74 percent requiring prior approval of the government. Foreign equity up to 40 percent and investment by nonresident Indians up to 100 percent is permitted in domestic air-transport services.

Only railways remain off limits to private entry. Since 1991, several attempts have been made to bring private sector, including FDI, into the power sector but without perceptible success. The most recent attempt is the Electricity Bill 2003, which replaces the three existing power

legislations dated 1910, 1948, and 1998. The bill offers a comprehensive framework for restructuring the power sector and builds on the experience in the telecommunications sector. It attempts to introduce competition through private sector entry side by side with public-sector entities in generation, transmission, and distribution.

The bill fully delimitates generation and freely permits captive generation. Only hydro projects would henceforth require clearance from the Central Electricity Authority. Distribution licensees would be free to undertake generation and generating companies would be free to take up distribution businesses. Trading has been recognised as a distinct activity with the Regulatory Commissions authorised to fix ceilings on trading margins, if necessary. FDI is permitted in all three activities.

Trade liberalisation had a much more visible effect on external trade in the 1990s than in the 1980s. The ratio of total exports of goods and services to GDP in India approximately doubled from 7.3 percent in 1990 to 14 percent in 2000. The rise was less dramatic on the import side due to the fact that increased external borrowing was still financing a large proportion of imports in 1990, which was not true in 2000. But the rise was still significant from 9.9 percent in 1990 to 16.6 percent in 2000. Within ten years, the ratio of total goods and services trade to GDP rose from 17.2 percent to 30.6 percent.

Liberalisation also had a significant effect on growth in some of the key services sectors. Overall, the average annual growth rate in the services sector shifted from 6.9 percent during 1981-91 to 8.1 percent during 1991-2001. As Gupta and Gordon document systematically, this growth was mostly due to fast growth in communication services, financial services, business services, and community services. Given substantial deregulation and opening up to

private participation in at least first three of these sectors, the link of this acceleration to reforms can hardly be denied.

The most disappointing aspect of the 1990s' experience, however, has been a lack of acceleration of growth in the industrial sector. The average annual rate of growth in this sector was 6.8 percent during 1981-91 and 6.4 percent during 1991-2001. Given that many of the reforms were particularly aimed at this sector, this outcome is somewhat disappointing. There are at least three complementary reasons. First, due to draconian labour laws, industry in India is increasingly outsourcing its activities so that growth in industry is actually being counted in growth in services. Second, due to some key binding constraints in areas of labour laws, small-scale industries reservation, and power, large-scale firm are still unwilling to enter the market. Finally, large fiscal deficits continue to crowd out private investment.

PUBLIC SECTOR AND FOREIGN DIRECT INVESTMENT

Most developing countries do not have the necessary level of savings and know-how to sustain economic growth. FDI after all provides a composite bundle of capital stock, technology and know-how as well as in some cases market access that can have an impact on output, trade and employment for the recipient economy. There are difficulties in pursuing old public sector-centred and nationally oriented strategies in the new technological and competitive setting.

The World Investment Report by UNCTAD indicates that FDI grew by 29 per cent in 2000 from 1999, faster than other economic aggregates like world production, capital formation and trade, reaching a record of nearly US\$ 1.4 trillion. However, in 2002 as a result of the simultaneous economic slowdown in the world's three largest economies, the United States of America, Japan and the European Union, this rate fell sharply for the first time in a decade

to less than half of this amount at US\$ 651 billion, roughly reflecting 1998 levels.

The continued sluggishness in the world economy and weak equity prices have affected FDI flows in 2002 and 2003 as well. This is compounded by a feeling of uncertainty caused by geographical tensions. The comparison of the world maps of inward and outward FDI in 2000 and 1985 reveals that FDI reaches many more countries in a substantial manner than in the past. More than 50 countries (24 of which are developing countries) have an inward stock of more than US\$ 10 billion, compared with only 17 countries in 1985 (7 of them developing countries).

Despite this, FDI is unevenly distributed. The prime destination for the bulk of the FDI flows is to developed countries, with the United States being the largest recipient. Developing countries absorbed some US\$ 162 billion in FDI inflows in 2002, about a quarter of the world's share, but this is a reduction from the 41 per cent share achieved in 1994. In absolute terms, this amount achieved in 2001 was a fall from the record of US\$ 246 billion achieved in 2000. Of this, developing countries in Asia received some US\$ 95 billion in 2002, with China taking the lion's share of about \$ 53 billion, followed by Hong Kong, China.

ASEAN-10 got only 13.2 per cent of the Asian share in 2002, and this is well below the 25 to 30 per cent Asian share prevailing before the 1997 crisis. The crisis, while drastically affecting portfolio flows, did not result, except in the case of Indonesia, in outflows in FDI. From 2000 to 2002, FDI in the ASEAN-10 countries decreased by 13.4 per cent from US\$ 18.6 billion to about US\$ 14 billion, mainly from the traditional sources of the United States, Europe and Japan. Between 1990 and 1997, East Asia attracted more than 17 per cent of the world FDI.

Mergers and acquisitions (M&A) have accounted for a substantial share of FDI in recent years, although there has been a fall from record levels in 2000, mainly owing to

declines in share prices and the economic downturn. The immediate benefit of cross-border M&A in East Asia following the crisis was to provide funds to help solvent firms with short-term liquidity problems to avoid bankruptcy.

In some cases, the M&A was hostile in nature involving a forced sale of assets. There is insufficient evidence that cross-border M&A transactions have had a significant impact in restructuring the economies of the crisis countries, although they have now declined.

The World Bank noted that foreign acquisitions of the M&A kind, unlike greenfield investments, do not contribute directly to added investment and thus may have lowered the impact of FDI on domestic investment. In the long run it remains to be seen whether such acquisitions could lead to new capital flows and improved access to technology and organisation techniques. Some sectors have taken a larger hit than others, in particular airline and tourism industries, and ICT, which were at the centre of cross-border investment in the 1990s. The ICT sector is undergoing a consolidation process as a result of the burden of sizeable debts due to unrealised investment returns. A restructuring, backed by better economic performance, can lead to an eventual upturn in investment.

What is in it for the 65,000 transnational corporations (TNCs) with about 850,000 foreign affiliates, more than half of which are in electrical and electronic equipment, motor vehicle and petroleum exploration and distribution companies? While national Governments see FDI as a way to spur national development, TNCs seek to enhance their own competitiveness in an international context, i.e., to sustain income growth in a liberalising and globalising world.

The nature and accelerating pace of technological change are the driving forces and make it necessary to shift activities up the value chain. This is most noticeable in the

merger of communication and information processing technologies. The rising complexity of information flows, the changing competitive conditions and the diversity of possible locations mean that TNCs have to organise and manage their activities differently. This requires not only changing management and technical skills but also changing relations with buyers, suppliers and competitors to manage better processes of technical change and innovations.

An objective is to find the best match for their mobile assets with the immobile assets of different locations within an integrated production and marketing system. The most attractive immobile assets, apart from primary resources and a large domestic market, are now world-class infrastructure, skilled and productive labour, innovative capacities and an agglomeration of efficient suppliers, competitors, support institutions and services. Within this framework of an international integrated production system involving intra-firm division of labour and value added, any part of the chain of an enterprise can be located abroad while remaining fully integrated into a corporate network.

The boundaries of what is internal or external to the firm are shifting as processes and functions become divisible. A highly visible group of large TNCs continues to grow, often with turnovers larger than the national incomes of many developing countries. Consequently, competition between countries is de facto competition among individual country's enterprise groups. The challenge for Governments is to develop an FDI strategy in this new competitive context that can benefit countries in terms of their own endowments and development objectives. There are market failures in the investment process and divergences between TNC and national interests, and this implies a government role of intervention

in the FDI process to attract or promote specific types of FDI or regulate and guide it.

FDI Policies in Asia-Pacific Region

The Asia-Pacific region is a vast and diverse one, and hence the level and range of FDI across sectors vary in accordance with national endowments, absorptive capacity and policy stance towards FDI. China, India and the Republic of Korea have placed more emphasis on promoting domestic investment while countries like Hong Kong, China, Singapore and Malaysia have adopted growth strategies with a heavy reliance on FDI and trade.

The latter view is, however, changing with the recent slowdown in the world economy, and the growing recognition of the need to balance FDI with domestic sources of growth. Hence, in terms of policy stance there are variations in FDI policies across countries and within a country over time. This section focuses on East Asia, which has a strong pro-export bias in the trade regimes of the countries and which has a wide and long exposure to FDI. The key features in FDI policies can be summarised as follows:

- There has been a differentiated, strategic and evolving approach to FDI policies that covered those that protect certain sectors on “infant industry” grounds and policies that actively attract FDI to selective sectors mainly to promote exports, through a variety of investment incentives that have included free trade zone facilities, tax holidays and other fiscal incentives, and freedom to repatriate profits and capital. The balance between reliance on FDI and domestic sources of growth has varied across countries and over time.
- Over the years there has been a liberalisation of foreign equity limits in some sectors, lowering or elimination of local content requirements and an expansion in the positive list of sectors/industries where FDI is

permitted, including participation in privatisation programmes.

- FDI-specific laws in one form or another have been enacted to spell out the main features of FDI regimes that are distinct from those applying to the domestic entity. However, in some countries, foreign investors are increasingly treated in the same manner as domestic companies with relevant provisions being incorporated in general business and commercial laws as in many developed countries.
- There have been increasing numbers of bilateral treaties for the promotion and protection of FDI as well as the avoidance of double taxation.
- In some countries there has been a growing shift to promoting FDI that embraces international production networks with a greater focus on dynamic effects of FDI -technology transfer, skills development and market access in addition to the traditional goals.
- There has been a fostering of the growth of dynamic industrial clusters that promote backward, forward and horizontal linkages marked by sustained exchanges of information, technology, skills and other assets.
- There has been a trend in some countries, particularly since 1996, towards FDI incorporating less greenfield investment and more M&A that do not involve immediate new investment in terms of creation of new assets but a change of ownership. This is reflected in both the manufacturing and services sector, e.g., banking.
- Reinvestment of earnings is becoming a significant source of FDI flows, particularly in the ASEAN countries, and such earnings accounted for more than 75 per cent in Malaysia and Singapore and 33 per cent in the Philippines in 2001.

- The FDI regimes in East Asia have been by and large export-centred and have undergone rapid changes in the light of changing technology, economic conditions and the nature of competition. A recent survey of the executives of TNCs indicates that trade openness and growth are important for expanding FDI opportunities.

The predominant type of FDI has been outsourcing to reduce production costs in terms of labour, infrastructure and natural resources as well as to promote exports, more traditionally in textiles and assembly/manufacture of electronic products, and more recently of cars. Production tends to be relocated in stages from more advanced to less developed countries in search of lower labour costs, i.e., the so-called flying-geese pattern of FDI. This process is a continuing one, and some examples include relocating production from home countries to China, Malaysia, the Philippines, Thailand and Indonesia.

Most of the investment by Hong Kong companies in mainland China as well as Japanese, United States and European investment in Asia since the 1970s has fallen into this category. Firms in garments and footwear with leading brand names such as Reebok, Adidas, London Fog and Nike have set up buyer-driven production networks. By and large the flying-geese pattern has been most prevalent in such industries as garments and toys, where sunk costs are low. An important form of FDI has been the creation of new comparative advantage by accessing information, technology and marketing channels as well as new technologies, products or services. This has been initially with conventional international production networks (IPNs), i.e., within multinational enterprises, and later to new IPNs consisting of inter- and intra-firm relationships through which TNCs organise a complete range of business activities, including R&D, product design, supply of inputs, manufacturing, distribution and support services.

Examples include automobiles and ICT products. The experiences in countries in East Asia have a tiered development pattern reflecting a hierarchy of technological capacities, infrastructures and labour costs. For example, disk drive production has been able to obtain relatively low-cost labour, a growing pool of technical personnel, capable supplier firms and advanced infrastructure.

Some emerging trends:

- There has been a growing shift of FDI to China in terms of both outsourcing and IPNs in the light of low labour costs, a large domestic market as well as China's entry into the World Trade Organisation (WTO). This is putting pressure on ASEAN countries such as Malaysia and Thailand to move up the value chain of production. China is already becoming a rising competitive location for technology-intensive activities for TNCs.
- Newer countries are joining in the flying-geese formation of FDI, e.g., Viet Nam, India and Bangladesh, although it is concentrated on lower-value products.
- Countries like China, Malaysia and Thailand as their skill and infrastructure base improve will provide competition to older industrialising countries and areas like Singapore and Taiwan Province of China.
- A new pattern of flows in terms of source and destination countries is emerging. TNCs from Hong Kong, China, Singapore and Taiwan Province of China have become very active in promoting FDI in North-East and South-East Asia. Outward investment from China, India, Malaysia and the Republic of Korea is gaining momentum.
- There is expected to be continued development of subregional growth triangles despite setbacks caused by the 1997 crisis, as they involve collaboration of the three factors of land, labour and capital. Some

important ones include the Greater Mekong subregion, the biggest project extended beyond the Asean Investment Area (AIA) based on an agreement signed in 1998 and the potential for broadening this Area to Asean +3 (ASEAN, China, Japan and the Republic of Korea), which besides becoming a huge free-trade zone could also develop into a pan-East Asian integrated production network.

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Public Finance Administration

Governments spend money for development and welfare activities. The expenditure on food, education, health, infrastructure, urbanisation etc are increasing day by day. To meet these expenses Government mobilises income from various sources. This income is called public revenue. What could be the different sources of income?

- Tax
- Fees
- Income from public enterprises

Tax is a compulsory payment made by the citizens to meet the expenses incurred by the Government. Tax payer need not get direct benefit from paying a tax. Fees is the payment for the services received from the government.

Public Finance	Private Finance
After deciding the expenditure governments mobilise revenue.	Expenditure is done after estimating income.
Expenditure is done for the development and welfare of the society.	Expenditure is done for private welfare
Government can borrow money from foreign countries.	Chances to borrow money from foreign countries are limited.
The income and expenditure of the the government are to be revealed.	Income and expenditure remain secret

Tax is the main source of income of the Government. It is divided into two—Direct Tax and Indirect Tax. Let's examine their features.

DIRECT TAX

- Tax payer bears the burden himself.
- Direct tax is based on the principle of the ability to pay.
- Collected on the basis of the financial status of a person.
- Cost of collection is usually high.
- Income from tax can be increased either by raising tax rate or by widening tax base.

INDIRECT TAX

- Tax burden can be shifted.
- public and private finance Collected by raising the price of commodities. Tax payer is ignorant of the tax.
- Higher rates of tax can be imposed on luxury commodities.

DETERMINATION OF VALUE ADDED TAX (VAT)

It was first introduced in France in 1954. It is determined on the basis of the value addition made in each stage of production and sale. This is an example of indirect tax. How value added tax is determined. Assume that 10% tax is imposed on a fan worth Rs 1450. The tax amount will be Rs 145. The value added tax of Rs.145 will be collected through different stages.

SOURCES OF NON TAX

Government can get income from non tax sources too. Some important non tax sources are given below.

- Central government gets profit from public sector undertakings like Railways, BSNL etc. The state government receives profit from state enterprises like KSFE, KELTRON etc.

- Income from public property which includes rent for government owned land and rent for government buildings.
- Payment for government services like tuition fee, registration fee, license fee etc.
- Various grants to government
- Internal and external borrowings.

PUBLIC EXPENDITURE

Promotion of social welfare and improving the status of the poor are the main objectives of modern Government. When Government undertakes welfare activities, public expenditure automatically increases. The expenditure of Central, State and Local Governments is known as Public Expenditure. The major areas of expenditure of Government;

- Defence
- Law and order
- Education and Health
- Maintenance of democratic process.
- Development plans like
 - Agriculture
 - Industry
 - Infrastructure
- Transport and Communication

PUBLIC DEBT

Suppose our income is insufficient to meet our expenses. What will we do? Naturally we borrow money from banks or other institutions. Like this, when the income of the Government is insufficient to meet its expenses, Government borrows money from within the country and abroad. This borrowing creates public debt. When Government borrows money from within the country,

internal debt emerges. When Government borrows from foreign Government and international institutions, there is external debt.

Public debt is mainly classified as productive and non-productive debt. If the borrowed money is used for productive purposes like railways, dam etc, it is called productive debt. If the borrowed amount is utilised for unproductive purposes, it is known as unproductive debt. (eg: war, payment of interest etc). For the development planning and defence purpose, India has borrowed much since independence and thus her public debt has gone up. It has now become a serious problem for our country.

What could be the reason for the growth of public debt in India:

- Population growth
- Social welfare activities
- Defence expenses
- Increase in imports

SCOPE OF PUBLIC FINANCE

Prof. Dalton divides the scope of public finance into four categories: Public Income; Public Expenditure; Public Debt; and Financial Administration.

- *Public Income or Revenue*: Public income is called public revenue. The main sources of public revenue are taxes, fees, fines, special assessments and commercial revenues from public undertakings. In public income, the various direct and indirect taxes and their impact and incidence, the effects of taxation, the problems of tax evasion and avoidance and the measures to solve these problems so as to raise public revenues.
- *Public Expenditure*: Public expenditure is the beginning and end of the collection of revenues by the government. As pointed out by Plehn, "Public

expenditure is the end and aim of collection of revenues and of other financial activities of the statesman. Under public expenditure study its classification, the canons or principles which govern it, and its effects on production, employment, income distribution, stability and growth.

- *Public Debt:* When public revenue falls short of public expenditure, the government borrows from the public to meet the gap. This is public debt. Under public debt, methods and sources of public debt, its effects on production, consumption, income distribution and economy, the burden of public debt, and the methods of debt redemption.
- *Financial Administration:* The aim of financial administration is to control processes and operations of public revenue, public expenditure and public debt. The scope of financial administration includes the collection, custody and disbursement of public money; the coordination of expenditure according to a well-formulated plan; the management of public debt; and the general control of the financial operations of the state.

PUBLIC AND PRIVATE FINANCE

Public finance is the study of income, expenditure, borrowing and financial administration of the government. On the other hand, private finance is the study of income, expenditure, borrowing and financial administration of individuals or private companies. There are, therefore, no fundamental differences between public finance and private finance. However, there are certain basic differences between the two.

The following are the similarities between public and private finance.

- *Objective:* Both public and private finance aim at the satisfaction of human wants. The objective of public

finance is to satisfy social wants and that of private finance to satisfy individual wants.

- *Principles:* Both government and individuals follows similar principles. The government follows the principle of maximum social benefit while spending its income. Similarly, an individual follows the principle of maximum satisfaction when spending out of his given income.
- *Income, Expenditure and Borrowing:* Both government and individual have similar but limited sources of income. Both earn their incomes. Both can spend in anticipation of receiving incomes. If their incomes are insufficient to meet their expenditures, both borrow. Both have also to repay the borrowed money.
- *Policies:* Both government and private companies follow sound or unsound (rational or irrational) financial policies. If the government follows sound financial policies, it maximize social welfare.
- *Administration:* Both government and private companies require efficient administration for their success. If the government administration is corrupt and inefficient, it will lead to misuse and wastage of finances. Similar is the case with a private company.

The following are the main points of differences or dissimilarities between public and private finance.

- *Adjustment between Income and Expenditure:* An individual determines his expenditure on the basis of his income. He prepares his family budget on his expected income during the month. On the other hand, the government first estimates about its expenditure and then finds out means to raise the necessary income. As pointed out by Bastable, "The individual says, 'I can spend so much', the Finance Minister says, 'I have to raise so much'". But this difference between private and public finance is not always rigid. The opposite may happen under certain circumstances.

- *Elasticity*: There is greater elasticity in public finance than in private finance. The government has more resources of income whereas the resources of an individual are limited. The government “has the whole wealth of the community on which to draw, in addition to the possibility of raising external loans.” It has many resources such as taxes, fees, assessments, internal and external borrowings, and printing notes.
- *Motives*: There are also differences in motives between private and public finance. An individual or a firm has the profit motive whereas the government has the welfare motive. An individual always tries to save and a firm to earn profit. But there are no such considerations on the part of the government, except the public welfare. However, there are some public enterprises which are run on profits that are utilised for public welfare.
- *Expenditure*: There are differences in the nature of expenditure between the two. An individual’s expenditure is governed by his habits, customs, fashions, etc.
- *Compulsion*: There is compulsion in public finance. People have to pay taxes. If they do not pay, they are punished by fine and imprisonment. But an individual or firm cannot force any body to pay him money. He can file a suit in the court. But even then he may not receive his money back. The same is the case with loans. The government can force the people to lend it during war or emergency. But an individual cannot compel any person to lend him money.
- *Law of Equimarginal Utility*: An individual spends his limited income on various goods and services in such a manner that the MUs of these expenditures- are equal. The government also tries to maximize social welfare based on the law of equimarginal utility. But often the government cannot follow this principle

because a large volume of government expenditure is of a fixed nature which cannot be changed to equalise marginal utilities.

- *Present Vs Future*: An individual public and private financial is more concerned with his present needs and tries to satisfy them. Life being uncertain and short, he has his immediate gain or profit view.
- *Budgeting*: The duration and nature of private and public budgets also differ. An individual may have a weekly or monthly budget. On the other hand a public budget is for one fiscal year. An individual tries to have a surplus budget in order to save some money for the future. He can have a deficit budget occasionally by borrowing from some body. But a government can have a surplus, deficit or balanced budget. Further, the government budget is passed by the parliament. But the budget of an individual or firm is a private affair without any controlling authority.
- *Secrecy Vs Openness* There is secrecy in private finance; No individual wants to reveal his income and saving, so does firm about its accounts. On the contrary, the government budget is an open public document, which is, commented, debated and publicised at various fora.
- *Bankrupt*: An individual or firm can be bankrupt. But a government cannot go bankrupt because it can borrow from international agencies and also print notes. It can only face a financial crisis, deflationary and inflationary (boom) pressures by an appropriate combination of expenditure, borrowing and taxation policies.

ACCOUNTABILITY IN PUBLIC FINANCIAL ADMINISTRATION

Transparency enables all stakeholders in a country to see the structure and functions of the government, its policy intentions and fiscal projections, and accounts for past periods. The main purpose of opening these windows is to

render those inside accountable and answerable for their decisions and actions. Accountability is the obligation to render an account for the responsibility conferred.

The genesis of the current emphasis on financial accountability can be attributed to five factors, as follows:

- Two decades of fiscal turbulence have contributed to a substantial erosion of credibility of governmental fiscal machinery, and to a growing distrust of governments;
- The gradual spread of globalisation has put economic policymakers in many developing countries and economies in transition in a reactive mood, rather than proactive; external developments that do not always lend themselves to precise identification would appear to have a greater role, or even a dominating role on fiscal policies. Information asymmetries have made the already formidable tasks of policymakers even more complex and intractable. In the absence of crucial information, the risks faced by the policymakers have increased significantly;
- The change in the nature of government and its gradual withdrawal from production activities has made it take an active role in regulation, which adds to the complexity of financial accountability;
- There has been a major change in the composition of expenditures of central and federal governments. Apart from sizeable outlays on the servicing of public debt and on entitlement payments, expenditures at the central government level are increasingly devoted to contract payments, transfers to the private sector, and transfers to regional and local governments. This has contributed to a separation of funding from the actual provision of services and has affected the pattern of financial accountability.
- Over the years, the scope of financial accountability has

expanded rapidly and significantly, reflecting changing tasks and expectations and an emphasis on 'prudent macroeconomic management.' This enhanced financial accountability requires governments to be accountable for ensuring that there are adequate systems to secure and improve results and to maintain the financial condition of the state (fiscal sustainability, flexibility in the use of resources, and reduced financial vulnerability).

The current reality in many countries is far from what is expected. "While several newly formed republics (such as those that were formerly in the Soviet Union) have established laws regarding the budget, its contents, and the overall financial system, thus laying a base for fiscal transparency, in several other countries access of the public to the budget, and full accounts, continues to be scant. In some countries, the public gets only bits of information and full documentation on budgets and annual performance continues to be absent from the public domain. It is likely that approximately one third of the world's population is in this area of darkness".

The experience of both industrial and developing countries shows that governments are generally engaged in circumvention of their own laws. The practices include generous window dressing of budget estimates of revenues and expenditures, avoidance of credit limits through an accumulation of unpaid bills, transfer of amounts toward the end of the year to deposit accounts to avoid lapse of funds, manipulation of performance data and associated means. Window dressing involves projection of rosy scenarios of economic growth and policy measures yet to be formulated.

A gullible public may not always know what the government is doing. While these practices are sought to be minimised in some countries through a review of the estimates by the audit agency, or through an assessment by

credit rating agencies, it should be noted that these efforts are, by and large, very limited. Meanwhile, in several cases the budget reflects creative accounting approaches that effectively mask the reality. These practices, to say the least, work against financial accountability.

There are vital gaps in most public budgets and accounts. In several cases, they do not provide information on tax expenditures, outstanding guarantees, non-financial assets, and liabilities including contingent ones. Instead, a good deal of detailed information on small operations may be provided, while accounts are generally opaque in important areas such as defence, and extremely brief on the benefits of expenditure programmes or the risks involved.

Most budgets tend to be very silent on risk management, that is, the changes in strategy in the event of changes in the underlying assumptions. Also, budgets and accounts in government speak a technical language that tends to be extremely difficult for the public to comprehend. The classification of government activities may conceal more than it reveals.

Several measures taken during recent years by many governments reveal the pursuit of contradictory approaches. The enactment of fiscal responsibility legislation and pursuit of hard budget constraints have in some ways contributed to the picture of a strong determination to pursue fiscal rectitude. On the other hand, the passage of zero deficit approaches into law and use of payment systems under which government payments are limited by available revenues have posed serious problems to the pursuit of proper fiscal policy. A fiscal policy implies a balance between fiscal aspects and service delivery.

In cash limited approaches, budgeting becomes a backdoor exercise in that the budget that is implemented may not be the one that is approved by the legislature but the one that is determined by cash inflows. In such a context, service delivery becomes incidental, and the very

approach that is intended to shore up investor confidence ends by eroding public trust in government, and weakens legislative accountability.

Accountable

Every person who is in a position of power on trust is accountable for the use of that power. This has most significance in a political system in which power can change hands. In the context of, say, a parliamentary democracy with a separation of powers between the executive and the legislature, the executive is accountable to the legislature, which grants periodic authority over resources. Within the executive, there is a hierarchical structure by which each level is transparent and accountable to the next higher level, from desk clerk to the cabinet.

Most countries have clear rules on financial responsibilities, based on laws and executive directions, but many countries do not apply them rigorously. For instance, in many Commonwealth countries, the Financial Secretary has legal power to surcharge any public officer (ie. recover from his/her salary) any loss to the government arising from that officer's irregularity. Audit reports are full of irregularities, but surcharges are rare. There are several reasons for this inaction: a permissive culture (everyone does it, salaries are very low, the officer has a family to support, etc.); social and ethnic differences which prevent the fair treatment of officers; the amount of time and effort required to push cases through cumbersome procedures; and centralised work processes in which all decisions go to the top, or at least involve several approvals, thus spreading responsibility.

For instance, where a department overspends its appropriation, who is responsible? Is it the Vote Book Clerk who failed to maintain up-to-date records, the Finance Officer who failed to supervise the Vote Book Clerk, the

Head of Department who as Accounting Officer is answerable to Parliament, but failed to get sufficient trained staff, or the Public Service Commission who blocked applications for training? It is revealing that most surcharge cases are against drivers of government vehicles, who negligently cause damage to them. In such cases there is no sharing of responsibility for control of the vehicle, so it is relatively easy to pin down who is accountable.

The modern tendency to hive off government operations to contractors, executive agencies, local governments and nongovernment organisations has raised questions about the maintenance of accountability. During the last two decades, a new public management philosophy in governments has become a major feature of public debate. Although there are several versions of this philosophy, so far as financial management is concerned, it comprises the following—creation of small task-oriented agencies, indication of firm advance ceilings for the budget and the results expected during the fiscal year, extensive delegation of financial and administrative powers to the managers of agencies, and a framework of direct accountability to the public and contract accountability to the supervising ministries, who remain accountable to the legislature.

Where managers have autonomy, their operational accountability is undivided. This approach, it is suggested, shifts the traditional emphasis in public authorities from the control of minutiae to the control of results. There is much to be said in favour of the new philosophy and it has worked well in some OECD countries. However, experience shows that the discipline inherent in the legislative process and channels of accountability to the legislature must be maintained.

The changes in the portfolio of expenditures of government have had serious implications for transparency and accountability. Increasingly, in several cases, a greater

share of government expenditures is devoted to transfers to local governments, and, in the case of social services, to non-governmental organisations. This has inevitably contributed to a greater gap between funding of services and the actual provision of services. While government agencies concerned with funding engage in a good deal of conditionality aimed at ring fencing, in practice the means of enforcement are limited.

Local governments and non-governmental organisations have their own administrative systems and may or may not be subject to end-use audit by the central audit agency. In several cases, non-governmental organisations may not have any self-enforcing standards governing their financial management systems. As a consequence, a whole layer of administration that is beyond the scope of traditional accountability has emerged. In the view of some, this represents a serious leakage in the traditional system of financial control, without any redeeming advantages in service delivery.

Financial and Performance Accountability

Governments are voted out of office when the electorate loses faith in their ability to deliver the services they need and when opposition promises gain sufficient credibility. In other words, governments are accountable for performance. A distinction is sometimes made between financial performance and overall performance or between financial accountability and performance accountability. Financial accountability is served simply by collecting and spending public funds in accordance with laws (including budget laws) and regulations. While this still needs strengthening in many countries, it is a long way short of performance accountability.

According to the Campos/Pradhan model there are three goals or levels of expenditure management:

- overall control within sustainable limits, involving medium-term expenditure frameworks, financial discipline and compliance with laws and budgets
- strategic prioritisation of resource allocation
- efficient and cost-effective management of programmes. The first level is equivalent to financial accountability, whereas performance accountability includes level two (allocative efficiency) and level three (x-efficiency). Performance can be assessed at each level, viz. at the first level, performance is assessed in terms of predictability of resource flows for planned programmes and compliance with the legal framework. At the second level, performance is assessed by three criteria:
 - the correspondence of policies to underlying social and economic realities as revealed by programme evaluation;
 - the correspondence of budget allocations to policies; and
 - the correspondence of actual expenditures to budget allocations.

Achievements at the third level are measured by conventional indicators of efficiency and cost-effectiveness (value for money).

Almost all accountability lines in a parliamentary democracy are up a hierarchical chain through project directors, programme managers, department heads, secretaries and ministers to the elected representatives of the people in parliament. In elected local government institutions, there is a similar vertical accountability to elected local councils. This is often supplemented by a second vertical line to the central government through the ministry responsible for local government. This is justified by the need to follow central government grants.

There is growing recognition of the potential scope for accountability directly to beneficiaries of government services. This applies particularly to community services such as primary health and education, infrastructure and income-generating activities that affect large numbers of people. This is often called 'horizontal' accountability to distinguish it from traditional 'vertical' accountability, though the terms are not standardized. Horizontal accountability can apply at all phases in the development process—planning, programming, budgeting, release of funds, award of contracts, monitoring of progress and outputs, and evaluation.

In some projects in developing countries, community-based organisations participate with government agencies in both formulating local projects and monitoring their outputs and outcomes. This has made government agencies far more responsive to local preferences. The participation of community-based organisations and NGOs generally in the budget management cycle can have a greater effect on government behaviour than the prospect, far-distant and uncertain as it is, of strictures by auditors and parliamentary committees.

Where absolute poverty, often rural and agro-based, is the biggest development challenge, horizontal accountability should be developed, not only to supplement vertical accountability and go at least part way to compensating for its weaknesses, but also for its value in building popular participation and self-help. However, the building of horizontal accountability should not displace traditional accountability.

The traditional cycle of accountability is not entirely closed by legislative reviews. A further step in an open democracy is publication of the findings of reviews. Audit and parliamentary committee reports tend to be dry and technical: they are not read by the average citizen. Effective accountability depends on public access to these findings

in a form that can be read and acted on. In open democracies, this access is provided by the media.

Newspapers, magazines, radio and television stations have investigative, attention-directing and forum-providing roles that reinforce the accountability of the government to the people. In developing countries, the main constraints on the effectiveness of the media are censorship (especially where media are owned by the government or receive substantial advertising revenue from the government), and lack of capacity. Many countries have recognised the roles that can be played by responsible media. Journalists are trained in investigative techniques and in objective, nonsensational reporting.

Transparency implies not only that annual accounts are rendered but also that records are open and accessible to citizens, since government activities are undertaken on their behalf. Currently, many countries classify records as Top Secret, Confidential and Restricted, and Official Secrets Acts makes unauthorised disclosure a criminal offence. The whole culture of many governments, both developed and developing, is one of secrecy. Freedom-of-information legislation is being progressively introduced, and is redefining the interface between government and civil society.

Accountability Level

Laws, regulations and codes of conduct are insufficient on their own. Their observance has to be monitored, deviations identified with those responsible and corrective and deterrent steps taken. This is the more difficult side of the coin. Monitoring is through internal controls exercised by the executive on itself, and by external controls exercised by oversight (watchdog) agencies. The level of accountability depends on:

- How much relevant information the control agencies can obtain about the use of funds;

- How well they can analyse the information and develop action-oriented conclusions;
- What kind of response they are able to elicit from the users of funds. Responses are deterrent (strengthening of system, punishment of delinquent officers) and corrective (recovery of losses, correction of accounts).

As observed in the Manual of Fiscal Transparency, sound control systems can make an important contribution to the reliability of fiscal and financial data, and are the starting point for ensuring the integrity of the recording and reporting process. While government systems vary widely, standards for internal control vary less. Broadly defined, internal control is the management tool used to provide assurance that management's objectives are being achieved. Under this broad definition, internal control also covers administrative controls (procedures governing decision-making processes) and accounting controls (procedures governing the reliability of financial records).

Responsibility for internal control, therefore, rests with the head of each individual government agency. However, a central government agency might be assigned responsibility for developing a government-wide standard approach to internal control.

As defined by the International Organisation of Supreme Audit Institutions (INTOSAI), the objectives of internal control systems are to promote orderly, economical, efficient, and effective operations; to safeguard resources against loss due to waste, abuse, mismanagement, errors, fraud; to adhere to laws, regulations, and management directives, to develop and maintain reliable financial and management data; and to disclose these data in timely reports.

To be effective, internal controls must be appropriate, function consistently as planned throughout the period, and be cost-effective. Internal control standards have been issued by INTOSAI and the Institute of Internal Auditors

(US). The main instruments of financial accountability are government budgets, periodically published data on public finances, annual accounts and the investigative and other general reports prepared by independent agencies. Since annual budgets are typically the legal authority for spending public funds, the entire budgetary process becomes relevant for fiscal management, and for enforcing financial accountability and control at the various levels of operation.

Transparency in government operations has several aspects and dimensions. First, at the aggregate level, transparency requires the provision of reliable information on the government's fiscal policy intentions and forecasts; second, detailed data and information are required on government operations, including the publication of comprehensive budget documents that contain properly classified accounts for the general government and estimates of quasi-fiscal activities conducted outside the government; third, the behavioural aspects including the clearly established conflict-of-interest rules for elected and appointed officials, freedom-of-information requirements, a transparent regulatory framework, open public procurement and employment practices, a code of conduct for tax officials, and published performance audits.

The IMF has set out four principles that define what transparency should be expected of a government:

- Clarity on the structure and functions of government, responsibilities within government and relations between government and the rest of the economy
- Public availability of comprehensive information on public sector financial stocks and flows, published at specified times
- Public availability of information on how budgets are prepared and executed, and minimum content of budgets and financial reports

- Financial data meeting accepted quality standards and subjected to independent audit scrutiny.

There are three levels involved—legislative bodies, political directorates and operating entities. In most developing countries and economies in transition government budgeting is an executive function. Interaction with the legislature is essentially formalistic and its inputs are limited and insignificant. Thus, the exercise of financial control and the enforcement of accountability becomes an executive function. Some countries have recognised this reality and have institutionalised control and accountability functions within the executive branch.

The role of the legislature has undergone major changes during recent years. In the name of quick decision making, that is so essential to macroeconomic management, much of the power relating to the control of the purse, has shifted to the executive branch of government. In addition, the role of parliaments has been reduced by permanent legislation governing budgetary outlays.

In many developing countries, most of the available resources are already committed before the annual budget process, so flexibility is very limited. Even in such countries as the United States, where the legislature has been viewed as traditionally dominant, nearly 70 per cent of the outlays in the annual budget are determined by preexisting legislation. These trends have made governments more vulnerable, reduced their capacity to avoid financial crises and lowered their esteem in the eyes of the public. The financial management cycle, it is perceived, has become a ritual that is carried on for its own sake, or for the international financial institutions, rather than for the public.

In countries with strong legislatures, the legislative system plays a key role in the budget process. A meaningful committee system that includes committees for appropriations and public accounts has enabled many

legislatures to increase their role in the budgetary process. The emergence of strong supreme audit institutions has facilitated the effective parliamentary control of the purse.

At a Conference on Oversight Functions held in Dhaka in September 2000, it was emphasized that control of public expenditure starts with controls by Parliament on itself. Adequate remuneration, institution of a rigid code of conduct and public statements of assets and liabilities by all Members of Parliament on election to office were recommended, together with orientation in the framework of public accountability, particularly on the opening of a new Parliament.

Financial accountability and control within the executive commence with the budget preparation that lays the foundation for all subsequent measures. The budget determines programme concepts and structures, modalities for implementation and costs. Budgets of various departments and agencies are reviewed in their totality and consolidated in a single document, thereby enabling the government to examine the budget in terms of legal requirements, national economic policy and objectives and resource availabilities.

Legislative appropriation is the basis of financial control. The system of appropriations is based on three principles:

- a sum appropriated for a particular purpose cannot be spent on any another purpose;
- the sum appropriated is the maximum and cannot be exceeded; and
- monies are available only for the year for which they are appropriated unless specifically provided for otherwise.

However, all three principles are commonly circumvented by devices such as re-appropriations (within the executive), supplementary grants, year-end peaks of expenditure, and

the transfer of funds to special accounts. The approval of the legislature is usually obtained after the fact. After the budget is approved, its execution becomes the responsibility of the budget agency, which may require additional information from operating departments before releasing the funds appropriated by the legislature. Releases may be made for the whole appropriation for the year, or in periodic instalments (such as monthly warrants), or even for individual transactions. There are two separate but related fiscal control measures that occur during the execution stage:

- The first fiscal control measure involves the examination and approval of each proposed expenditure to ensure that it is prudent, legal and covered by budget appropriation and availability of funds. This pre-audit function, which used to be exercised mainly by the Treasury, is nowadays entrusted to operating departments, both to eliminate delays and to emphasize their responsibility;

A second measure involves the recording of actual treasury business, including the receipt, disbursement, allocation and accounting of funds. Both the recording of transactions and accounting of funds are usually done by a network of government treasuries functioning under the authority of the Ministry of Finance. The development of banking networks in most developing countries and economies in transition is bringing about reforms in this area.

After the end of the fiscal year, the accounts are closed for the period and submitted for audit. This involves the post mortem examination and verification of completed transactions and their related accounts by the supreme audit authority of the country. The form of audit varies from one country to another. In some francophone countries, the audit body is endowed with judicial powers and can impose penalties. Most state audit bodies are

engaged in a posteriori compliance audit. The arrangements for the audit of state enterprises and public bodies vary considerably. In a few countries, audit may be called upon to provide an 'opinion' on the accounts.

Only after audit does the legislature get a chance to review the execution of the budget. The audited accounts and audit report are submitted to the legislature for review. The legislature (the lower House in a bicameral legislature) commonly establishes a Public Accounts Committee (PAC) from amongst its members to undertake the review and report to the full House. In Westminster-style governments, the chairmanship of the PAC traditionally goes to an opposition member, so that the PAC is seen to be independent of the party in power. For the same reason, members who hold executive office, such as ministers, are excluded since they cannot be expected to bring an independent view to bear.

In principle, the PAC examines the public accounts and report(s) of the state audit institution with a view to ensure: firstly, that the expenditures shown in the account as disbursed were legally available for the purpose on which they were spent; secondly, that the expenditures conformed to the authority governing them; thirdly, that every reappropriation was made in accordance with the rules; and fourthly, that all revenues were brought to account. For this function it can call on the heads of departments or other officers who are legally responsible for financial administration.

The PAC holds hearings taking up the audit objections and reports back to the legislature. Reports may also go to the respective heads of departments and to the Ministry of Finance for follow up. In practice, the PACs in many developing countries, where they exist at all, are weak: they may fail to meet, or be unable to work together, or fail to issue reports, or their reports are ignored.

GOVERNMENT ACCOUNTING

Trade and commerce developed, accounting became a requirement and then a necessity. Not only does the law requires every organisation to prepare the accounts but also decides on the format and other issues. Today, accounting has a far greater significance because of the role it plays in decisionmaking process.

The quality of the information provided in financial reports determines the usefulness of those reports to users. The qualitative characteristics of financial information discussed in the IASC Framework are: understandability; relevance; materiality; reliability; faithful representation; substance over form; neutrality; prudence; completeness; and comparability. In addition, the IASC notes that timeliness as important as other characteristics. However, at times a balancing or trade off between characteristics may be necessary. Different accounting systems may also score highly on one characteristic than another. Deciding the relative importance of the characteristics in different cases is a matter of judgement.

Government accounting is the process of recording, analysing, classifying, summarising communicating and interpreting the financial transaction and events about government in aggregate and in detail reflecting transactions and other economic events involving the receipt, spending, transfer, usability and disposition of assets and liabilities. In the words of Premchand Government Accounting may be defined as a system that is charged with identification, selection and analysis, measurement, estimation, processing, and communication of information on receipts, expenditure, assets, liabilities, costs, and benefits and all other aspects that legitimately form part of fiscal management and is now the recognised handmaiden of fiscal policy.

IFAC PSC Study 1 Financial Reporting by National Governments identified the following objectives of

governmental financial reporting. Financial reporting should demonstrate the accountability of the government or unit for the financial affairs and resources entrusted to it, and provide information useful for decision making by:

- indicating whether resources were obtained and used in accordance with the legally adopted budget;
- indicating whether resources were obtained and utilised in accordance with legal and contractual requirements, including financial limits established by appropriate legislative authorities;
- providing information about the sources, allocation, and uses of financial resources;
- providing information about how the government or unit financed its activities and met its cash requirements;
- providing information that is useful in evaluating the government's or unit's ability to finance its activities and to meet its liabilities and commitments;
- providing information about the financial condition of the government or unit and changes in it; and
- Providing aggregate information useful in evaluating the government's or unit's performance in terms of service costs, efficiency and accomplishments.

The Government, is not there to make profit. Neither is it a manufacturing organisation. Considering this, a school of thought has emerged that government accounting need not be the same as commercial accounting. The advocates of this thought are of the opinion that as long as an accounting system that records each and every transaction of the government and has an inbuilt facility of comparing the budgeted figures with the actual, will do for government.

On the other hand there is another school of thought that does not favour this view and is of the opinion that the accounting system should be such that in addition to the above it should be in a position to comment on the working

of the government and also could reflect on the assets and liabilities of the government. To put the same in simple words the accounting system should be in position to generate relevant information for decisionmaking.

The two schools of thought that are under reference are cash accounting and accrual accounting. In between the two other methods of preparing the accounts have also been suggested in the recent past. The methods or systems of preparing government accounts can be classified into four broad categories:

The cash basis of accounting measures the flow of cash resources. It recognises transactions and events only when cash is received or paid. Financial statements produced under the cash basis of accounting cover cash receipts, cash disbursements, and opening and closing cash balances. A cash accounting system has the advantage of being simple.

The modified cash basis of accounting recognises transactions and events that have occurred by year-end and are normally expected to result in a cash receipt and/or disbursement within a specific period after year-end. Under this system, the accounting period includes a complementary period for payments after the close of the fiscal year. Receipts or payments over the complementary period that are related to the transactions of the previous fiscal year incurred during the fiscal year are reported as the revenue or expenditure of this previous fiscal year. Usually, this is achieved by holding the books open during the complementary period. This aims at ensuring a greater conformity between the annual commitments made during a fiscal year and the payments that are reported as budgetary expenditures.

The modified accrual basis of (expenditure basis) accounting recognises transactions and events when they occur, irrespective of when cash is paid or received. However, there is no deferral of costs that will be consumed in future periods. Physical assets that will provide services

in the future are written off in the period acquired. Modified accrual and full accrual accounting have the same accounting framework. The major difference, however, lies in the time between the acquisition of goods and assets and their utilisation. Under modified accrual accounting, supplies are considered consumed and assets are written off as soon as they are acquired. Under full accrual accounting, changes in inventories are recognised and assets are progressively depreciated according to their useful life.

Like modified accrual, the full accrual basis recognises transactions and events when they occur irrespective of when cash is paid or received. Revenues reflect the amounts that came due during the year, whether collected or not. Expenses reflect the amount of goods and services consumed during the year, whether or not they are paid for in that period. The costs of assets are deferred and charged when the assets are used to provide service. Full accrual accounting is similar to the accounting systems for private enterprises or commercial accounting. Expenses recognised by the full accrual basis of accounting should not be confused with actual expenditures. They are the costs of goods and services consumed as well as any increase of liabilities or decrease of assets; over the accounting period.

Financial statements produced under a full accrual accounting system cover revenues; expenses; liabilities; and assets. Under full accrual system of accounting the three statements that are normally prepared include, Operating Statement, Balance Sheet, and the Statement of Cash Flows. The number of the statements and the names by which these are called may differ from country to country. In terms of the ability if each bases of accounting in providing information that meets the objectives of financial reporting.

Accounting System in Union Government

The Government accounts and financial reporting currently

followed in our country derive their 'substance and form' largely from the accounting procedures introduced during the British rule. The system worked reasonably well in the early phase of post independence era. But over the last two to three decades, there has been a significant change in the role and responsibilities of the government. Today, our government is expected to continuously review itself in light of the changes that are taking place and should not hesitate in implementing any such change that is desired in the current scenario.

An examination of the possible areas where our Government can presently make any meaningful change is the change in the country's accounting system from cash to accrual basis. This is because an accounting system is not an end in itself but rather a means to an end. A sound accounting system should assist the Government in fulfilling its objectives in a changing scenario by providing the desired inputs for decisionmaking. It needs to disseminate information of high quality in terms of understandability, relevance, materiality, reliability, faithful representation, substance over form, neutrality, prudence and comparability.

The present system of accounting does not fulfil the above requirements. On the other hand accrual system of accounting has the ability to generate information that is of more use in decisionmaking. If accrual accounting is considered to be a benchmark of an ideal accounting system for government, it is necessary to look into the accounting information that the present accounting system of our country fails to provide but could otherwise be available to the decision makers had the accrual system of accounting been followed by our country.

The present accounting system of our country can best be described as 'cash basis of accounting' that records a transaction only when either cash comes in or when cash moves out, rather than recording the transaction or event

as it occurs. It also lays emphasis on transactions vis-à-vis the budget. Under the present accounting system, our Government generates the following accounting documents:

- The Appropriation Account
- The Finance Accounts

The Appropriation Accounts list the original budget estimate, supplementary grants, surrenders and re-appropriation distinctly. In addition to it, this account also indicates whether the money that has been spent was legally available for the purpose or not, and also whether the expenditure incurred confirms to the authority. In the event of any variation from the budgeted figures explanations of the same are also recorded in this account. This document appears to be less of accounting nature and more in nature of a document that can be used for control purpose. This is because the focus of this account is on whether the expenditure is incurred as per the budgeted amount or not.

This account does not give an indication about the source of funds and how they are spent or how much of what is generated or spent relates to the current year. The document as such should not even be considered as a part of accounting system, as it is more in nature of knowing the extent to which expense has been made as per the allocations in the budget. In case more amounts have been spent than the budget, whether the same has been explained and sanction of the additional amount has been obtained. On the other hand if amount less than the budget has been spent, the reasons thereof have been indicated.

This is a control document rather than a part of government's financial accounting. It is for this reason a considered view has been developed that this document may not be treated as the part of Government accounts but may be considered as a report generated for control purposes. In addition to it, the Government also prepares

Finance Accounts that contain 16 Statements. This document mainly lists the receipts and payment of the government. It follows the cash basis of accounting, and as such, records a transaction only when either cash is paid or received.

The Finance Accounts of the Union Government comprise the account of the Central Government as a whole and include the transaction of Central (Civil) Ministries, Defence Services, Posts and Telecommunications Departments and the Railways. It presents the accounts of receipts and outgoings of the Central Government for the year together with the financial results disclosed by different accounts and other data coming under examination namely Revenue and Capital Accounts, accounts of Public Debt and all other liabilities and assets as worked out from the balances recorded in the accounts.

It presents classified and consolidated accounts of all transactions of Central Government under the Consolidated Fund, Contingency Fund and Public Account of India. The Finance Accounts is the general accounts of Government to the Parliament and serve the purpose of financial statements of the Union Government. Analysis of both the documents stated above indicate that they do not provide the Government in particular and other users in general with the adequate information that is needed in day-to-day decisionmaking. It fails to provide full picture of the Government's financial position at any given point of time. As of today if one intends to have an idea regarding the total assets and total liabilities of the Government, the same is not possible under the present system of accounting.

The present system lacks in ascertaining the full cost of services provided to Government's departments or the commitments made by the Government regarding payment in future years. The system also allows deferring one year's payment to the next year and thereby reducing the

expenses of that particular year. The cash base system of accounting also provides a scope for creative accounting in a way that the revenue side could also be manipulated by collecting excess revenue in a particular year and refunds could be made in subsequent year. This act is termed as fiscal opportunism.

Apart from this the cash basis of accounting also fails to make a distinction between revenue and capital items and does not even require the Government to charge depreciation on the assets it possesses. The total revenue that relates to a particular year cannot be ascertained under the present system. This is because we follow cash basis of accounting. For example, presently the road tax that the Government receives relates to next several years but because the same are received in the current year it is recorded in the current year. This makes the exercise of comparing the financial statement of two years useless.

The accounting information that is provided by the present accounting system is not amenable for performance evaluation. This is because the transactions are not recorded as per accrual system, i.e., the transactions are not recorded as they take place, but are recorded on cash bases. Cash basis of accounting permits that expenses that related to last year could be recorded in the current year or other way could also happen. This prevents us from ascertaining the amount of expenses that relates to current year and as such results in difficulties in controlling the cost.

The present system also lacks appropriate and well specified accounting standards. No doubt the Government Accounting Standards Board has very recently been set up and has come out with certain Accounting Standards, but a lot is yet to be done in this direction. The present accounting system also fails to prepare Proforma Accounts that is the forecasted accounts for next year. Modern accounting systems, apart from reporting the past results,

also attempt to forecast the financial performance and position for future years.

The geographical spread of expenses is also not ascertainable from the existing accounting system. Modern accounting systems that are developed also talk about Segment Accounting, wherein it is required that not only the total expenses or revenues may be reported but the same are shown segment-wise also. The accounting information is normally segmented on the basis of more than one attribute. On the whole, all these factors contribute to poor presentation of accounts.

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Trends in Public Management

Reform needs in public administration have been interpreted by means of three generic diagnoses and prescriptions with roots in respectively public law, market economics and democratic politics. Here, the focus is on how effective help is assumed to depend on the organisation of public administration and the interaction of administrators and citizens. The target of criticism is the "classical" weberian bureaucracy or "Old Public Administration" rooted in continental European public law and the territorial state as a sovereign and autonomous legal entity of its own. The defining activity is implementation of the law. Legitimacy is based on the idea that tasks are technical and problem solving in nature: to identify a logically correct solution by interpreting rules and facts, or by applying expert causal knowledge to achieve predetermined objectives. Will formation is exogenous to administration.

The institutional core is the merit-based bureaucracy serving as a tool of higher authority—elected leaders, constitutional principles and professional standards. Binding authority within a specified jurisdiction is claimed through a fourfold rule-bound hierarchical relation of command: between citizens and elected representatives, democratic legislation and administration, within

administration, and between administration and citizens as subjects.

Citizens then are both authors and subjects of law. Administrators are rule-driven, neutral agents acting with integrity on the basis of principles, methods, codes of appropriate conduct and a public service ethos. Key values are reliability, consistency, predictability, accountability and insulation from special interests and graft. Administrative dynamics are governed by legislators or courts. Moreover, public administration is also the guardian of foundational principles, such as the rule of law and due process, legitimating nonadaptation.

Two reform claims have had a prominent role in international debates since the end of the 1970s. One vision of how citizens can be better helped assumes a paradigmatic shift "from Old Public Administration to New Public Management". A second (and partly overlapping) vision assumes a shift from hierarchical government to a new mode of network governance—"Governance without Government" among and within states.

"New Public Management", rooted in market economics and private management, presents a global diagnosis and prescription: a centrally organised and rule-bound public administration is outdated and NPM represents an "inevitable shift" toward a more advanced administration. Management by command is replaced by management by result, contract, decentralisation, deregulation, commercialisation and competition. The defining activity is service provision with legitimacy based on substantive performance and cost efficiency rather than compliance with formal rules. The special nature of the public sector is denied. NPM builds on values, concepts and experiences drawn from the private sector and the institutional centerpiece is a replica of the private firm in competitive markets.

All participants are self-interested actors governed by price and incentive. Managers have wide operational discretion and hands-off relations to ministries. The population is a collection of customers focused on individual benefits. They have primarily a commercial rather than a political relationship to government. Customers can also have greater leverage than citizens, implying a fundamental transformation in relations between governors and governed. Self-interested behaviour and competition are assumed to improve efficiency and adaptability. Change follows from efficient adaptation to environmental dictates, including customers' demands, or from competitive selection. Superior organisational forms are believed to surface in a system characterised by diversity, overlapping units and competition.

Network governance reforms, like NPM, diagnose and prescribe a move away from hierarchical government. Networks between government and society are assumed to increase in number and importance and a world of networks is emerging. The defining activity of administration is a political process of building support and mobilising resources. Cooperation takes the form of common problem solving with regard to objective challenges society faces and involves conflict resolution. The legitimacy of networks is based on the acceptability of both the processes used and the substantive outcomes achieved.

The institutional characteristics of a "network" are less agreed-upon than those of "hierarchy" and "market", but most versions of network governance describe a configuration of voluntary interdependent public and private actors involved in partnerships and joint ventures. Coordination takes place without a dominant centre imposing a structure of hierarchical authority in the service of a predetermined objective. Participants with different

motivations and resources are involved in bargaining, deliberation and appeals to common norms. They have to convince and motivate each other. The reach of public administration is expanded but neither elected leaders nor administrators can expect to exercise command or compel compliance by virtue of their formal position. Dichotomies such as state-society, public-private, politics-administration and expert-layman become obscure.

Actors are (possibly) self-reflective and interaction and experiences can lead to the learning of new preferences and identities. The democratic quality of a network depends on the knowledge of participants and to what extent the network involves bargaining among powerful stakeholders or free deliberation among all affected citizens, voluntary associations and public institutions. The organisation of administration reflects constellations of power in society. Administrative dynamics, including a fragmentation of the institutions of government, reflect changing power-relations and attempts to change existing power balances in society. An implication is that elected officials and administrative managers are likely to have a limited capacity to deliberately design and reform administration.

How likely are these reform visions to give effective help to citizens? There are good reasons to doubt that any of them will provide a panacea to the perceived malaise of public administration and democratic government.

First, both reform visions, as well as the weberian bureaucratic prescription, assume a single set of principles for organising public administration is functionally and normatively superior and that over time one form will replace the others and result in convergence. This view contrasts with the observation that administrative practice and theoretical ideas have been closely linked to the territory, borders, institutions, history and culture of specific nation states. Administrations with different identities and experiences have been called the "solid

bedrock for nationalism". Long, strong and varied institutional histories, with different trajectories of state- and nation-building, provide an institutional context that produces variations in the motivation and capability for institutional change and counteracts global or European convergence.

Actually, what are presented as universal prescriptions for public administration are partial, time- and space-bound interpretations. Each perspective highlights specific components of the system of administration found in democratic polities, reflects a development in a specific time period, or is associated with a particular reform ideology. What is the institutional centerpiece in one order or reform ideology is an auxiliary institution in other orders and ideologies.

Secondly, the newness of the core ideas of the "new" perspectives is overdone. For example, the functionality of the state has always depended on non-hierarchical techniques of administration and the avoidance of command and force. The horror stories of lazy, inhumane or powerful bureaucracies turning their political masters into dilettantes have been around for some time. Likewise, the tension between a legal-bureaucratic and a marketmanagerial approach to public administration, or the propagation of private business administration as an exemplary model for the public sector, is hardly new.

Interdependencies and networks in the government-society interface are also well known, and have been described for several European countries. In brief, many reform proposals are "repackaged versions of ideas that have been in public administration since its beginnings". "New" approaches frequently rehash old ideas while the fundamental issues remain remarkably stable.

RECENT DEVELOPMENTS

Where, then, can the most recent administrative

developments be located? In which settings are core institutions and interpretations challenged and new ones emerging? Where can empirical observations be made that illuminate not only changes in a specific setting but also contribute to an improved general understanding of the functioning and dynamics of public administration? These issues are considered, first, by attending to changes in the diagnoses and prescriptions given by two major advocates of public sector reform—the World Bank and the Organisation for Economic Co-operation and Development (OECD); and secondly, by attending to some research findings from two key reform sites—a United States metropolitan area and the European Union.

The OECD and the World Bank are important institutions for diffusing administrative reform ideas. Although there have been competing projects, the cluster of ideas that dominated the OECD made the organisation “a hothouse for reformist economists” during the 1980s and 1990s. A core assumption was that public administration had to adapt to a globalised economy in order to serve the economy better, improve international competitiveness, arrest national decline, and reduce fiscal stress, budget deficits and public debt.

Reports from the World Bank also argued that a paradigmatic shift was needed, from a centralised, hierarchical, rule-driven administration to management and markets. The reform was presented as a generic medicine. Reformers insisted that they knew what had to be done:

“The problem is not that one does not know what to recommend; on the contrary, the goals and instruments are clear. But governments continue to have difficulties implementing PSM (public sector management) reform. The quandary is that sociopolitical and bureaucratic obstacles in each country impede or block the implementation of good practices”.

In recent years, the belief in a universal cure has weakened. The World Bank—partly based on experiences with system breakdowns and weak, inefficient, illegitimate and unstable “quasi states” in developing countries—expresses the need for in-depth understanding of the specific situation in individual countries. Few answers are right under all circumstances and no single imported recipe will do. Administrative reform must be matched carefully with the needs, traditions and resources of each political system.

Even when it is observed that OECD countries cope with similar problems and share a repertoire of responses, it is (sometimes) argued that each country faces its own policy challenges, unique history, constitutional and political systems and cultural and social circumstances. Therefore, there is no single model for effective public management.

The impact of competition among overlapping, quasi-autonomous agencies with wide discretion for managers is now seen as also involving problems. For example, a recent OECD report is concerned, not with how such forms spur innovation and adaptation and improve performance, but with how to ensure political coordination, policy consistency and a coherent public service; how to develop less ambiguous roles and responsibilities and guarantee political accountability; and how to protect the public interest when highly political questions such as food safety and radioactive waste are left to autonomous experts in autonomous agencies.

A key type of problem targeted in the two reform visions is bureaucratic rigidity and resistance to change: an administration lacking initiative, unable or unwilling to improve performance by adapting to new circumstances. Consistent with American tradition, with reform ideas rooted in the big cities, George Frederickson, in his Gaus-lecture, argued that the US metropolitan area is a splendid site for understanding the changes underway in the wider

context of public administration and the best empirical referent for developing theory about administration.

In Frederickson's study of Kansas City metropolitan area, key characteristics of the administrative context are found to be: high interdependency, fuzzy borders, declining salience of formal jurisdictions and a significant erosion of the capability of dealing with social and economic issues within a single jurisdiction. Many problems transcend individual jurisdictional boundaries and important decisions that affect the represented are not controlled by those who represent them. A special system for problem solving and coordination has developed as a response. Networks of administrative units have evolved across jurisdictions. Functional specialists are key actors and linchpins, and legitimacy is based on professional claims to neutral expertise and not formal authority. Central authority is replaced by voluntary cooperation and "diplomacy".

In contrast, politicians have taken little interest in such regional conjunctions. Fredrickson's most surprising finding is the absence of political influence. While administrators become involved in interdependent, joint problem solving; politics in terms of campaigns, elections and offices remains jurisdictional and less interdependent. Politicians are stuck in old jurisdictions and incentive systems at the same time that existing borders are becoming less relevant for problem solving and representation. Many citizens also have little commitment to the jurisdictions in which they live and work.

A lesson from the Kansas City case is that public administration has successfully adapted to the new challenges and is de facto representing an inchoate public beyond the boundaries of a single jurisdiction. Furthermore, the dynamics observed are not forced upon administration by political authority, competition and

market signals, or organisational participation, as assumed by the three generic accounts of "good administration".

Public sector professionals cooperate on the basis of a shared professional identity, conceptions of the common good and codes of appropriate behaviour—institutional factors creating dynamics and not stasis, as is often argued. Politics, on the other hand, exhibit more inertia than administration. In so far as a new regional polity has developed, it is an administrative polity. Still, non-hierarchical administrative networks are seen to require the support of hierarchical institutions—they cannot be "distinctly at odds with" political leaders and jurisdictions.

The European Union is the best example of an administrative development transcending the framework of the sovereign territorial state and moving towards a post-Westphalian order. Up to the Treaty on European Union the EU/EC context exhibited several similarities with the Kansas City metropolitan area: high interdependence among states, more porous national borders and reduced salience of formal jurisdictions and erosion of individual state problem solving capacity. Executive and administrative adaptation and institutionalisation, largely based on functional legitimacy, was far ahead of the integration of legislatures, political parties, social movements and a common public space. There was fusion of administrations across levels of government and jurisdictions, for example through a complex committee system.

Developments in the EU reflect that the Union has been a meeting ground for a variety of administrative traditions and schools of thought. In contrast to hypotheses of global or European convergence on a single superior model, EU-leaders have assumed that member states can compete in a single market and implement common legislation while organising domestic administrations differently.

The basic rule has been that member states arrange their administrative structures as they see fit. Nevertheless, the EU has been torn between the ideology of national control and the need for uniform implementation of Community law, an issue attracting more attention due to the enlargement of the Union.

Since 1997 the EU has coordinated administrative policy and accession policy and the administrative capacity to take on membership obligations has become an important criterion for membership. Candidates have been urged to develop a professional civil service and build institutional capacity to implement and enforce laws.

The EU, unlike the Kansas City metropolitan area, has moved toward formalisation and constitutionalisation and the constitution recently drafted by the Convention on the Future of the Union has established "good administration" as a constitutional right.

Good administration is here seen to require more transparency and better justification of institutions and policies to citizens. Beyond that, the concept has different meanings to different actors and the Union has not developed a common, coherent administrative policy. The EU is based on legal integration and continental public law. Hence, bureaucratic organisation, hierarchies and rules are not seen as outmoded.

Nevertheless, markets and networks are also considered important. For example, the "open method of coordination" has been portrayed as a new mode of EU network governance featuring voluntary cooperation, benchmarking and soft-law. The mix of administrative ideologies is illustrated when reports from OECD/PUMA (inspired by market economists) promotes NPM in the current member states, while reports from OECD/Sigma (inspired by public law) advise the candidates from Central and Eastern Europe not to copy business methods and NPM reforms in the West, to give priority to the virtues of

weberian bureaucracy over economy and efficiency and to find their own way.

The EU has both encouraged administrative change and allowed resilience. Change has taken place through several parallel processes, from "grand decisions" to incremental modifications of practice. Yet, several factors have discouraged convergence. Member states have been reluctant to give up control over domestic administrations.

Different models have worked well in parallel and administrations formally organised as bureaucracies have been able to adapt to new circumstances within existing structural parameters. Significant change in administrative attention, interaction and resource allocation has occurred without much change in formal-legal structures.

A key characteristic of post-Maastricht developments has, however, been the quest for democratic legitimacy. EU citizens hold high expectations but distrust Union institutions. Therefore, it is argued, a "democratic deficit" has to be corrected and institutions brought closer to citizens. Europe "must be returned to politics, to citizens, to public debate". For the further development of the Union, efficient aggregation of existing preferences is not enough.

Leaders and citizens have to examine national and institutional belongings and explore a European spirit and perspective. In general, the more the Union has moved from being a special-purpose organisation with limited tasks, responsibilities and powers and towards a full-blown institutionalised polity, the more visible the limits of the principle of governance for the people based on functional legitimacy and indirect democratic legitimacy derived from the member states.

The democratic quality of the Union's system of governance is seen to depend on direct democratic legitimacy and a stronger role for citizen-based institutions. Still, while the Convention has discussed the democratic

life of the Union, it has happened with modest popular involvement. Most citizens have been ignorant about the discussion of the purposes and foundations of European government. And there are warnings against a growing gap between the reality of leaders who were drinking champagne to celebrate the democratic achievements of the Convention and those who were serving the champagne.

As the EU has moved toward an expanded agenda, formal institutionalisation and increased heterogeneity due to enlargement, administrative reform has been interwoven with constitutional reform.

The Union finds itself developing explanations and justifications for existing institutions and reform proposals. While often legitimised by EU spokespersons as technical problem-solving and Pareto improvements, in fact institutional reforms include conflict resolution and the distribution, exercise, control and legitimating of power.

As a result, the Union's problems of both democratic legitimacy and variations among domestic administrative models have become increasingly evident. The voluntary and subtle Kansas City model appears to have temporarily masked these problems, but they are problems nonetheless.

CHALLENGES OF EFFECTIVE PUBLIC MANAGEMENT

Today's public servant suffers from a serious image problem, which is fed by stereotypes such as the picture of the inept bureaucrat reflected in the mass media and in the antigovernment rhetoric of a generation of faintly hypocritical elected officials. It is assumed that government operations inherently detract from the gross national product and are thus a drag on the nation's economy. Such simplistic notions do not account for the economic benefits of government programmes such as the Internet, the space programme, the highway system, and water and sewage systems. Without government and its effective public managers, for example, the social security system, and a

generation of young, upwardly mobile professionals might have to spend more time looking after their parents and less time creating wealth.

One reason for this negative image of the public sector is that bureaucrat bashing is a popular sport for the media and for aspiring politicians. Public policy decisions are often difficult and involve tough trade-offs, and the considerations devoted to such choices are not always acknowledged by the media. It is much easier to make officials look bad than it is to illustrate the complexities of their position, and it makes for much better headlines. Elected officials therefore devote a great deal of time to avoiding responsibility for certain decisions and pretending that imperfect programmes result from bureaucratic incompetence rather than deliberate choices.

The second factor that contributes to the image of the bumbling bureaucrat is the practice of avoiding choices—“passing the buck”—and hiding decisions behind vague, convoluted language. In making decisions, a manager may expose him- or herself to criticism from both internal authorities and the public. This fear of making decisions is a part of the culture of the public sector that the aggressive public manager must strive to overcome.

A third source of negative bureaucratic images has a more realistic basis. Public bureaucracies are excessively formal and overly reliant on written communication. This extreme formality, sometimes called red tape, is due both to the need for public accountability and to well-ingrained habit. Red tape in some routine bureaucratic processes can lead to ineffective and costly management practices. It can also lead to a very negative image in the mass media. A standard newspaper piece focuses on an older person or a disabled person who was denied health benefits because a form was lost or a bureaucrat ignored a key detail of the case.

One of the biggest problems public managers face is their lack of control over goal setting. In the private sector, a board of directors is often controlled by, or closely related to, an organisation's managers. But in the public sector, the board of directors consists of elected legislators and executives who are usually more concerned with their political health than with organisational performance. Anyone who has ever sat in on a congressional oversight hearing realises that public managers do not control their elected board of directors. Fortunately for the public manager, the interests of elected leaders are sometimes served by allowing public agencies to perform effectively. Unfortunately for the public manager, political interests are difficult to project and frequently change with little warning.

Because political interests determine the goals of public organisations, public managers often face shifting priorities. The most effective public managers are those who learn to adjust programmes rapidly to reflect changed priorities. Effective public managers learn to foresee changes in policy direction and build agile organisations capable of rapid redirection.

Most public managers are adequate performers, many are excellent, and far too many are inadequate, but all managers are subject to the same public image. It is not the objective to compare in detail the performance of America's public sector with that of its private sector. But given the strategic and managerial errors of some private firms, we suspect that the private sector is not generally better at management than the public sector. Certainly there are public managers who can match, if not exceed, the performance of any private manager.

One reason for the negative perception of public management is the self-image of the public manager. The government's managers are not isolated from society at large; they are subject to the same symbols and media

images that bombard the rest of society. That negative image can take hold and become a strong self-perception in the mind of the typical public manager. It sometimes creates a psychology of failure that can become self-fulfilling.

The way that several Northeastern cities have housed their homeless families is a good example of negative public sector thinking. Cities such as New York are perennially in violation of court orders requiring them to provide housing for homeless families, and the experience of the Roper family is illustrative of how overwhelmed and negative-thinking bureaucrats often bring about this situation. Originally from New Jersey, the Roper children—five in all—were taken from their abusive and drug-addicted parents and ran a gauntlet of foster homes before their grandmother drove from South Carolina to take custody of them.

Despite the unavailability of any other options, New York officials refused them housing after their grandmother became ill and could not work. Their argument was that the family had a relative in the city—a sister, although she had three children and was living in a small studio apartment. Despite the children's contracting of pinkeye and food poisoning, and the city's receipt of four letters from teachers and doctors pleading for housing for the Ropers, the city continued to deny the children respite from overnighting on the floor of the Bronx intake unit, claiming that the grandmother and the children were simply "ineligible," after several five-minute reviews.

In published comments, Leonard Koerner, a lawyer for the city, claimed justification, stating that many families "are not truly homeless". The commissioner, Martin Oesterreich, argued that the city had defended itself against false claims. Although city officials seemed overwhelmed with demand and resource constraints, the Legal Aid Society, a nonprofit legal group, continued to sue and

obtain housing for families, including, finally, housing for the Ropers. The Roper story has a happy conclusion because of media attention. Because of reporting in the *New York Times*, readers flooded the family with donations. Eventually, a trust fund was set up for the Roper children, which would secure for them a better life. The Roper family story, however, is a good example of the psychology of failure that often grips overwhelmed public officials.

The self-defeated public manager is willing to define success as the absence of failure. Such managers lower their expectations, abandon any sense of vision, and ridicule those who retain ambitious goals. In many cases, self-defeated managers have good reasons for being negative. They may have been stabbed in the back by politicians, seen important pet projects overcome by inertia, or been subjected to any number of indignities.

In the private sector, such an unproductive manager might eventually be fired—or at least subjected to pressures to perform. In the public sector, it is not always possible to fire the manager, and it is often difficult to measure performance objectively. If success is difficult to measure, it may not be possible to hold a manager accountable for an apparent failure. In the business world, the balance sheet's bottom line is a relatively unforgiving indicator of success. In government, it is often difficult to determine whether an organisation is succeeding. This ambiguity makes it difficult for a public manager to provide conclusive evidence of success.

A private manager can always take solace in a company's profits, claiming, "We may not make a perfect widget, but we still hold 22 percent of the market." The public sector analogue is to say, "Yes, the problem is not as bad today as it was ten years ago. The city only had 500 homicides this year, while ten years ago it had 550." Despite this improvement, no one is going to hold a parade for the public managers responsible for this 10 percent

improvement in performance. Public managers often have no easy response to attacks regarding levels of government productivity; all too often, they accept the negative image that is presented to them. Such acceptance is the first ingredient of the recipe for failure.

Attitude is a critical factor influencing success. When managers accept a negative self-image, they are likely to fold at the first sign of an obstacle. Instead of figuring out how to get around a constraint, they cite the obstacle as an explanation for nonperformance. Every one of the problems that public managers face can be overcome. Solutions are sometimes complicated and are often circuitous, but they always exist.

In calling for a federal Quality Imperative, former vice president Al Gore advocated an assertive approach to quality in government when he said, "Our bedrock premise is that ineffective government is not the fault of the people in it. Our government is full of well intentioned, hardworking, intelligent people—managers and staff. We intend to let our workers pursue excellence". But, significantly, when he addressed the National Performance Review at all in the 2000 campaign, it was to distance himself from the concept of an activist government.

In a debate with George W. Bush, he announced that he would pursue a new Reinventing Government initiative to shrink government further, and said, "I'm the one who believes in limited government and I have believed in it long before it was fashionable to do so in the Democratic Party [through the first Reinventing Government programme]. I don't believe there's a government solution to every problem". Gore's new position shows how difficult it can be to create a quality government with a positive workforce, given the prevailing negative view of government in this country.

In the U.S. Department of Energy, a mid-level manager was told that he had authorisation to hire fifteen people if

he could get them on board in thirty days. When he discovered that it would take that long simply to get a position description approved and a job advertisement posted, he decided to make do with his existing staff. Rather than attempt to circumvent or eliminate an obstacle, this manager just gave up.

The passivity of some public managers in the face of obstacles is partly a function of their own inability and partly a function of the American political culture. Although government's role in the social and economic life has always been greater than American mythology would admit, the scope of government activity has dramatically expanded in the past fifty years.

In such an environment, efficiency and productivity are not the dominant concerns of the elected leaders to whom public managers report. Symbolic victories are often more important than actual results. As a society, we continue to place a wide array of steps between the formulation of a public policy and the implementation of a public programme. Unfortunately, these lengthy processes reduce not only fraud and political influence but also organisational efficiency.

There is substantial political pressure to slow down a programme's implementation. Unless a programme has high priority, it is subject to the levelling impact of routine decision making. Under routine conditions, obstacles such as time-consuming contracting procedures are frequently followed to the letter. Overt opposition to these slow procedures can often cost managers more than they gain. A contract or personnel office called on the carpet for inadequate performance has a thousand ways of subverting the organisation that blew the whistle on them.

Requests for proposals needed to hire contractors are sent back to the programme office for revision twenty times instead of the usual eight. Job descriptions keep getting "misplaced" and phone calls are returned only when

absolutely necessary. When public managers realise the difficulty of taking on the system, they start to accept constraints as a given rather than as a variable. When they allow the system's constraints to retard their own performance, these public managers have discovered the second ingredient of the recipe for failure.

The most effective public managers are careful people, whereas the least effective public managers are timid people. Careful managers understand that poorly thought-through actions can result in unanticipated consequences. However, it is very easy for caution to become paralysis. New projects are frequently abandoned when managers are confronted with tentative negative signals.

An instructive case involves the use of the Internet by the U.S. Postal Service (USPS). Despite the evolution of the Web over the last five years to include not only electronic mail but also electronic bill payment, the USPS was slow to make changes in its business model to include the Web. The Internet has caused a decline in the postal service's core business—first-class mail. First-class business matter, which consists of the bills and statements sent out by most businesses, has decreased dramatically in recent years, and almost the entire decrease has been the result of the Internet.

Despite these trends, and despite the fact that multiple competitors in the private sector have marketed electronic payment services that generate fees from this shift, the USPS was slow to react. Although it finally put in place a team to look at e-commerce activities in 1999, its bill payment products were slow in coming to market. The USPS was too cautious in choosing the right path to address the threat to its core business. While the USPS was deciding, the private sector was moving, depriving the USPS of a large potential market it still has yet to capture.

A concrete example is on-line stamp and parcel postage purchasing, which had such a potential boon that it

spawned two private sector start-ups, which began in 1999 with substantial venture capital funding, as well as tremendous investor interest. These companies failed, however, blaming “an overlay cautious Postal Service for making [success] virtually impossible.” The USPS set a \$500 monthly spending limit per customer, effectively shrinking the potential market. And it issued a seventy-nine-page rule book of technical requirements, which, for example, stipulated that stamps—printed onto the envelope from the computer—should be placed exactly one-quarter inch from the top and side. Despite the fact that these products would funnel revenue into the core businesses of the USPS, and the service had to do little but develop the flexibility to use this channel, inertia ruled the day.

Overhead and headquarters organisations frequently emphasize process over product. Local units of government and line organisations with direct client contact do not have the luxury of emphasising analysis over action. Instead, line organisations tend to get bogged down in standard operating procedures. Caution does not degenerate into inactivity; rather, it leads to the repetition of known activities. In the case of the USPS and the Internet, the wait for the perfect opportunity took too much time, and the organisation allowed caution to become inertia—the third ingredient in the recipe for failure.

An obviously disturbed man checked into a public hospital in a northeastern city recently, saying that he had heard God’s voice and the Lord had instructed him to kill someone. After a day or so, the man calmed down, was released from the hospital, went out on the street, and killed several people. At a press conference, the city official in charge of hospitals announced that after careful study she had determined that the man had been “released prematurely.” When the press asked if that meant that the man should not have been back on the streets, the city official said no; her only conclusion was that the man was

“released prematurely.” Naturally, the media made this public manager appear foolish for not agreeing to a logical conclusion based on her own statement.

Bureaucratic language is famous for being incomprehensible. Public managers have learned to hide their actions behind jumbled phrases, acronyms, evasions, and the passive voice. These techniques are used to prevent outsiders from understanding who is doing what to whom. Consider “preventative-retaliatory strikes” (invasions) and “revenue enhancements” (tax increases).

If confusing language were the only method used to create ambiguity, it might not be a serious issue. Unfortunately, some managers attempt to hide poor or nonexistent performance behind vague statements of goals, imprecise assignments of responsibility, or inexact performance indicators. Some managers learn to “game” the system and present the illusion of competence. They may create the impression that they are accomplishing important goals while achieving very little. Scheming managers of this type may do quite well personally. They may receive frequent, if undeserved, promotions.

In some instances, a manager’s image carries more weight than his or her performance. When image is rewarded in lieu of performance, the impact on an organisation can be devastating. In the long run, then, these poor performers often outsmart themselves.

The final ingredient in the recipe for failure is forgetting that organisations are made up of people and that people count. Management can be defined as the art of getting people to do things. Effective management is getting people to do the right things. Let us assume that for most people, the ideal state of existence is sipping margaritas on the beach while watching the waves roll in. The effective manager must convince people to leave that ideal state and do things they would not otherwise do. The manager must

obtain resources to create incentives. Incentives are used to stimulate people to achieve organisational goals.

Organisations should be seen as organic entities—living, breathing beings. Organisations are not machines to be fuelled and lubricated; they are organisms to be fed and nurtured. In order for an organism to survive, it needs nourishment from its environment. Resources are made available to it because the organism is capable of performing some function that the environment requires.

In the crush of daily events, managers often forget these essential precepts. They forget that they need to interact and communicate with the people who work for them. Hiding behind their desks, they make decisions that frequently have an undesired and unanticipated effect on their organisations. Rather than deal with staff members as living components of a living organism, managers deal with them as abstractions. If this continues long enough, productivity is impaired and the organisation ultimately loses its ability to attract resources.

One such decision that managers make—and attempt to implement without employee input—is to reorganise their units. A reorganisation usually disrupts the dynamics of the office and can breed low morale and distrust of management's motives. As David Osborne and Ted Gaebler note, we need to reshape government institutions to reflect today's virtually limitless communication. We need to decentralise decision making, allowing more decisions to be made "down below" instead of concentrating them at the already stressed and malfunctioning portions of government.

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Administrative Accountability

The word Responsiveness means “the state of being responsive” i.e. answering or replying. In Indian democracy the citizens expect civil servants to be responsive to their requests and demands. A citizen who asks something of a government has the right to expect a response and to be treated as a legitimate source of demands. In fact responsiveness is a procedural requirement for good government. The other word Responsibility implies that the civil servants will adhere to the explicit and implicit values of proper administration and policy.

Responsible public servants know the law and have convictions about the proper administration of their programmes. Expertise and law thus become central to the working of civil service. Responsibility and accountability are often used interchangeably. But the two can also be distinguished as accountability may refer to the legal and hierarchical locus of responsibility, whereas responsibility has ethical and normative connotations. The word accountable seems to have come into usage in the English language for the first time in the year 1583, and the context was financial.

Accountable means liable to be called to account. Accountability related to administration therefore means that the administration has to be accountable for the

exercise of authority which it possesses. Now an important question is—accountability for what? In fact it is linked with performance and it is goal and achievement oriented. Accountability of administration has rightly been called the 'Kingpin' of democratic administration. Thus it becomes another facet of administrative performance, which evidently is the culmination of both policy making and its implementation. It is not merely regulatory and punitive in its purpose and contents, though occasionally regulation and punishment do become the necessary elements of administrative accountability.

The evolution of the concept of administrative accountability is a modern development. In England, a beginning in this direction was made by the restoration of monarchy in 1660. Later efforts were made to evolve in India, under British rule, a concept of administrative accountability to law and procedure under the limitations imposed by imperial interests and the peculiar conditions of Indian Society.

Later on, after independence in 1947, the transfer of power from London to New Delhi signified no change in administrative terms. The political system introduced in 1950 was itself not free from ambiguity in so far as the location of sovereignty was concerned. Yet another significant development of post independence period is the increasing infiltration of politics into administration. Under the pressure of politics, an irrational category, the conceptual rationality of public administration trends to get blurred but continues nonetheless.

ACCOUNTABILITY TOOLS

It is necessary and essential in the interest of democracy as well as efficiency and effectiveness that good and proper tools or controls to check civil servants must be devised, generally controls are of two types—external and internal. According to Prof. Finer, the best way to enforce

accountability is to develop institutions that vigorously monitor the actions of public bureaucracy and punish those guilty of maladministration.

In the absence of other controls, such as profit motive, policy makers must monitor the performance of public administrators via formal mechanisms. Among the two controls executives responsibility to the legislature, legislative surveillance, judicial review, audit system, financial advisory system in ministries, judicial system, ombudsman etc. are examples of external formal controls.

The internal controls of formal type are secured through organisational devices like hierarchy supervision, control, span of control, unity of command, inspection, tours etc. These are in practice, reinforced and supplemented by informal external devices such as mass media, political parties, interest groups, political and electoral process, Comptroller and Auditor General (CAG) etc. existing in the society. Beside this on the other hand, Carl Friedrich opines that inculcation of appropriate values among administrators serves as the major check on the bureaucracy.

Forms of accountability: Accountability although has many facets but they are interrelated. It may be formal i.e. institutionalised or informal i.e. democratic and ethical. Accountability may also take the forms like political accountability, administrative accountability, legislative accountability, judicial accountability etc.

Ways to ensure accountability: In addition to the formal structures and informal modes prevalent in different nations to enforce accountability in public service, a few more are suggested by scholars. Some of them are as follows;

- *Representative Bureaucracy:* In order to ensure that administrators remain responsive to the needs of the people, some scholars have pointed to the potential importance of representative bureaucracy. In fact this

view holds that democracy will be served if bureaucrats mirror certain key characteristics of society. This view was first developed by Kingsley which grew out of recognition of the inadequacy of the traditional legal institutional controls for insuring administrative accountability in a modern state.

- *Positive Content:* Administrative accountability must be imparted positive content. In India at present accountability is devalued. It must become sensitive to reward and punishment and must not remain one-sided as it is now.
- *Administrative reforms:* Administrative accountability is performance and efficiency based and result oriented, so in a responsible system of government rules and procedures must be simplified to enable public servants to avoid delays caused by unnecessary procedures. Thus delegation, decentralisation, devolution and deconcentration are vital to accountability. So is the need for reform in personnel administration, especially training, placement, promotion, performance appraisal etc. In fact administrative reform is among the prerequisites to a system of effective accountability.
- *Innovative Practices:* Today innovative practices like sunset legislation, zero-base budgeting, social audit, freedom of Information Act, Sunshine legislation, Citizens Charter etc. should be adopted to enhance accountability. In brief the concept of sunset legislation implies that rules and regulations should be made for limited periods, and after the expiry of that period the laws or rules should cease to operate unless renewed. This will also necessitate review of rules and regulations periodically to check their continued validity. On the other side the sunshine legislation, implies that legislation is intended to let the sunshine on all government deliberations. Zero-base budgeting

means a process of review, analysis and evaluation of each budget request in order to justify its inclusion or exclusion from the budget finally approved. Social Audit means an examination of social accounts with a view to determine the correctness of these accounts and of the transactions they embody. Freedom of Information Act as passed in the U.S.A., gives citizens the right to see most records that the Government maintains. Accountability demands openness in the conduct of public business. The citizen charters are not expounding new legal rights or obligations but rather stipulating existing rights and detailing good practice, which exists in some cases and should, in the government's view be the norm.

- *Public Participation:* The direct involvement of public in the administrative process constitutes one of the major efforts to enforce administrative accountability. Generally in developing countries like India public participation consists of three ways that is :
 - Consultation throughout the planning process,
 - Public representation on decision-making boards; and
 - Community control over funds and expenditure.

However, it would fail to ensure administrative accountability unless such participation educates the citizens and be informed about the broader socioeconomic characteristics of the society itself. The idea of public participation is to expand the democratic basis of administrative action. Therefore the desire for accountability must be weighed against responsiveness and the ability to achieve policy ends efficiently and effectively.

METHODS OF ACCOUNTABILITY

Control over public administration is an essential feature of accountable and responsible administration. Lord Acton's

insightful remark "Power corrupts and absolute power tends to corrupt absolutely" appears to have universal validity. Now to check it and make it accountable, certain safeguards are needed to make the administration accountable to the people through some specific devices and methods.

Legislative Accountability

The Legislature or Parliament plays an important role in making administration accountable. In parliamentary countries of which India is one, the executive is responsible to the legislature. It can hold office only so long as it enjoys the confidence, i.e., the majority support of the legislature. There are several means through which legislature exercises control over public administration. Some of the important means of this method are such as questions, discussions and debates, motions and resolutions on specific administrative actions and matter of grave concern. There are financial control through budget and parliamentary committees.

In India members of parliament also get opportunity to hold administration accountable through budgetary process at the time of general discussion on the budget, discussion and voting of demands for grants and consideration and passing of both the Appropriation Bill and the Finance Bill. Besides the standing committees such as public accounts committee, estimate committee, assurances committee, public undertaking committee etc. also play significant role.

There are consultative committees attached to the ministries and parliamentary committees of investigations such as the Joint Parliamentary Committee for the investigation of security scam under the chairmanship of R. N. Mirdha, M.P. and a former Minister of India. Two other means of control available to the legislature are its power

to pass laws and vote supplies. By detailed legislation and voting of supplies the legislature can control the activities of administration to any extent. But ultimately the success of the legislative methods for ensuring administrative accountability largely depends upon intelligence and enlightenment of legislators.

Executive Control

Executive control is an internal control over administration exercised either by the superior over the subordinate within the chain of administrative hierarchy or by other parallel agencies in the executive branch of the government. Administrative structure is hierarchical in nature and so one level controls the other and none is outside the chain of command.

The executive accountability and control is exercised in many ways. Most of them are formal provided by the laws of the country but some of them are informal depending upon the good sense of the civil servants. The method of internal control is different such as Political or Ministerial control is the cardinal principle of Parliamentary democracy. There are number of techniques and devices such as inspection, supervision, reports etc. through which the head quarters administration controls the field agencies. An important means of control is the centralisation of establishment or personnel functions.

The chief executive is responsible for personnel management control which includes the methods of recruitment, salaries, promotion, conditions of service etc. The public servants if are not working in a proper way then they can be reprimanded, censured, removed and dismissed from the service. Beside it to carry out the functions of the government the budget provides necessary finances. Their activities can be controlled by controlling the finances made available to them through budget.

Electorate Accountability

As we all know that every popular government is ultimately responsible to the people or, to be more precise, the electorate which by its votes can make and unmake it. Apart from the general mass of voters, the various organised interests like industrialists, associations, religious groups etc. constantly exert pressure on government and administration to mould their policies and acts in their favour. Thus, in those countries where institutions of direct democracy exist, popular control manifests itself directly through initiative, referendum direct elections of officials, and recall.

Professional Bodies Accountability

In every country officials of professional categories such as doctors, engineers, lawyers, teachers, computer analysts etc. are also responsible to their professional bodies like the bar councils or medical councils for maintaining the minimum standards of these professions. And if they are guilty of unprofessional conduct, even their names may be removed by these professional bodies from their approved lists or register, thus disqualifying them (persons) from engaging in that profession any longer.

Judicial Accountability

In a democratic country, the judicial accountability through Judiciary restricts the discretion and arbitrariness of both the executive and administrative agencies; safe guards of rights and liberty of the citizens; helps in redressal of the grievances of the citizens; curbs corruption in government and administration and can declare ultra-virus the acts of the government and administration is case they exceed their jurisdiction. So, if some administrative action causes loss to the citizen, he may knock at the door of the Judiciary for redressal of his grievances.

Finally, administration is subject to judicial control exercised by the Courts. Looked at from the point of view of the citizens whose liberties and rights they are intended to protect, the controls exercised by the courts are called judicial remedies for the citizens against official excesses or abuse of power, are the two faces of the same coin.

Lokayukta Accountability

As a good government must provide a citizen an opportunity of seeking redress from arbitrary actions of civil servants, to look into the problems of individual citizens who feel aggrieved by the decisions of civil servants. India has made attempts to institute the office of ombudsman to give the citizen an independent hearing about his grief; and to remove inefficiency and malpractices pervading in the administration.

On the recommendation of the Administrative Reforms Commission (ARC), 1966, a Bill providing for Ombudsman-Lokpal was introduced in the Lok Sabha (House of People) on May 9, 1968 but due to political changes and other reasons it is yet to be passed by Parliament. However, states like Maharashtra, Madhya Pradesh, Karnataka, Bihar, Orissa, Himachal Pradesh, and Rajasthan have appointed Lokayuktas.

Press and Public Accountability

In the Parliamentary democracy, political parties and interest groups too play an important role in expressing public opinion and they check the arbitrary use of powers and actions of the executive along with administrative executive. Press also plays an important role to enforce administrative accountability through editorials, news regarding administrative irregularities, mismanagement, inefficiency, delays and corrupt practices of the civil servants. Even public get their grievances ventilated through columns of newspapers.

INDIAN ADMINISTRATIVE CULTURE

In India public service is generally viewed as a high and a noble calling. It is service in the cause of the nation and there can be no service higher than that of the sovereign state. People who join it do not anticipate becoming rich and famous, but majority of them feel a basic commitment to the values of public service; others develop such a commitment after working in the government for some time. No administrator functions in a vacuum. As one is influenced heavily by the current cultural milieu : i.e. values, belief and attitude prevalent in society, as well as the culture unique to the organisation.

Culture basically represents a pattern of values and behaviour, where response pattern persists over a period of time and gets institutionalised. Due to these patterns there are different Agrarian, Industrial and Transistia societies with sala model bureaucracies. Every country whether underdeveloped, developing and developed has its own administrative culture. The overall socioeconomic and political environment in which the administration works has a direct bearing upon its functionaries, and goes to mould their manner, style and behaviour pattern; their aspirations, ethos and values are shaped by them.

These, in combination, constitute what many are called the Administrative Culture. The administrative culture is a complex phenomenon. Today it is not easy to identify the parameters and dimensions that constitute administrative culture. It is difficult even to say whether administrative culture is something distinct or it is only a subsystem of the culture of a country. Nevertheless, it is realised that the administrator and his outlook or world view, his perception of the natural goals and functional purposes, politico-administrative environment, the sociocultural norms and ideals of the society, his perception and the response of the citizens help in understanding as well as determining the administrative culture of any society.

FACTORS AFFECTING INDIAN ADMINISTRATIVE SYSTEM

In India there are various factors affecting Indian Administrative Culture. Every administrative culture system is built upon the following factors which influences and affects it. Some of the factors are as follows :

Individual Value System

All administrators have a philosophy; that is, an individual value system which prioritizes basic convictions. An individual's value system is determined by cultural norms, education and experience that he or she has been exposed to. This individual value system, when combined with the unique history of an organisation, determines an administrator's behaviour.

We all know that no administrator functions in a vacuum as one is influenced heavily by his surroundings i.e. cultural values, beliefs, attitude prevalent in society, as well as the culture unique to the organisation. A fact often overlooked however, is that the present has been determined by the past. Beside it an individual is influenced by the education. Here education is the understanding and interpretation of knowledge. After education comes the experience gained by working in any organisation for a long period.

Role of Family

We know family plays an important role in the society. Every administrator is a part of a family which in turn is a part of society. It is the family where a person learns his first lesson of life about what is bad and what is good; etc. The good qualities and behaviour which an administrator gets from his or her family helps them in work process also. Due to family impact Indians are more gods fearing than most other cultures, and we still have strong families and peer pressure to moderate our behaviour.

Sociocultural Dimension

Every administrator is a part of society. Indian society is a stratified one, both vertically and horizontally. The Hindus are divided into four major castes i.e. Brahmins, Vaishya, Kshatriya and Sudras and each caste has numerous subcastes. This has, in its turn, influenced the stratification process among Muslims and Christians too. In modern times although the caste system is gradually shedding its traditional purpose, under the impact of universal suffrage, it evokes new meaning and serves other purposes.

Horizontally, Indian society is divided along regional, districts, states, linguistic, and religious lines and these have varying degrees of influence on the civil service. Although Weberian model would expect the civil servants to be objective and impersonal in their administrative actions but we have seen that they are continually exposed to forces drawing sustenance from caste, community, religion, region, language etc. and some succumb to these forces and their demands.

The impact of sociocultural environment on the theory and practice of government is felt in other ways as well. Society in India still remains feudal and the public officials come from this feudal stock that belongs to urban elitist families. This introduces contradictions and conflicts of varying magnitude in the structure and patterns of interaction in society. Formally, administrators are objective and impartial but society expects them to safeguard the interests of their kith and kin.

Type of Education

Education is very essential for mankind. In fact education is the understanding and interpretation of knowledge. Education tries to mould and help in developing the aptitude of person and aim at increasing administrator's personnel skill. Formal and informal both type of education

is essential for public. These days the Indian Administrative Services are joined not only by man and woman having degree of arts, social science, commerce and science but technocrats with B. Tech., B.E. and M.B.B.S. degree. Thus after joining the service when decisions are taken by them they are influenced by the education which they have received.

Influence of Religion

Administrative culture of any country is influenced by its religion. Although India is a secular nation but majority of people is Hindus. The Hindu religion is rooted in a very powerful ideological system with unification of a divided society. In India there are religious foundations of administrative culture.

Political Parties

For the developing nations like India where speedy socioeconomic development has to be steadily pushed through, the nature, character and culture of civil services assume special significance. The first problem is how to declass the civil service that culturally belonged the colonial era and served the imperial interest. As the Indian experience shows, the colonial administrative system was allowed to continue even after independence and it was thought that the changed political leadership and institutional framework coupled with proper training and motivation would bring about desired 'cultural' changes in the Administrative Service. The result of all this was neutral, representative and politicised administrator a political.

Today political system is not wholly segregated from social milieu, but together they provide the settings for functioning of public administration. In India loyalty to the nation, equality and a written constitution influences the administrative culture. The most important influence on

the nature, structure and functioning of Indian Administrative System is that of the Indian Constitution. The influence of the Constitution on administration is broadly of two types : the formal or discernible influences that prescribe the configuration of the administrative system and the informal influences which determine the role, responsibility and responsiveness of the administrative system, the character of governance and the behaviour of administrators in our country. Beside all this administrative culture is influenced by different political parties, pressure groups, interest groups etc.

Effect of Mass Media

We all know mass media like Radio, films; Television, News-papers, books etc. play an important role in the administrative system. When Late Shree Rajiv Gandhi became Prime Minister in year 1984 promised, among other things, to revamp the public administration of the country.

In 1985, a number of programmes began on the Indian Television under private initiative and these brought within their ambit the pathological problems of administration. Here mention many particularly be made of television serials like 'Panorama', 'Sach Ki Parchhayian' (In the shadow of Truth), 'Aaihna' (Mirror), 'Chaupal' (related to villagers and farmers), 'Rajni' (related to administrative problems faced by common man), 'Janvani' (the voice of people), 'Police Public', 'Ankhon Dekhi' (Eye Seen), etc. Mass Media always served a useful purpose, in the sense of instilling a sense of accountability in the administration and so improving its efficiency.

Economic Dimension

Among economic factors poverty, hunger, unemployment, general scarcities are the chief features of the Indian economy. Some of these themselves being the direct outcome of the economic plans, policies and strategies of

development followed over the decades. Beside all this the rapidly growing population has partly wiped out the economic gains achieved by the country through planning. Due to this there is disequilibrium between the public and administration.

The problem of poverty and unemployment in society results in intense pressures on government jobs and even overstaffing government offices. Shortages, compounded by government interference, breed pressures for supply and consequent corruption. The administrator, since he controls the distribution of essential commodities to the public, finds himself subjected to heavy pressures. Thus, the prevailing political atmosphere, the falling standards of public life and the loss of moral values among the politicians have bred a corresponding insensitivity, demoralise and unresponsiveness among administrators.

The public administration constitutes merely an aspect of the social system. As other aspects such as value system, economic, social, political, cultural and educational, constantly interact with the administrative system. Hence enhancement of the administrative capability requires changes in the social environment i.e. development of the society. So long as the majority of the public remain poor, uneducated and unaware of their rights and duties, they cannot properly participate in programmes of development.

Import of high technology can not deliver the goods in the situation of general economic and social backwardness. So if the data received from the field are defective, the processing of the data on a computer by highly trained specialist is of no use. Enhancement of administrative capability, therefore, requires development of the society generally, even as administrative development helps all round development.

The people in developing countries suffer from a number of problems, such as poverty, hunger

unemployment, bad health, illiteracy, corruption and authoritarianism. The state is responsible for bringing about development. Hence the state has to shoulder more and more responsibility. Since the state functions through the government, and the government, in turn depends to a large extent upon the administration, the administrator's role also keeps expanding.

NEW ECONOMY AND THE INTERNET

When one thinks about the dramatic changes in technology that have occurred, it is perhaps surprising that the rate of productivity increase has risen by such a small percentage, compared to prior 1995. The IT revolution has brought productivity gains to management, sales, purchasing, design, accounting and other non-production activities - areas where most of the jobs are now, even in the manufacturing industry. This paradox becomes even a bigger conundrum when one considers that the micro-economic crosssection studies have found that computers raise productivity at the level of individual firms.

Barnes and Noble and Borders would have been content to play a dominant role in the retailing of books but were forced by competition from Amazon to become "clicks and mortar" organisations by developing their own web sites that duplicated much of their previous activity and most of what Amazon had already pioneered. More generally, computers are used extensively to provide information aimed at taking customers, profits, or capital gains away from other companies. This is a zero-sum game involving redistribution of wealth rather than the increase of wealth, yet each individual firm has a strong incentive to make computer investments that, if they do not snatch wealth away from someone else, at least act as a defensive blockade against a hostile attack.

With regard to the recreation of old activities rather than the creation of new activities, much internet content

is not truly new, but rather consists of preexisting forms of information now made available more cheaply and conveniently, in contrast to the sense in which the Great inventions, such as electricity and the internal combustion engine, for instance, which created truly new products and activities. As an example, consider the fact that Internet surfing of airline schedules provides a lower cost, although not necessarily faster, alternative method of obtaining information already available in airline timetables, from the printed Official Airline Guide, and from the neighbourhood travel agent.

With regard to the duplicative aspect of the Internet, much e-commerce is an alternative to mail-order catalogue shopping. Yet the catalogues have not disappeared; the full cost of printing and mailing the catalogues is still incurred, but on top of that must be expended the millions on developing and maintaining duplicative web sites. With regard to consumption on the job, productivity on the job may be impaired by the growing use of business computers with continuous fast web access for consumption purposes.

A relevant finding of a research service is that people spend more than twice as much time online at the office as they do at home, and that web users at the office take advantage of highspeed connections to access entertainment sites more frequently at work than at home. In fact, the most-visited web site from the office is eBay, and three financial trading sites are not far behind. Traffic on many consumer oriented web sites peaks not at night, when people are at home, but in the middle of the day, when they are at work.

In fact, employers are so disturbed by the continuing use of office computers for personal e-mail that the number of companies using "surveillance software" to monitor their employees' e-mail usage is soaring. Professor Gordon concludes that most of the initial applications of the mainframe and personal computers have encountered the

rapid onset of diminishing returns, and much of the use of the Internet represents a substitution from one type of entertainment or information-gathering to another.

Internet surfing may be fun, but it represents a far smaller increment in the standard of living than achieved by the extension of day into night achieved by electric light, the revolution in factory efficiency achieved by the electric motor, the flexibility and freedom achieved by the automobile, the saving of time and shrinking of the globe achieved by the airplane, the new materials achieved by the chemical industry, the first sense of live two-way communication achieved by radio and then television, and the enormous improvements in life expectancy, health, and comfort achieved by urban sanitation and indoor plumbing.

There is however a more general explanation that accounts for the less than expected increase in the rate of productivity growth. This explanation centers on the fact that four industrial sectors-financial services, wholesale trade, miscellaneous equipment renting and leasing, and business services-account for over forty percent of computer investment in the United States. With the addition of another two-insurance and communications, the share exceeds fifty percent. These computer-using industries share some important characteristics.

First, they are all services industries, broadly defined, and with the possible exception of communications, the outputs of these computer-intensive industries are hard to measure. Second, most of the output of these computer-using industries is intermediate, not final. By definition, all of business services (except for exports) and all of wholesale trade are intermediate products. Equipment renting and leasing is also largely an intermediate activity. Although finance, as well as insurance and communications, contribute to final output in their sales to consumers (and in contributions to net exports), much of their output goes

to other business—for example, roughly two-thirds of communications and half of insurance are intermediate. Thus, half of computer investment in the United States goes into six industries that primarily produce intermediate output.

There are also conceptual measurement issues. In services, it is sometimes difficult to take the first step of determining what the output is. Business services contain a diversity of activities, where management consultants, lawyers, architects, and economists often bill by the hour. Although it is simple just to count billing hours, the question is what is done in that hour? That is the output. Specifying what professionals do in a way that provides a measure of a unit of output, is not easy, even for the professionals themselves.

Another type of conceptual problem is illustrated by financial services. Is a bank loan part of its output? If so, is it the number of loans, the size of them, or a combination of both? Statistical agencies encounter similar problems defining and valuing the output of insurance and securities firms. E-commerce exacerbates preexisting old economy measurement problems. A number of e-commerce-intensive sectors are in difficult-to-measure active or emerging e-commerce sectors, such as banking, insurance, brokerage services, education, and medical care.

In general, the difficult-to-measure sectors are concentrated in services and in finance, insurance, and real estate (FIRE) industries, the broad sector categories that have grown most rapidly over the post-World War II period. There are additional measurement problems because B2B transactions are intermediate transactions that do not show up as GDP. If one wants to know the impact of B2B and B2C e-commerce one needs to measure the impact of both on real GDP and productivity. For example, are the prices of consumer goods and services falling, and are there greater efficiencies as a result of the e-commerce

revolution, including B2B, and the associated high technology infrastructure? For goods, many of the efficiencies of the new economy are likely to be captured in the estimates. However, for services the absence of adequate price data makes it difficult, if not impossible, for measures to reflect higher measured output and productivity arising from the new activities and technologies.

Measuring intangibles is another old-economy problem which may be exacerbated by e-commerce and the digital economy. The web and the Internet have facilitated the speed and ease with which knowledge and information are transmitted. Knowledge and information are difficult to quantify as inputs. Very little is known about how to quantify intangibles, such as intellectual, organisational, institutional, and reputational assets. Such assets seem to be a particularly important source of market valuations for new-economy firms, including those involved in e-commerce.

Economists have for a long time argued that organisations store and accumulate knowledge that affects their technology of production. Such knowledge is a type of unmeasured capital and is distinct from the concepts of physical or human capital. Intangible (knowledge) assets are major drivers of corporate and national growth, but organisation capital—a major form of intangibles—is the least documented type of intangible assets.

Organisation capital is thus an agglomeration of technologies—business practices, processes and designs, including incentive and compensation systems—that enable some firms to consistently extract out of a given level of resources a higher level of product and at lower cost than other firms. The competitive advantages conferred on firms by organisation capital are mainly due to the fact that this resource cannot be completely codified and hence transferred to other organisations or imitated by them.

Much of the knowledge about how to perform elementary processes and about how to combine them in efficient systems is tacit. Therefore, it is not physically embodied and neither codified nor readily transferable. The partially tacit nature of organisation capital is among the major reasons this resource is hard to measure. In the case of e-commerce, some confusion results from the tendency to report the total volume of transactions that were touched by the Internet, rather than focusing on value added or final sales.

Even more difficult problems arise with the potential for e-commerce to alter business practices and competition among firms, in ways that may impact on productivity and the structure of existing industries. It is less evident what type of information should be collected to evaluate those issues. In some cases, such as electronic commerce, the primary need is to expand the existing network of surveys to capture the new firms and products in a timely fashion. But in other cases, the growth of the digital economy is highlighting an old set of problems—growth in industries for which output was never well defined or an acceleration of changes in the structure of industries and products that complicates the measurement of quality change.

The computer facilitates the reorganisation of economic activity and the gains from reorganisation may not show up in economic statistics. The following example shows how globalisation and IT has complicated the measurement of productivity. Suppose a not so hypothetical toy company that once manufactured toys in the United States. The computer, and faster and cheaper communications through the Internet, has made it possible to operate a business in a globally integrated way. Today, the company's head office (in the United States) determines what toys are likely to sell in the United States, designs the toys, and plans the marketing campaign and the distribution of the toys.

But it contracts all toy manufacturing to companies in Asia, which might not be affiliated with the United States company in any ownership way. When the toys are completed, they are shipped directly from the Asian manufacturer to large United States toy retailers; thus, this United States toy company has no direct substantial United States wholesale arm, either. The billing and financial transactions are handled in some offshore financial center, perhaps in the Bahamas.

The computer and advanced information technology have made it possible for this company to locate the activities of manufacturing, distribution, financial record-keeping and so forth in different parts of the world where costs are lowest. From the standpoint of shareholders and company management, the computer has allowed for vast increases in the profitability of this company. But these gains do not show up in United States productivity increases.

The computer may have increased the productivity of Asian toy manufacturers, of Liberian shipping companies, and of Caribbean banking and payments establishments, by giving them better access to United States markets and United States distribution. The only activity left in the United States is the toy company's head office. If impact of the computer on the toy company's profitability does contribute to United States productivity, calculating the computer's productivity effect requires determining ways to account for the design, marketing, distribution, and coordinating activities of the United States head office. Those are services activities where the outputs are presently imperfectly measured.

One also needs to distinguish the computer's effects on individuals or on firms from its effects on the economy—some gains to individuals or to firms are at the expense of other individuals or firms, so there is no net effect at the economy-wide level. Consider, for instance, the fact that the

computer has made it possible to execute far more stock market transactions. One study, after exploring the value of enhanced information in the stock market, concludes that improved information did not contribute to productivity because information really just affected who received the gains, without increasing the social gain from stock market activity.

Professor Martin Feldstein's casual empiricism tells him that there is a lot more to come as firms learn to use the new technology and the new software and to make the organisational changes that allow more output or reduced staff inputs. Firm-level studies moreover suggest that benefiting from ICT investments requires substantial and costly co-investments in human capital. For example, firms that use computers more intensively may reorganise production, thereby creating 'intangible capital' in the form of organisational knowledge.

These investments may include resources diverted to learning; they may involve purposeful innovation arising from R&D. Advances in ICT thus shift the innovation frontier of the economy rather than directly shifting the production frontier. That is to say, ICT induces co-innovation and coinvestment by firms using the technology, with long and variable lags. The resulting "organisational capital" is analogous to physical capital in that companies accumulate it in a purposeful way. Conceptually, one can think of this complementary capital as an additional input into a standard neoclassical production function; it differs from ordinary capital and labour in that it is not directly observed but must, somehow, be inferred.

In the knowledge economy, firms are becoming increasingly aware of the fact that knowledge is a resource which requires specific management policies and practices. However, old firms have already invested in old physical capital as opposed to new firms, and therefore, they face an

additional economic cost to investing in frontier methods. Large companies can moreover face bureaucratic obstacles to creativity and innovation in their in-house R&D efforts. In response, the amount of R&D done in small firms is increasing, and so are technology alliances and acquisitions. They also have invested in old human capital, with their managers lacking the awareness, and their workers lacking the required skills to implement the new technology.

Incumbent large firms are also more likely to resist change as their personnel may be well entrenched. Large firms are likely to be top-heavy, and their Chief Executive Officers who have golden parachutes have little motivation to learn something new. This "sunk cost" argument may have favoured new firms during the early stages of the IT revolution, and may have delayed the onset of productivity gains in some old established firms. The economic geography of the eighteenth century was dictated by the costs of moving raw materials to production locations where the raw materials could be combined with labour and some capital towards final production.

In the nineteenth century, the growing importance of mechanisation in manufacturing, and hence of physical capital, created pressures to centralise production in factories and in cities where a deeper division of labour allowed capital to operate many more hours during the day. Transportation systems spurred the agglomerations needed to support this division of labour. In the twentieth century, improvements in transportation and communication systems allowed increasing geographical fragmentation of production and increasing global trade in intermediate inputs.

The tendency towards geographical fragmentation of the chain of production in that century was accompanied by the spatial agglomeration of certain parts of the chain, particularly the intellectual and immaterial activities such

as accounting, strategy, marketing, finance and legal work. The share of value added of these intellectual activities has increased greatly, and such activities are amenable to highly efficient divisions of labour that make it uneconomic for a firm to employ these specialists on a full time basis. Firms now "outsource" many of these functions to specialised firms producing intermediate intellectual inputs. Since there is no transportation cost involved in transporting immaterial products, these intellectual activities are amenable to procurement at a distance.

It is widely believed that the Internet will have a more dramatic impact on economic geography than previous rounds of innovation, somehow suspending the force for agglomeration by allowing remote coordination of new and innovative activities. The distinction between codifiable and uncodifiable messages comes up implicitly in the economic literature on "search" goods and "experience" goods. A "search" good has a transparent value—evident upon initial inspection. An "experience" good has a nontransparent value that depends on the user and that is experienced slowly over time.

Markets that match faceless buyers and sellers can mediate the exchange of search goods. But the exchange of experience goods requires trust, understanding and long-term relationships, either directly or through third party certification and enforcement. Most transactions require long-term relationships. It is no surprise, therefore, that B2B Internet exchange markets are having a hard time surviving. Face-to-face communication derives its richness and power not just from allowing us to see each other's faces and to detect the intended and unintended messages that can be sent by such visual contact. Co-presence—being close enough literally to touch each other—allows visual "contact" and "emotional closeness", the basis for building human relationships.

INTERNATIONAL FOREIGN DIRECT INVESTMENT

International foreign direct investment (FDI) and out sourcing have been growing in leaps and bounds. Firms in many countries are subcontracting abroad an expanding range of activities, ranging from product design to assembly, from research and development to marketing, distribution, and after sales service. Some firms have even become "virtual manufacturers", owning designs for many products but making almost nothing themselves. This trend is well entrenched. A recent survey of 100 European firms by the United Nations Conference on Trade and Development and Roland Berger Strategy Consultants of Germany, found that in Europe (including the United Kingdom), 44 percent of firms surveyed have plans to offshore, with 39 percent having already offshored.

In Germany only 22 percent had offshored, with 41 percent having plans to offshore. United Kingdom companies accounted for 61 percent of the total of jobs moved, followed by Germany and the Benelux countries, with 14 percent each. Asia was the top destination with 37 percent of projects, while western Europe benefited with 29 percent of projects and eastern Europe with 22 percent. According to Diana Farrell, the head of McKinsey's Global Institute, A transnational can hope to lower its costs by as much as 50-70%. Such reorganisation takes two main forms.

As transport costs fall, globalisation is beginning to separate the geography of production and consumption, with firms producing goods and services in one country and shipping them to their customers in another. Second, due to the spread of the Internet, along with cheap and abundant telecommunications bandwidth, businesses are able to hand over more white-collar work to specialist outside suppliers, in the same way as manufacturers are doing already. Undoubtedly, improvements in transportation and communication technology have lowered the cost of search for out sourcing partners.

The Internet especially has facilitated business-to-business matching. Also, changes in production methods associated with computer-aided design have reduced the cost of customising components. Because out sourcing involves more than just the purchase of a particular type of good or service, it has been difficult to measure the growth in international out sourcing. Several researchers have used trade in intermediate inputs or in parts and components to proxy for what they have variously termed 'vertical specialisation', 'intra-product specialisation' and 'global production sharing'.

While these are all imperfect measures of out sourcing, the authors do show that there has been rapid expansion in international specialisation for a varied group of industries that includes textiles, apparel, footwear, industrial machinery, electrical equipment, transportation equipment, and chemicals and allied products. The out sourcing of intermediate goods and business services is therefore one of the most rapidly growing components of international trade. There are three essential features of a modern out sourcing strategy.

First, firms must search for partners with expertise that allows them to perform the particular activities that are required. Second, they must convince the potential suppliers to customise products for their own specific needs. Finally, they must induce the necessary relationship-specific investments in an environment with incomplete contracting.

Many studies which have been conducted on the evolution of material out sourcing in various OECD countries, show a steady increase in the extent of international out sourcing of material inputs (measured in different ways) over time. Studies have also examined the impact of international out sourcing of material inputs on productivity and the wage skill premium. By increasing

competition and lowering the prices of inputs, international out sourcing can generate higher productivity directly.

By relocating the unskilled-intensive parts of the production process from relatively skill abundant countries, out sourcing is expected to increase long-term productivity and the relative demand for skilled labour in the skill-abundant country and thus increase the skill premium. What is new about out sourcing today is that it is increasingly in services. In the past, the service sector was largely considered impervious to international competition. But with improvements in communications technology such as the Internet, services can now easily cross borders.

Focusing on the information technology sector in the United States, one of the few studies on international out sourcing of services by Catherine Mann, of the Washington-based Institute for International Economics, argues that although technological change is the most important driver of IT price declines, globalised production and international trade made IT hardware some 10 to 30 percent less expensive than it otherwise would have been. These lower prices translated into higher productivity growth and an accumulated \$230 billion in additional GDP.

Real GDP growth might have averaged 0.3 percentage points less per year from 1995 to 2002, if globalised production of IT hardware had not occurred. The advent of the Internet, standardisation of methods, and creation of databases of information and knowledge enable the desegregating of software and services into stages, which do not need to be done contiguously but can instead be done globally. The researcher then argues that globalisation of software and IT services, in conjunction with diffusion of IT to new sectors and businesses will yield even stronger job demand in the United States for workers with IT proficiency and skills.

Suppose that global integration of software and services yielded price declines of 20 percent (using the average of

the results from IT hardware research). Since the demand for software and IT services is more price elastic than for IT hardware, the potential increase in investment, productivity growth, and job creation from the globalisation of IT services and software is even greater than experienced in the 1990's from the globalisation of IT hardware.

Another widely quoted study on service outsourcing by the McKinsey Global Institute forecasts job losses due to outsourcing from 2003 to 2015 and computes the distribution of gains between the country that does the outsourcing and the one that receives the outsourcing. It finds that the United States will capture economic gains through several channels; reduced costs, new revenues, as overseas providers buy United States goods and services; repatriated profits; and redeployment of domestic United States labour. Overall, for every dollar outsourced, the United States realises \$1.14 in net economic value. This payoff comes not only from the increased global competitiveness of United States companies as they become more efficient, but also from the multiplier effect of increased national savings.

The foreign country gains another \$0.33. The study also argues that the amount of job losses due to outsourcing is a relatively trivial share of overall job losses during the normal course of a business cycle. A very recent study finds that although service outsourcing has been steadily increasing it is still very low, and that in the United States and many other industrialised countries "insourcing" is greater than outsourcing.

Using IMF international trade data for 2002, the researchers find that the top outsourcers of business services in dollar amounts are United States (\$41 billion), Germany (\$39 billion), followed by a group of countries with trade approximately of the same order of magnitude, Japan (\$25 billion), the Netherlands (\$21 billion), Italy (\$20

billion), France (\$19 billion), and the United Kingdom (\$16 billion).

Interestingly, India and China—two countries that have been portrayed as major recipients of outsourcing in the media—are themselves significant outsourcers of business services. Of course larger economies naturally trade more than smaller ones. Therefore, to get a sense of the importance of outsourcing for a local economy, it is important to scale the value of imports by the size of the economy. For example, if one scales imports of business services by local GDP, none of the countries mentioned above would appear in the top ten list. In fact, smaller economies like Angola, the Republic of Congo, Mozambique, Ireland, and Vanuatu turn out to be much more outsourcing-intensive, with the ratio of imported business services to GDP exceeding 10 percent.

In contrast, the United States has an outsourcing ratio in business services less than half of a percent of its GDP, and the United Kingdom slightly over 1 percent of its GDP. As a comparison, India imports a larger amount of business services as a share of GDP (2.4 percent) than the United States and the United Kingdom. Regarding “insourcing”, which in recent times has been used as shorthand for the amount of outsourcing a country receives from the rest of the world, the researchers use exports of business and computing services as a proxy for insourcing. They find that in dollar terms, the top five recipients in 2002 are the United States (\$59 billion), the United Kingdom (\$37 billion), Germany (\$28 billion), France (\$21 billion), and the Netherlands (\$20 billion). India, a country that has received the most media attention as a recipient of outsourcing, is ranked 6th place (\$18.6 billion); and China is ranked at 14th place (\$10 billion).

The data show that the top ten recipients of global outsourcing tend to be rich, industrialised countries, rather than poor developing countries. However, if one scales the

value of exports by the size of local GDP, smaller economies turn out to be more insourcing-intensive than the larger ones. The top three insource-intensive countries then become Vanuatu, Singapore, and Hong Kong SAR, each with exporting services as a share of local GDP exceeding 10 percent. By this metric, India is somewhat more insourcing-intensive than the United Kingdom; and China is somewhat ahead of the United States.

The researchers conclude that the presumption that global service trade is dominated by lopsided one-way outsourcing from developed countries to developing countries is not supported by the data. If anything, several major industrialised countries, notably the United States and the United Kingdom, export more outsourcing type services than they import from the rest of the world. It is particularly important to note that the United States and the United Kingdom are net exporters of services since the media seem to equate outsourcing with job losses. Outsourcing is thus a structural economic trend, descending from process specialisation and unbundling. It is grounded in Adam Smith's concept of improving productivity and increasing the wealth of nations through division of labour, and shifting to core competence and unbundling as the focus of organisational resources.

Moreover, the technological forces that destroy jobs also create new ones. If outsourcing results in lower costs, that implies higher profits and lower prices which in turn implies higher demand for new goods and services. In the process, new businesses are set up by entrepreneurs to meet demand for these new goods and services, thus creating new jobs. In this context, it is relevant to mention that William Nordhouse of Yale University has calculated that under 30 percent of the goods and services consumed at the end of the 20th century were variants of the goods and services produced 100 years earlier. We travel in vehicles that were not yet invented that are powered by fuels not

yet produced, communicate through devices not yet manufactured, enjoy cool air on the hottest days, are entertained by electronic wizardry that was not dreamed of and receive medical treatments that were unheard of.

For a great part of the 20th century it was widely believed that the more activities done by one company, the greater the efficiency. Economist Ronald Coase won a Nobel prize in 1991 for developing the theory of maximum integration. This theory was based on the precept that limiting the number of relationships that a company had, lowered "transactional costs". This was the principle that spurred the formation of conglomerates.

But at present, the theory of maximum integration has been turned on its head, mainly by two trends: the increasing specialisation of knowledge and cheaper communications. Accepted wisdom today is that it is undesirable if not impossible for an organisation to be expert in everything. Therefore, core competence is the mantra of the day. At the same time, technological progress has substantially reduced the costs of communications, with the effect that the outsourcing of various activities from information technology to business processes, is becoming the norm.

The foregoing analysis has implications for the theory of trade liberalisation and globalisation. It has been established theory so far that for the developed economies, the loss of market share in manufacturing to low-cost developing country producers is acceptable on the basis that the developed countries can fall back to their non-tradeable services sector, which has been impervious to international competition. But in an increasingly knowledge-based economy, many services are becoming tradeable. Such services, now include not only those at the low end of the value chain—data processing and call-centre operators—but increasingly at the high end of the value chain, involving fields, such as accountants, architects,

engineers, lawyers, surgeons, and consultants in many different fields of work.

Another far-reaching implication that can be derived from standard economic theory is that in a global labour market, pay levels among countries will equilibrate. The knowledge economy and continued advances in IT imply therefore, that as the outsourcing of services continues to gather strength, the remuneration of skilled professionals in the developed countries should over the long run converge with the remuneration of skilled professionals in the developing countries.

The dilemma that outsourcing poses for policy makers is that while its benefits through higher long-term productivity and reduced consumer prices in the outsourcing countries are both obvious and diffused throughout the economy, its short-term costs in terms of jobs lost and displacement are immediate. There are also long-term benefits for the outsourcing countries via increased demand for goods and services on the part of the insourcing countries. Governmental policies can however be put in place that would cushion the impact on job losses.

Such policies can focus on retraining programmes and the provision of an educational system which will enable workers to continuously upgrade their skill levels and move into more sophisticated fields. Human capital policies can also be integrated into investment tax credit policies. At the same time, the wages of the un-skilled can be subsidised through some type of wage insurance. For the insourcing countries, the outsourcing trend offers immense opportunities to develop and harness their people's skills.

CULTURAL FREEDOM

Cultural freedom is a rather special kind of freedom compared to fundamental freedoms listed in the UN Charter of Human Rights. While most freedoms refer to the rights of individuals, cultural freedom is a collective

freedom that “refers to the right of a group of people to follow or adopt a way of life of their choice”. Cultural rights “refer to the rights an individual or a community requires to express, maintain and transmit their cultural identity”.

Since culture is an integral part of an individual’s sense of identity and well-being, cultural rights are part of human rights. Cultural freedom, when properly interpreted, helps individual freedom to flourish because all core individual rights are exercised within the social context. In that context, collective rights and cultural freedoms exist which provide additional protection for individual rights and freedom. Individual rights are actually entitlements that require corresponding obligations and duties. What the movement for human rights has not done is to create a regime for duties and obligations, including the respect for cultural freedom. This is one area where a lot of work needs to be done.

Thus, individuals while exercising their rights and freedoms, have certain duties and obligations to their community, society, the country and finally to the universe of which they are a constituent part. Also, cultural freedom encourages creativity, experimentation with alternate ways of living and the protection of diversity, which are essential aspects of human development. Such freedom, if constitutionally guaranteed, affirms the equality of status for all citizens, gives pride to their individual cultures and allows people to live with dignity. In turn, the cultural freedom creates conditions for multiculturalism.

MULTICULTURALISM

The term ‘multiculturalism’ represents culturally derived differences found among various cultural communities and refers to a society within a country, which is characterised by ethnic or cultural heterogeneity. A multicultural society is the one where two or more cultural communities reside, where cultural diversity is cherished and where cultural

communities feel that they are a constituent part of the national identity rather than being encouraged to completely merge over time with the main stream.

Multiculturalism, as a policy, refers to a government action programme to recognise cultural (including ethnic and racial) diversity as a fundamental character of a country and to ensure that the rights and freedoms of all cultural communities are fully protected, without any coercion for any community to follow a monocultural standard and to allow and encourage inclusionary participation and contribution by all. Multiculturalism embraces the concept that cultural differences are a source of strength and a foundation for liberal democracy.

For cultural diversity to survive and sustain itself in any country, it is important that different people from varied cultures share at least some common values and also agree on some common commitments toward the common good. Indeed, the overriding aspect of cultural freedom has strong requirement for one to go beyond individual liberty and rights to seek equality of freedom for all. There is no doubt that different cultures represent different systems of visions of good life here on earth and hereafter.

Each culture needs others to understand itself better, expand its moral horizon and even guard it "against the obvious temptation to absolutise itself". And because no culture is worthless, all cultural differences deserve to be valued. However, each culture can realise only a limited range of human accomplishments and grasp only a part of the totality of human existence. As such no one single culture has the right impose its values and beliefs on others without their cooperation. A dialogue between various cultures is mutually beneficial. In order for such a dialogue to occur, each culture has to accept others as equal partners in human development.

Loss of Biodiversity

It is a given that human beings belong to the natural biophysical world and have many elements in common with other species. However, unlike other species, humans create their own habitat (sometimes by invading or destroying the habitat of others), their own languages, cultures and ways of conducting themselves. Despite their culturally specific attributes (such as languages, beliefs and manners of behaviour), they share some common values and aspirations such as worrying about their fellow beings, the survival of their world and preserving biodiversity.

Loss of biodiversity is considered one of the greatest threats facing humanity today. The loss of biodiversity is related to over-exploitation of natural resources, introduction of exotic species, human encroachment into the bio-habitat and the greenhouse effect on the ecosystem health.

There are four main reasons for such a biodiversity loss:

- Humans have neglected to protect biodiversity;
- Their governments have failed to create appropriate institutions and laws (both at the national and international levels) for internalising the common good which accrues from biodiversity;
- Inappropriate governmental national policies have condoned (and even encouraged) the destruction of ecosystems within their national boundaries as well as in oceans; and
- In their self-interest, nations have pursued economic development that is in fundamental conflict with other species.

It has been estimated that about one million species could potentially be lost during the first decade of the new millennium. The Earth Summit of June 1992 highlighted this issue and created a global consensus for biodiversity protection and conservation.

The above-listed four reasons are, however, equally relevant in the issue of human diversity because if its protection is neglected, consequences similar to those witnessed in the case of ecosystem destruction and biodiversity neglect may arise. Both human and biodiversity are intertwined; and if one is threatened the other is endangered. As natural resources and biodiversity are essential for human survival, so are the cultures of human diversity; or to put it another way, survival of humanity depends upon the sustenance of its cultural diversity. The world pressure for the protection of biodiversity ought to acknowledge that human diversity is a fundamental feature of the biodiversity.

Recognition of Diversity

It is claimed that until the 1970s, Western political thought did not show appropriate understanding or respect for the cultural diversity of humanity, within its own governing system. Monoculturalism, as a concept, emerged in those Western nations that had a single dominant national culture into which it was expected that all their citizens would assimilate. Afterwards, these nations found that due to the arrival of a large number of immigrants, a total cultural assimilation was not possible, as these immigrant groups belonging to different and distinct cultural groups decided to remain distinct cultural groups rather than merge with the main stream.

Representative Bureaucracy

The advocates of diversity representation in government claim that the Weberian concepts of meritocracy and civil service neutrality have worked against the interest of minorities. Of course, opponents to diversity and pluralism in public sector agencies have decried such a move as parochialism, reverse discrimination, promotion of less experienced and qualified minority people, pluralism gone

mad, protection of incompetents which may result in the possible disintegration of the society. Other arguments against diversity in government have included: breeding double cultural consciousness resulting in loyalty to more than one country, emerging ethnic ghettos and continuing ethnic hostility among groups rather than assimilation to the mainstream.

It has been argued that to act in an effective and responsive manner in a complex and multicultural society, government services should represent the microcosm of the total population. There is no doubt that the belief in democratic pluralism demands that all sections of society should have unfettered access as well as representation in all government services. Such access and representation become more important in order to increase the responsiveness of citizens' needs and to generate a requisite attitude on the part of public servants to provide service to all.

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