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1 PREFACE In the curricular structure introduced by this University for students of Post Graduate degree programme, the opportunity to pursue Post Graduate course in Subjects introduced by this University is equally available to all learners. Instead of being guided by any presumption about ability level, it would perhaps stand to reason if receptivity of a learner is judged in the course of the learning process. That would be entirely in keeping with the objectives of open education which does not believe in artificial differentiation. Keeping this in view, study materials of the Post Graduate level in different subjects are being prepared on the basis of a well laid-out syllabus. The course structure combines the best elements in the approved syllabi of Central and State Universities in respective subjects. It has been so designed as to be upgradable with the addition of new information as well as results of fresh thinking and analyses. The accepted methodology of distance education has been followed in the preparation of these study materials. Co-operation in every form of experienced scholars is indispensable for a work of this kind. We, therefore, owe an enormous debt of gratitude to everyone whose tireless efforts went into the writing, editing and devising of a proper lay-out of the materials. Practically speaking, their role amounts to an involvement in invisible teaching. For, whoever makes use of these study materials would virtually derive the benefit of learning under their collective care without each being seen by the other. The more a learner would seriously pursue these study materials the easier it will be for him or her to reach out to larger horizons of a subject. Care has also been taken to make the language lucid and presentation attractive so that they may be rated as quality self-learning materials. If anything remains still obscure or difficult to follow, arrangements are there to come to terms with them through the counselling sessions regularly available at the network of study centres set up by the University. Needless to add, a great part of these efforts is still experimental—in fact, pioneering in certain areas. Naturally, there is every possibility of some lapse or deficiency here and there. However, these do admit of rectification and further improvement in due course. On the whole, therefore, these study materials are expected to evoke wider appreciation the more they receive serious attention of all concerned. Professor (Dr.) Subha Sankar Sarkar Vice-Chancellor

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7 Module-I ? Unit 1 ? Financial Administration Structure 1.0 Introduction 1.1 Conceptual Framework 1.2 Distinction Between Public and Private Financial Administration an Understanding of the Reality 1.2.1 Historical Context 1.2.2 Transition From The Liberal State To The Entrepreneurial State 1.2.3 Distinction Between Public & Private Administration 1.2.3.1 Distinction Between Public & Private Financial Administration In Terms of Approach 1.2.4 Blurring of the Distinction 1.0 ? Introduction Financial administration took its evolving shape first during the great Mughal Akbar's regime. All economic matters fell under the jurisdiction of the wazir, assisted Principally by three ministers to look separately after the crown lands, the salary drafts and jagirs, and the records of fiscal transactions. At almost all levels, the revenue and financial administration was run by a cadre of technically proficient officials and clerks drawn mainly from Hindu service castes—Kayasthas and Khatri. More significantly, in local and land revenue administration, Akbar secured support from the dominant rural groups. With the exception of the villages held directly by the peasants, where the community paid the revenue, his officials dealt with the leaders of the communities and the superior landrights holders (zamindars). The zamindar, as one of the most important intermediaries, collected the revenue from the peasants and paid it to the treasury, keeping a portion to himself against his services and zamindari claim over the land. Financial Administration has the primary responsibility for the fiscal integrity of any organization. It is expected to provide a financial environment that is secure, encourages the accomplishment of missions, provides timely and accurate information, and assists all levels of management in making prudent financial decisions.

8 In order to meet these responsibilities, Financial Administration has organized itself around the following five service categories: ? System wide Accounting and Budget Control ? Shared Financial System Operations Management ? Financial and Administrative Policy Development ? Financial Analysis and Reporting ? System Administration Accounting and Budget Control The general objectives and constraints under which these policies will be implemented are: 1. Financial control must be sufficient to maintain the integrity of the System's legal, budget, and reporting requirements. 2. Accounting operations should be decentralized to the greatest degree possible while maintaining an economical and effective accounting system. 3. Central Administration will be the single interface with the State Department of Administration for accounting purposes. 1.1 ? Conceptual Framework I. Budgets and Allotments The budget and the allotment establish the authority to receive and expend a given amount of resources. The budget represents an accepted plan to accomplish a set of goals with specified revenues and expenditures. The allotment process is the statutory action granting authority to the Board of Regents for the specific expenditures. Budget control will be exercised by Central/state Administration at the respective budgetary levels. Any of the following required adjustments to the printed annual operating budget must be reported to the respective authority. 1. Shifts between function and sub-function categories 2. Shifts between major object lines 3. Shifts between appropriations 4. Shifts between units 5. Shifts out of or into any unit level unassigned account 6. Increases or decreases in budget totals.

9 II. Revenues Information concerning actual and unrealized income should be maintained and reported monthly for all funds by budgeted revenue categories as defined by the budget. Comparisons of current and periodic revenue projections with budget estimates of revenue are necessary for possible revision of expenditure budgets. Each department/unit will be responsible for collecting, depositing and properly distributing all revenues/collections. Receipts will normally be deposited in local banks on a daily basis. In order to maximize interest earnings, revenue should be transmitted as soon as possible to the Treasury. The appropriate Central Administration personnel should have signature authority on all local banks for transferring funds to the Treasury. Distribution of the revenue to the proper classification should be made as soon as possible. Each department/unit should maintain records for each budget revenue classification and send them to relevant authority in Administration. III. Expenditures To facilitate budget and allotment control of expenditures, an encumbrance accounting system will be utilized. Encumbrances will cover personnel costs as well as supplies and capital. Financial Reporting for auxiliary enterprises shall be on an accrual accounting basis. Disbursement of funds will be made after appropriate authorization and pre-audit, including verification that the specified funds are available at the various levels of control. All departments/units will utilize a single system-wide accounting code structure. Each department/unit will be responsible for accumulation of its accounting data in accordance with the coding structure, and may accomplish it with its own facilities or through use of its respective central processing center. Pre-audit - Each department/unit is responsible for determining that every expenditure it makes or recommends is in accordance with the Statutes and the policies of the organization/country. Further, departmental/unit approval must provide assurance that funds are available. Thus, a pre-audit function must be carried out at initial level. In addition, Central Administration will perform pre-auditing on a sample basis to provide an additional independent verification that the proposed expenditure is proper.

10 Encumbrances - An encumbrance accounting system will be maintained for all funds. This may be accomplished at the departmental /unit level with its own facilities or at a central processing center. IV Reconciliation Each department/unit will be responsible for reconciling its revenues and expenditures with relevant Administration each month. Such reconciliation will be facilitated by the consistent handling by all units/ departments. V Reporting Each operating department /unit shall be responsible for providing required monthly, interim, and annual financial reports to the relevant central administration. Auxiliary operations will report on a full accrual basis in accordance with the uniform reporting system already in existence. All other operations will be reported on a modified accrual basis. Reports from units may be required on a monthly, quarterly, semesterly, annual, or as-needed basis. Reports will be in accordance with the uniform accounting code and will include the level of detail as required by Department of Administration and/or Central. Monthly revenue and expenditure reports for Central Administration purposes will contain, as a minimum, the data of Prior Year and of Current Year with date. In addition to the revenue and expenditure reporting, each department /unit will be responsible for developing a year-end balance sheet for its respective unit in accordance with the rules of financial administration and the audit guide as published by the respective Certified Public Authority.

1.2 ? Distinction between Public and Private Financial Administration and Understanding of the reality

1.2.1 Historical Context History witnesses the evolution of the Nation-State in two phases: ? transition from feudalism to the absolutist State—Serfs reproduced via their own lots replaced slaves. They enjoyed relative freedom - but were bound to the land. The system could be managed without large scale military. ? transition from the absolutist state to the liberal State, followed by the rise of towns outside feudal order, chartered by King, ruled by Councils of

11 Burghers. Towns paid taxes directly to the Kings. Serfs who fled the manors found work in the cities. King used towns as power base - often abrogating the Laws of Return. Absolutist state required structural reform to replace the decentralized decision making of feudalism. Evolution of modes of production from feudal to mercantile and then mercantile to capitalistic one necessitated the growth of a centralized state system with a uniform legal-structure. In course of time manufacture became more important. Guilds became non-aristocratic power structures. Growing urban population meant that agriculture had to be commercial. Trade began to open in the 14th century. King needed standing army. Taxation was needed to support standing army. Standing army could be used to suppress nobles. The Rise of Absolutism and the Nation-State System could be attributed to the following events. A. The Reformation and the Religious Wars 1517 Martin Luther in Wittenberg 1519-1531 Zwingli & Calvin 1533 Henry 8th - Divorce from Catherine of Aragon - Aunt of Chas V - of HRE B. France and the Holy Roman Empire - MAP 1520 Charles V declared HRE - Defender of the Church in Austria, Hungary and German states. 1546-1547 Schmalkadan War - Protestant German Princes- revolt against the HRE - HRE wins 1552 Second Schmalkadan Uprising-this time supported by Henry II of France - German Princes wins 1555 Peace of Augsburg 1. Princes of Germanv can choose their reliaion between Lutheranismi and Catholicism-but not Calvinism 2. Cujus Regio, ejus Religio - "the religion of the prince is the religion of the people" 3. Ecclesiastical Princes (defire) lose their lands if they convert to Lutheranismi. 4. Protestant princes retain land won- Calvinism entered German States- contrary to the terms of Augsburg

12 1608 Elector of Palantine proposed Evangelical Union - to unite protestant states of HRE vs Hapsburgs Maximilian of Bavaria organized the Catholic League in opposition to Evangelical Union C. The thirty years war-1618-1648. followed by the enactment of the TREATY OF WESTPHALIA (1648) The treaty marked the very first recognition of the secular state. The 17th and 18th century saw the emergence of the "great powers" Europe. 1 Growth of Bureaucracy 2 Growth of Official Diplomacy - establishment of missions 3 Mercantilism 4 Empire Building - Mercantile Imperialism During this period capitalism required that private investors must invest their money. Mercantilism was found anti-capitalist. Absolute state meant that investors had to get charter from monarchy. This idea had to be changed giving place to the ideals of liberalism: 1 Freedom of choice 2 Equality among at least some set of competitive elites 3 Laissez Faire economy - keep your hands off 4 Self regulating economy 5 Participation in policy making - DEMOCRACY 6 Primacy of property rights The democratic ethic arose from liberalism which led to the rise of secularist politics [absolutist states] arising out of the philosophies of enlightenment followed by reformation in Europe. The idea of William of Occam (13th century) that freedom to pursue a personal relationship with God (Reformation) was emphasized. The notion of Enlightenment that the freedom to pursue knowledge outside of the Church - i.e., knowledge of the world, not constituted by God found significance. The value of freedom to constitute the political world separately from the religious was highlighted. The attribute of liberalism, the freedom to pursue individual interests without subordination to the state found expression. History again witnessed the outbreak of liberal revolutions: 1776- First liberal revolution in USA . 1789- French Revolution : French people overthrow their aristocracy. 1793- England forms coalition with Spain, Prussia and the Netherlands against France.

13 1795- Paris revolt put down by commander of Paris Brigade, Napoleon. Napoleon rewarded with Command of French Army in Italy. ? The Liberal States were formed on different parts of Europe. ? Now the Bourgeoisie had enfranchisement, there were reforms in the conditions of the working class; role of the Nobles was reduced- & eliminated; ? Interests of the states shifted from the "Passions" of the rulers to the "Interests" of the economy and its elite. In early liberal democracies, it was accepted that "value-laden decisions are in the domain of politicians while public servants merely implement these decisions with no room to influence policy-choices." The rise of the liberal state specifically entailed a sharpening of the public-private distinction: on the one hand, the privatizing of religious and moral belief and practice and of economic activity formerly regulated by the state; on the other, a commitment to public law and public political discussion. Classical liberalism is often represented as a purely privatizing ideology, but liberals were committed to suppressing markets in votes, offices, and tax collection, not to mention human beings. Strengthening the public character of the state is continuity in liberal thought from its classical to contemporary phases. In course of time, with the changes in socio-economic scenario the concepts of police-state and laissez-faire economy suffered a setback. Challenges from different quarters evolved a newer concept of welfare state, where the state was expected to perform a more positive role through a variety of education, health and rural development programmes. In developing countries, the administration was desired to be more responsive to the popular demands. Western developed countries since late 1970s have sought to introduce a policy of state-minimalism reducing the scope of bureaucratic interference in the process of development. State investment has been lowered, leaving a scope for the private sector to contribute in the course of development. This process of thought is not at all oreign in the developing and under developed countries. The question of public choice is getting enormous importance in view of the fact that in this post-industrial phase, polity and economy is supposed to come closer to facilitate the process of growth.

14 Since 1980s, a view is emerging that similarities in public and private administration is greater than the differences. The private sector notion of doing simple things well according to the competitive advantage of the producer became the preferred strategy for improving the quality of public service is. Thus originates the basic notion of 'public choice', which is actually an attempt to apply the rules of economics in the study of politics and of public administration. The public choice theory challenges the traditionally established social utility services of a democratic-government. Public choice theorists argue that career bureaucracy neither can be responsive to societal welfare, nor can respond to market needs. Bureaucratic excesses and bureaucratic inefficiency now have been found to be intolerable and therefore debureaucratization and decentralization of the decision-making process are thought to be more convenient to deal with the variety and uncertainty. From 1990s, instead of traditional public administration, new public management, better known as entrepreneurial government has come to dominate the field, aiming at efficiency, economy and effectiveness. The traditional bureaucratic hierarchy and centralization of authority have now been subject to severe criticism, in the context of liberalization and globalization.

1.2.2 Transition From The Liberal State To The Entrepreneurial State

Administrative reform movements in American government are often characterized by the idea that government can or should be run like a business. This has resulted in repeated efforts to apply private sector business management practices to public administration. These reforms appear to assume that private and public organizations are similar and that management is generic. The practices of personnel administration and financial management are gaining popularity in public administration. Simultaneously private sector organizations are performing public sector work. For most of this century, the idea that private sector management practices can be applied to government has been reflected in administrative reform efforts. Some reforms have been explicit attempts to "run the government like a business." Others have incorporated perceived businesslike practices into broader government reforms. Questions remain, however, about whether importing private sector practices into government can improve government performance. More fundamental uncertainties continue to exist

15 over the assumptions that underlie these management transplants. The questions are particularly relevant today as private sector-style management models dominate current government administrative reform efforts and market-based reforms introduce alternative ways to deliver government services. Two areas of government management have consistently been identified as candidates for more businesslike management - personnel management and financial management. The rules-based, highly constrained, government- personnel-management, system is often cited as a target for businesslike reform to make it more flexible, empower its employees, and provide managers with greater authority to hire and fire. Motivating employees through pay for performance programs, perceived as commonplace and effective in the private sector, have been repeatedly promoted and attempted in the public sector. Public financial management is seen as too focused on budgets and appropriations, lacking private sector-type requirements for reliable financial reporting and record keeping. In addition to these internal government management reforms, the emergence of a strong privatization movement has introduced what may be the ultimate private sector-based reform: private organizations performing governmental functions.

1.2.3 Distinction Between Public & Private Administration

Noted management expert Drucker 1 examines three commonly held reasons why public service organization under-perform: managers are not "businesslike," the quality of their employees is low, and their objectives and results are too intangible. Six prescriptions are offered to improve performance: better definition of the organization's business, clear objectives and goals, priority setting, measure of performance, systemized feedback from the results, and an organized audit of objectives and results. A typology of organizations includes four categories: private for-profit, private non-profit, private quasi-public, and public. Differences are defined by the sources of their support. These externalities create different values incentives, and constraints on management. Analysis of sectoral effects on management functions gives evidence that management is not generic. There 1. Drucker, Peter (1973). "Managing in the Public Service Institution." *The Public Interest* 33 (Fall): 43-60.

16 appear to be differences in how management operates between public and private for-profit organizations. The other two categories show intermediate differences. Public administration could be the key to improve the quality of public organizations. Broader concepts of public administration go beyond government. The management values of public administration include not only efficiency and economy, but also citizenship, fairness, equity, justice, ethics, responsiveness and patriotism. Gulick's classic paper describes the common elements of generic management. These became known as PODSCORB—planning, organizing, directing, staffing, coordinating, reporting and budgeting. They were long considered essential elements of management in all types of public and private organizations 2 . Economic approach to organizational theory emphasizes such elements as the contractual nature of organizations, markets vs. hierarchies, transaction costs, rationality of individual actions, and analysis based on economic methods. When applied to public bureaucracies, economic theory can address questions of public organizations vs. alternative arrangements, managerial control within the bureaucracy, and political control of bureaucratic agents. Implicit is a comparison of public and private sector organizational environments. Taylor's testimony lays out the four principles of scientific management. The principles are based on developing information about the work to be performed, selecting and developing workers, organizing the work and the workers, and dividing the work between workers and management. The idea is to replace rules of thumb with scientific information and organized work, which later were applied in public administration 3 . James Q. Wilson points out that the distinction lies in the fact that government is seen as driven by the constraints on the organization, not by its tasks. Government managers have limited incentives to use to motivate workers and they have less control over the inputs and mix of organizational resources than do private managers. Public managers must be concerned 2. Gulick, Luther (1937). "Notes on the Theory of Organization," in Jay M. Shafritz and Albert C. Hyde, (eds.) (1992). *Classics of Public Administration*, 3rd Edition. Pacific Grove: Brooks/Cole. 3. Taylor, Frederick (1929) "Scientific Management," in Jay M. Shafritz and Albert C. Hyde (eds.) (1992). *Classics of Public Administration*, 3rd Edition Pacific Grove: Brooks/Cole.

17 with issues of accountability and equity. There are few incentives or opportunities to achieve economic efficiency. A dimensional view of the public-private dichotomy is proposed in Wilson's classic study of administration. He argues the similarity of public and private sector administration and he proposes the politics-administration dichotomy on which much of subsequent administrative study and reform has been based. All organizations are public. Their degree of "publicness" is determined by the degree to which organizations are affected by political authority or dependent upon public resources. The question of publicness is seen as having consequences for attempts to transfer management technologies and for understanding employee motivation. Barry Bozeman and Bretschneider Stuart offer the concept of "publicness" as the extent to which an organization is influenced by political authority. From this concept, a continuum can be created to replace the dichotomous choice between public and private organizations. This dimensional approach offers additional explanatory power to explorations of the differences between public and private organizations 4 . Barry Bozeman and S. Loveless consider the expected differences between public and private sector organizations. Using questionnaires from an international sample of research organizations, the results indicate the enduring importance of sector status and find strong independent effects from the environment of public and private organizations, One sector is not found to be consistently more productive than the other, however 5 . Stuart Bretschneider 6 presents another functional comparison of public and private organizations. Sectoral differences are found in MIS operations, largely based on the more constrained environments of public organizations. 4. Bozeman, Barry, and Stuart Bretschneider (1994). "The 'Publicness Puzzle' in Organizational Theory: A Test of Alternative Explanations of Differences Between Public and Private Organizations." *Journal of Public Administration Research and Theory* 4 (2): 197-223. 5. Bozeman, Barry and Loveless, S (1987), "Sector Context and Performance. A Comparison of Industrial and government Research Units," *Administration and Society* 19 (August) : 197 - 335. 6. Bretschneider, Stuart (1990). "Managing Information Systems in Public and Private Organizations An Empirical Test." *Public Administration Review* 50 (September-October): 536-545.

18 Public organizations are characterized by greater accountability, interdependence, and red tape. ("Red tape" is addressed in many of the works cited in this collection. Generally it is understood to be an organizational attribute characterized by "excessive, duplicative or unnecessary procedures" While usually considered a negative organizational trait, it can be considered with a neutral connotation or even, in some instances as a positive attribute of some types of organizations). David Coursey ; and Barry Bozeman apply Bozeman's concept of "publicness" to an analysis of decision-making across a dimensional distribution of public and private organizations. Drawing on a survey of top executives, differences are, found in participation in strategic decision-making and in the types of problems that public and private organizations address 7 . Zhiyong Lan and Hal G. Rainey 8 test hypotheses about the differences between public and private organizations, using a three-part typology that includes hybrid organizations. As expected, the survey responses of public managers indicate perceived greater degrees of rules, procedures, and constraints in public organizations. Contrary to expectations, however, public managers perceive greater clarity of goals and greater effectiveness in achieving those goals. Rainey, Hal G., Robert Backoff and Charles H. Levine 9 examine the proposition that public and private organizations are converging and that management is a generic process. A summary of the literature identifies consensus around environmental factors, organization-environment transactions, and internal structures and processes. Indications of important differences between public and private organizations are found. Focusing on the experiences of business leaders who assume senior positions in the federal government, B. H. Ross concludes that the sectors are different, not just in matters of efficiency and rationality, but in the entire organizational milieu. Issues of public scrutiny, non-economic rationality, 7. Coyrsey, David and Barry Bozeman (1990). "Decision-Making in Public and Private, Organizations: Test of Alternative Concepts of 'Publicness'." *Public Administration Review* 50 (September-October): 525-535. 8. Lan, Zhiyong and Hal G. Rainey (1992). "Goals, Rules, and Effectiveness in Public, Private, and Hybrid Organizations: More Evidence on Frequent Assertions About Differences." *Journal of Public Administration Research and Theory* 2 (January): 5-28. 9. Rainey, Hal G., Robert Backoff and Charles H. Levine (1976). "Comparing Public and Private Organizations," *Public Administration Review* 36 (March-April): 233-244.

19 complex hierarchies, and external interference dictate that the rules are different. The requirements for managerial success are different between the public and private sectors 10 . Using a national sample of public, private and hybrid research laboratories, if one tests three conceptual frameworks for comparing public and private organizations, the results will show strong support for the core approach and the dimensional approach to the public/private question. The generic approach, which suggests little or no difference in the managerial attributes of public and private organizations, may not be supported by the findings. The terms public and private are fundamental to the language of our law, politics, and social life, but they are the source of continual confusion. Many things seem to be public and private at the same time in varying degrees or in different ways: quasi-public or semi-private. In fact, private is contrasted with public to characterize that, which lies beyond the state's boundaries, such as the market or the family. These different contrasts between public and private lead to some apparent conflicts in defining what lies on each side of the boundary. One such conflict concerns the location of the market. To an economist, the marketplace is quintessentially private. But to a sociologist or anthropologist concerned with culture, the marketplace is quintessentially public—a sphere open to utter strangers who nonetheless are able to understand the same rules and gestures in what may be a highly ritualized process of exchange. While economists use the public-private distinction to signify the contrast between state and market, analysts of culture—particularly those concerned with the roles and relations of men and women—take the public sphere to include the market as well as politics and contrast them both with the private domain of the family. In this sense, the public-private distinction is sometimes taken to mark out the contested boundaries of the male and female—a usage that takes us back to the notion of the private as being more closed, more shielded from contact and view than the open encounters of public life. From these varying uses of the categories come several contrasting conceptions of the public sphere. The public sphere may be conceived of as the open and visible—the sphere of public life, public theater, the public 10. Ross, Bernard H. (1988). "Public and Private Sectors: The Underlying Differences." *Management Review* 77 (May): 28-33. . - ,

20 marketplace, public sociability. The public sphere also may be conceived of as that which applies to the whole people or, as we say, the general public or the public at large, in which case the public may consist of an aggregate or a mass who have no direct contact or social relation—the very opposite of a sphere of sociability. Alternatively, the public sphere may be conceived specifically as the domain circumscribed by the state, although exactly where to draw the state’s boundaries may be difficult indeed.

1.2.3.1 Distinction Between Public & Private Financial Administration In Terms of Approach

Private ownership and competitive markets are normally thought to go hand in hand, but the two issues of ownership and market structure are often separate. For the economist devoted to both, the question then arises as to which object of affection is more beloved: private ownership or competition. Here a difference of opinion appears among economists that corresponds to a preference for either privatization or liberalization. Those who believe that efficient performance depends on private ownership per se favor privatization, even in cases generally regarded as natural monopolies. Conversely, those who see competition as the critical spur to efficiency are more skeptical about the benefits of privatizing monopolies and often put more emphasis on other policies, such as deregulation. In the case of a government telecommunications monopoly, for example, those who stress ownership may be willing to privatize the monopoly intact, whereas those who stress competition may prefer to break it up before sale or even to keep it in public ownership while allowing private firms to compete with it on equal terms.

? Property Rights School

Like other branches of microeconomics, the property rights school conceives of human action as purely individualistic. The more individuals stand to gain from tending to their property, the better will it be tended. Conversely, the more attenuated and diluted their property rights, the less motivated individuals will be to use property under their control efficiently. Private ownership concentrates rights and rewards; public ownership dilutes them. The property rights school does not recognize any fundamental change in the working of private enterprise as a result of the separation of ownership and management in the modern corporation. To be sure, shareholders in 21 large corporations cannot monitor management as closely as the owner of the classical firm could oversee his enterprise. However, in this view, the market generates the needed spur to prevent corporate management from dissipating value through excessive salaries or slack attention. If returns from the enterprise are low, shareholders will sell their stock and the price will be depressed. In the extreme case, the firm may be acquired by outsiders and the managers may lose their jobs. These crucial deterrents to inefficient management are missing from the public sector. Since “shareholders” (citizens) have no transferable property rights in public enterprise, they cannot sell stock as a signal of dissatisfaction with performance; even moving to another jurisdiction is costly. Moreover, there is no “market for corporate control”: public enterprises cannot be taken over by bidders who believe that they can make more efficient use of the assets. Hence, according to the theory, there is no check on the dissipation of value by the management of public enterprises. First, the theory holds that the form of ownership is the predominant explanation for the varying performance of different organizations. The theory gives no importance to organizational characteristics such as size, centralization, hierarchy, or leadership, nor does it recognize any variation in performance. The theory does not even recognize the effects of economic incentives unrelated to property rights, such as those originating in various types of contracts. The theory does not point to any contingencies in generalizing about public-private differences; it does not identify any particular conditions or characteristics that might cause public institutions to perform well. The disease the theory diagnoses in the public sector is, so to speak, genetic and incurable. Second, the theory takes the market as the standard for judging value and finds public institutions deficient because they fail to measure up to that standard, e.g., their “shareholders” cannot sell stock. Survival in the market, of course, depends on the capacity of organizations to produce a residual reward for the owners—a profit. This is not the standard that public institutions generally need to meet. Third, the property rights theory assumes that the market for corporate control is highly efficient and that the chief reason corporations are acquired is their management’s poor performance. The theory gives no weight at all to the monitoring capacities of the state, the public at large, and the various

22 institutions of a liberal democracy, such as the press, that routinely scrutinize the performance of public institutions. ??Public Choice Theory "Public choice" though it only recognizes essentially private choice, is both a branch of microeconomics and an ideologically haded view of democratic politics. Analysts of the school apply the logic of microeconomics to politics. Budget maximization results in higher government spending overall, inefficient allocation among government agencies, and inefficient production within them. In addition, when government agencies give out grants, the potential grantees expend resources in lobbying up to the value of the grants. Public choice school makes a series of empirical claims: (1) that democratic polities have inherent tendencies toward government growth and excessive budgets; (2) that expenditure growth is due to self-interested coalitions of voters, politicians, and bureaucrats; and (3) that public enterprises necessarily perform less efficiently than private enterprises. ??Privatization as Community Empowerment The view of privatization as community empowerment stands in sharp contrast to the conception of privatization as an extension of property rights. Peter Berger and Richard Neuhaus emphatically reject a narrowly individualistic view of human motivation. Indeed, they criticize liberalism precisely for defending individual rights over the rights of social groups to assert their own values. Their concern is not to expand the domain of the profit motive but rather to strengthen local, small-scale forms of social provision. This is privatization with a human face, and it bears some resemblance to left-wing interest in community organizations and cooperatives. 1.2.4 Blurring of the Distinction Observers have concluded that many in the field now reject the traditional bureaucratic paradigm. Moreover economics seems much more

23 directly relevant to the concerns of public administration than in the recent past There are few related reasons for these changes, like changes in the environment of public administration, and advances in economic science etc. Changes in the Environment of Public Administration Public administration in the United States has been influenced by the "new public management". The new public management emphasizes "performance appraisal and efficiency; the disaggregation of public bureaucracies into agencies which deal with each other on a user-pay basis; the use of quasi-markets and contracting out to foster impetition; cost-cutting; and a style of management which emphasizes amongst other things, output targets, limited term contracts, monetary targets and incentives, and freedom to manage". The new public management is a universal movement. Arguably, it represents a paradigm shift in public administration. Herman Schwartz, for example, claims that government is undergoing "a profound shift toward a new kind of regime not simply a shift towards less state, but also a shift to a differenttkind of state." He attributes this shift to international market pressures. He stresses that many of the governments that have embraced the new public management are or were dominated by social democrats 11 . The driving force behind the new public management is technological change. Reductions in information costs brought about by computers and computer networks and our increased capacity to use them have caused four major shifts in the comparative advantage of governance mechanisms and institutional arrangements. 1. The efficacy of the market has increased relative to government provision and control; 2. The efficacy of the market and other self-organizing systems has increased relative to hierarchically coordinated systems; 3. The efficacy of decentralized allocation of resources and after-the-fact control has increased relative to centralized allocation and before-the- fact control; and 4. The efficacy of process-oriented structures has increased relative to functional structures. 11. Schwartz, H. "Small States in Big Trouble," World Politics. 46/4 [July 1994], 527-555.

24 The computer is rapidly eroding economies of scale in administration, production, and marketing and, thereby, the comparative advantage of hierarchy and bureaucracy. Today, any organization that can afford a computer workstation and software can have first-class administrative systems, ranging from purchasing and inventory control to human resources management to financial planning and capital budgeting to marketing and logistics. Twenty years ago these systems were available only to giant organizations. Moreover, computerized production [which consists of machine tools or other equipment for fabrication, assembly or treatment, linked by a materials handling system to move parts from one work station to another, and operating as an integrated system under full programmable control] now permits organizations to produce customized services at mass-production prices. In computerized production facilities, overheads are more important than production volume. In these facilities, direct manufacturing labor often accounts for less than 5 percent of costs; materials and purchased components typically account for thirty to forty percent more. This leaves (at least fifty- five) percent for overheads. Most overheads are transaction or information costs. They involve activities like purchasing, materials handling, marketing, accounting, and asset utilization. They are driven by an organization's policies, its operating and administrative procedures, and its customer relationships— not output volume, rate, or even mix. ??Advances in Economics Not only the business-management literature, but two bodies of economic literature have also profoundly influenced the reception and implementation of new public management: public choice theory and the new economics of organization. Public choice theory has changed the way we think about government and how it works. Moreover, in explaining the rules that voters, elected officials, and bureaucrats are likely to follow given their incentives, public choice theory has given public administrators some useful new normative information.

25 Module-I ??Unit 2 ? Public Choice Theory Structure 2.0 Introduction 2.1 Origins and formation 2.2 Conceptual Framework 2.3 Some other Aspects of Public Choice Theory 2.4 Criticism 2.0 ? Introduction Weberian conceptualisation of bureaucracy has dominated the public administration stream since its very beginning. To Weber, bureaucracy is the rational-legal authority, and hence most efficient, whereas the traditional (hereditary tribal chief) and charismatic (spontaneous leadership) authorities are primarily irrational and extra-legal. Weber suggested some very significant attributes of bureaucracy: fixed and official jurisdiction, hierarchy, written - facles training, full-time and permanent assignment, rule bindedness, discipline, impartiality. He laid stress on efficiency, precision, certainty, impersonality and neutrality. Bureaucracy's strict adherence to the principles of hierarchy, specialisation and impartiality often is considered to be contrary to the democratic values of equality, participation. In early liberal democracies the bureaucracy was assigned only a limited role, restraining itself only to the role of implementing the policies, predetermined by the political executives. It was accepted that value-laden decisions are in the domain of politicians while public servants merely implement these decisions with no room to influence policy-choices. Since 1980s a view is emerging that similarities in public and private administration is greater than the differences. Richard Parry argued in this context that the preferred strategy for improving the quality of public service is the private sector notion of doing simple things well according to the competitive advantage of the producer. 12 Thus originates the basic notion of 12. Parry, Richard, Concepts and Assumptions of Pub lic Management in Colis Duncan (ed.), The Evolution of Public Management : Concepts and Techniques for the 1990s, London, 1992.

26 'public choice', which is actually an attempt to apply the rules of economics in the study of politics and of public administration. The public choice theory challenges the traditionally established social utility services of a democratic government. Public choice theorists argue that career bureaucracy neither can be responsive to social welfare, nor can respond to market needs. Bureaucratic excesses and bureaucratic inefficiency now have been found to be intolerable and therefore debureaucratisation and decentralisation of the decision-making process are thought to be more convenient to deal with the variety and uncertainty. It is the behaviour of public sector bureaucrats which is at the heart of public choice theory. While they are supposed to work in the public interest, putting into practice the policies of government as efficiently and effectively as possible, public choice theorists see bureaucrats as self-interested utility-maximizers, motivated by such factors as: "salary, prerequisites of the office, public reputation, power, patronage and the ease of managing the bureau" (Niskanen, W.A. Bureaucracy: Servant or Master? (London: Institute of Economic Affairs, 1973). At the heart of all public choice theories then is the notion that an official at any level, be they in the public or private sector acts at least partly in his own self-interest, and some officials are motivated solely by their own self-interest. Broader motivations such as pride in performance, loyalty to a programme, department or government, and a wish to best serve their fellow citizens may also affect a bureaucrat. For Niskanen, self-interest is the sole motivator. The chief proponents of this school are Duncan Black, Kenneth Arrow, M. Buchanan, Gordon Tullock, Vincent Ostrom. William Niskanen etc. Dennis Mueller defines public choice approach as 'simply the application of economics to political science'. Its focus is on efficiency and rationality. The public choice theorists like Niskanen have argued that bureaucrats are always very keen to maximise their own departmental budget and to expand their scope of activities. Niskanen in his book Bureaucracy and Representative Government, argues that to raise the quality of performance of bureaucracy, it is required to reduce the monopoly of bureaucracy in supplying public goods and services. Increasing competition both within the bureau and outside in the market and change in the system of incentive can make the government effective. The politicians are merely power hungry. So they are actually interested in fostering narrow individual desires, instead of distributing public benefits. Therefore, public enterprises

27 should now be asked to lower their investment and to leave it to the private sector. Public sectors only increase expenditure and fail to maintain the quality of the work and products. The government should no longer exist as the 'doer of public activities, but should be the distributor of benefits and facilitator of change. Questioning the very efficacy of bureaucracy, Ostrom suggests that 'when the central problem in public administration is viewed as the provision of public goods and services, alternative forms of organisation may be available for the performance of those functions apart from an extension and perfection of bureaucratic structures. Bureaucratic structures are necessary but not sufficient structures for a productive and responsive public service economy.' Public choice theory introduces competitive approach in the understanding of public administration. It advocates plurality in the institutional setup of providing public goods and services, the thing now being introduced in India, in the areas of air travel, telecom etc. The individual now has his choice as per his rationally designed self interest. The basic assumption of public choice is that an individual actor, whether he is the manager or the consumer, is a utility maximiser, who will act in accordance with his self interest in order to maximise his net benefits. So a rational man selects the best course of action from among the available alternatives and he tries to minimise the amount of risk and uncertainty on the basis of relevant information remaining within the limits of lawful conducts. Therefore, political action must be understood as the outcome of the actions of motivated atomistic individualism. For that the initial constitutional requirement is to construct the political institutions that will best suit the cause of individual liberty. The public choice theorists regard the notions of organic views of social and political organisation or that of "general will" or "public interest" as mystical, even they are not ready to accept marxist idea of class domination. Their primary concern is the utility-maximising individual. Niskanen is of the view that 'a better government would be a smaller government'. Public choice theorists believe that each individual in search of maximising his net benefit, contribute to public good. For instance, defence, law and order fall in this category which individual would not like to disturb for the sake of his own interest. Sometimes, public goods become private goods when they benefit only

28 a section. For example, industries are necessary for economic prosperity, but they may create pollution. The government is desired to regulate the process of industrialisation in a way to maximise the utility and minimise the undesirable effects, and thus to respond to consumer's demand. One may think of the resemblance of the theory to the conceptual framework suggested by early individualists. But main difference may be in the fact that along with outright privatisation drive, the responsible government may strive for regulating the private sector in a way to realise the value of sustainable development, instead of adhering to the path of traditional development. Public choice theorists prefer decentralisation, democratisation and organisational competitiveness. It is not just people's easy access to governmental units, rather it creates opportunity for the individual to have a choice from among several political organisation, performing similar functions. Moreover, they hold that authority should be divided to limit arbitrary use of power by the government organs and to control their corruptibility. Ostrom observes in this connection that 'To stimulate healthy and democratic competition among government agencies, multi-organisational arrangements are better than monocentric administrative apparatus structured hierarchically'. Ostrom's individualistic, consumer-oriented organisational design was meant to maximise efficiency at least possible cost and resources. He mentions that 'Producer efficiency in the absence of consumer utility is without economic meaning.' So the need of the hour is to increase administrative effectiveness, as David Beetham viewec it and to ensure the quality of service at least possible cost To that extent Ostrom observes that administration cai never be indifferent to politics. A field that is closely related to public choice is "rent-seeking " This field combines the study of a market econoiomy with that of government. Thus, one might regard it as a "new political economy." Its basic thesis is that when both a market economy and government are present, government agents are a source of numerous special marke privileges. Both the government agents and self-interested market participants seek these privileges in order to partake in the monopoly rent that they provide. When such privileges are granted, they reduce the efficiency of the economic system. In addition, the rent-seekers use resources that could otherwise be used to produce goods that ar valued by consumers. Rent-seeking is broader than Public Choice in that it applies to autocracies as well as democracies and, therefore, is not directly concerned

29 with collective decision-making. However, the obvious pressures it exerts on legislators, executives, bureaucrats, and even judges are factors that Public Choicers must account for in their effort to understand and assess collective decision-making rules and institutions. Moreover, the members of a collective who are planning a government would be wise to take prospective rent- seeking into account. Public choice takes the same principles that economists use to analyze people's actions in the marketplace and applies them to people's actions in collective decision making. Economists who study behavior in the private marketplace assume that people are motivated mainly by self-interest. Although most people base some of their actions on their concern for others, the dominant motive in people's actions in the marketplace—whether they are employers, employees, or consumers—is a concern for themselves. Public choice economists make the same assumption—that although people acting in the political marketplace have some concern for others, their main motive, whether they are voters, politicians, lobbyists, or bureaucrats, is self-interest. In the past many economists have argued that the way to rein in "market failures" such as monopolies is to introduce government action. But public choice economists point out that there also is such a thing as "government failure." That is, there are reasons why government intervention does not achieve the desired effect. For exampl, the Justice Department has responsibility for reducing monopoly power in noncompetitive industries, But a 1973 study by William F. Long, Richard Schramm, and Robert Tollison concluded that actual anti-competitive behavior played only a minor role in decisions by the Justice Department to bring antimonopoly suits. Instead, they found, the larger the industry, the more likely were firms in it to be sued. Similarly, Congress has frequently passed laws that are supposed to protect people against environmental pollution. But Robert Crandall has shown that congressional representatives from northern industrial states used the 1977 Clean Air Act amendments to reduce competition by curbing economic growth in the Sunbelt. The amendments required tighter emissions standards in undeveloped areas than in the more developed and more polluted areas, which tend to be in the East and Midwest. 13 One of the chief underpinnings of public choice theory is the lack of 13. [http://en.win\kipedia.org/wiki/public choice theory.](http://en.win\kipedia.org/wiki/public%20choice%20theory)

30 incentives for voters to monitor government effectively. Anthony Downs, in one of the earliest public choice books, *An Economic Theory of Democracy* pointed out that the voter is largely ignorant of political issues and that this ignorance is rational. Even though the result of an election may be very important, an individual's vote rarely decides an election. Thus, the direct impact of casting a well-informed vote is almost nil; the voter has virtually no chance to determine the outcome of the election. So spending time following the issues is not personally worthwhile for the voter. Evidence for this claim is found in the fact that public opinion polls consistently find that less than half of all voting-age Americans can name their own congressional representative. Public choice economists point out that this incentive to be ignorant is rare in the private sector. Someone who buys a car typically wants to be well informed about the car he or she selects. That is because the car buyer's choice is decisive—he or she pays only for the one chosen. If the choice is wise, the buyer will benefit, if it is unwise, the buyer will suffer directly. Voting lacks that kind of direct result. Therefore, most voters are largely ignorant about the positions of the people for whom they vote. Except for a few highly publicized issues, they do not pay a lot of attention to what legislative bodies do, and even when they do pay attention, they have little incentive to gain the background knowledge and analytic skill needed to understand the issues. Public choice economists also examine the actions of legislators. Although legislators are expected to pursue the "public interest," they make decisions on how to use other people's resources, not their own. Furthermore, these resources must be provided by taxpayers and by those hurt by regulations whether they want to provide them or not. Politicians may intend to spend taxpayer money wisely. Efficient decisions, however, will neither save their own money nor give them any proportion of the wealth they save for citizens. There is no direct reward for fighting powerful interest groups in order to confer benefits on a public that is not even aware of the benefits or of who conferred them. Thus, the incentives for good management in the public interest are weak. In contrast, interest groups are organized by people with very strong gains to be made from governmental action. They provide politicians with campaign funds and campaign workers. In return they receive at least the "ear" of the politician and often gain support for their goals. In other words, because legislators have the power to tax and to extract

31 resources in other coercive ways, and because voters monitor their behavior poorly, legislators behave in ways that are costly to citizens. One technique analyzed by public choice is log rolling, or vote trading. An urban legislator votes to subsidize a rural water project in order to win another legislator's vote for a city housing subsidy. The two projects may be part of a single spending bill. Through such log rolling both legislators get what they want. And even though neither project uses resources efficiently, local voters know that their representative got something for them. They may not know that they are paying a pro-rata share of a bundle of inefficient projects! And the total expenditures may well be more than individual taxpayers would be willing to authorize if they were fully aware of what is going on. Although public choice economists have focused mostly on analyzing government failure, they also have suggested ways to correct problems. For example, they argue that if government action is required, it should take place at the local level whenever possible. Because there are many local governments, and because people "vote with their feet," there is competition among local governments, as well as some experimentation. To streamline bureaucracies, Gordon Tullock and William Niskanen have recommended allowing several bureaus to supply the same service on the grounds that the resulting competition will improve efficiency. Forest economist Randal O'Toole recommends that the Forest Service charge hikers and backpackers more than token fees to use the forests. This, he argues, will lead Forest Service personnel to pay more attention to recreation and reduce logging in areas that are attractive to nature lovers. And Rodney Fort and John Baden have suggested the creation of a "predatory bureau" whose mission is to reduce the budgets of other agencies, with its income depending on its success. 14 Public choice economists have also tried to develop rule changes that will reduce legislation that caters to special interests and leads to ever-expanding government expenditures. In the late eighties James C. Miller, a public choice scholar who headed the Office of Management and Budget during the Reagan Administration, helped pass the Gramm-Rudman law, which set a limit on annual spending and backed it with automatic cuts if the ceiling was not met. The law had at least a temporary effect in slowing spending. Support for term limits and for a line-item veto also reflects the 14. http://en.wikipedia.org/wiki/public_choice.

32 public choice view that additional legislative rules are needed to limit logrolling and the power of special interests. Public choice scholars, however, do not necessarily agree on the potential effectiveness of specific rules. 15 Because of its skepticism about the supposedly benign nature of government, public choice is sometimes viewed as a conservative or libertarian branch of economics, as opposed to more “liberal” (that is, interventionist) wings such as Keynesian economics. This is partly correct. The emergence of public choice economics reflects dissatisfaction with the implicit assumption, held by Keynesians, among others, that government effectively corrects market failures. But not all public choice economists are conservatives or libertarians. Mancur Olson 16 is an important counter example. Olson is known in public choice for his path-breaking book *The Logic of Collective Action*, in which he pointed out that large interest groups have trouble gaining and maintaining the support of those who benefit from their lobbying. That is because it is easy for individuals to “free-ride” on the efforts of others if they benefit automatically from those efforts. That is why, Olson explained, nineteenth-century farmers’ groups, which were organized to be political lobbying groups, also sold insurance and other services. These provided a direct incentive for the individual farmer to stay involved. (As the number of farmers has declined in recent decades, they have become more politically powerful, an observation that supports Olson’s contention.) More recently, Olson wrote *The Rise and Decline of Nations*, which concludes that Germany, and Japan thrived after World War II because the war destroyed the power of special interests to stifle entrepreneurship and economic exchange. But Olson still favors a strong government. Many public choice economists take no political or ideological position. Some build formal mathematical models of voting strategies and apply game theory to understand how political conflicts are resolved. Economists at the California Institute of Technology, for example, have pointed out that “agenda-setting”—that is, identifying the options that voters choose from, and even specifying the order of voting on the options—can influence political outcomes. This explains the role of initiatives and referenda as ways for 15. Idem. 16. Olson, Mancur, Jr. *The Logic of Collective Action*, Cambridge : Harvard University Press, 1965.

33 voters to set agendas, opening up options that legislatures otherwise would ignore or vote down. Some of these economists have developed a separate and quite mathematical discipline known as “social choice.” Social choice traces its roots to early work by Nobel Prize-winning economist Kenneth Arrow. Arrow’s 1951 book, *Social Choice and Individual Values*, attempted to figure out through logic whether people who have different goals can use voting to make collective decisions that please everyone. He concluded that they cannot, and thus his argument is called the “impossibility theorem.” 17 In addition to providing insight into how public decision making occurs today, public choice analyzes the rules that guide the collective decision-making process itself. These are the constitutional rules that are made before political activity gets underway. Consideration of these rules was the heart of *The Calculus of Consent*, by James Buchanan and Gordon Tullock, one of the classics of public choice. Buchanan and Tullock began with the view that a collective decision that is truly just—that is, a decision in the public interest—would be one that all voters would support unanimously. While unanimity is largely unworkable in practice, the book effectively challenged the widespread assumption that majority decisions are inherently fair. The approach reflected in *The Calculus of Consent* has led to a further subdiscipline of public choice, “constitutional economics,” which focuses exclusively on the rules that precede parliamentary or legislative decision making and limit the domain of government. Public choice theory, like the older normative theory of public finance from which it evolved, starts with the demand for and the supply of collectively provided goods and services. With two exceptions, the theory of demand for a collectively provided good is identical to the theory of consumer demand for a private good. In both instances, demand reflects individual willingness and ability to pay to consume a good or service. Total demand for the service is, therefore, assumed to be a decreasing function of the price of the good, an increasing function of the price of the good, an increasing function of consumer income, and the size of the market for the good. The two differences between the theory of demand for a collectively provided 17. Arrow, Kenneth J., *Social Choice and Individual Values*, 1951.

34 good and the theory of consumer demand for a private good are that the quantity of service provided within a jurisdiction is determined by a political process, usually assumed to be some form of majority rule, and is necessarily uniform throughout the jurisdiction. Hence, the quantity demanded of a collectively provided service will depend upon its price (P), the permanent income of the citizenry (Y), & population size (C) i.e. : $D_i = f [P_i, Y, C]$ $D_i =$ The tastes and elasticities of the median voter. $e =$ the price elasticity of demand for good i ; $a =$ the income elasticity of demand for good i ; and $b =$ a value from 0 to 1, representing the degree of publicness of good i .

Public Choice Theory is directed toward the study of politics based on economic principles. Public choice theory attempts to look at governments from the perspective of the bureaucrats and politicians who compose them, and makes the assumption that they act based on Budget-maximizing model in a self-interested way for the purpose of maximizing their own economic benefits (e.g. their personal wealth). The most important contribution of Public Choice Theory is that it recognizes that politicians are motivated by self interest the theory aims to apply economic analysis (usually decision theory and game theory) to the political decision-making process in order to reveal certain systematic trends towards inefficient government policies. There are also Austrian variants of public choice theory (suggested by Mises, - Hayek, Kirzner, and Boettke) in which it is assumed that bureaucrats and politicians are benevolent but have access to limited information. The assumption that such benevolent political agents possess limited information for making decisions often results in conclusions similar to those generated separately by mean of the rational self-interest assumptions. Positive public choice theory focuses on the question of what government policies are likely to be implemented in a given political setting, while normative public choice theory considers what policies would produce a desirable outcome if they were implemented. Prior to the emergence of public choice theory, many economists tended to consider the government as an agent outside the scope of economic theory, whose actions depend on different considerations than those driving economic agents. The many other economists who did place the state and its agents within such theory would include Vilfredo Pareto. One of the basic claims that results from public choice theory is that good government policies in a democracy are an underprovided public good, because of the rational ignorance of the voters. Each voter is faced with a tiny probability that his vote will change the result of the elections, while gathering the relevant information necessary for a well-informed vote requires substantial time and effort. Therefore, the rational decision for each voter is to be generally ignorant of politics and perhaps even abstain from voting. Rational choice theorists claim that this explains the gross ignorance of most citizens in modern democracies as well as low voter turnout. While good government tends to be a pure public good for the mass of voters, there may be many interest groups that have strong incentives for lobbying the government to implement specific inefficient policies that would benefit them at the expense of the general public. For example, lobbying by the sugar manufacturers might result in an inefficient subsidy for the production of sugar, either direct or by protectionist measures. The costs of such inefficient policy are dispersed over all citizens, and therefore unnoticeable to each individual. On the other hand, a small special-interest group with a strong incentive to perpetuate the policy by further lobbying shares the benefits. The vast majority of voters will be unaware of the effort due to rational ignorance. Therefore, theorists expect that numerous special interests will be able to successfully lobby for various inefficient policies. In public choice theory such scenarios of inefficient government policies are referred to as government failure — a term akin to market failure from earlier theoretical Welfare Economics. From such results it is sometimes asserted that public choice theory has an anti-government tilt. But there is ideological diversity among public choice theorists. Mancur Olson for example was an advocate of strong government and instead opposed political interest group lobbying. More generally, James Buchanan has suggested that public choice theory be interpreted as "politics without romance," a critical approach to a pervasive earlier notion of idealized politics set against market failure. As such it is more a correction of the earlier scientific record almost requiring a certain pragmatism in comparing alternative politicized institutional structures (Buchanan 2003). The realization that

36 politicians and government employees are driven by self interest is an extremely seri conclusion. 2.1 ?? Origins and Formation The modern literature in Public Choice began with Duncan Black, who in 1948 identified the underlying concepts of what would become median voter theory. He also wrote *The Theory of Committees and Elections* (1958). Gordon Tullock refers to him as the "father of public choice theory." 19 Public choice's application to government egulation was developed by George Stigler (1971) and Sam Peltzman (1976). William Niskanen is generally considered the founder of Public Choice literature on the bureaucracy. James Buchanan, (winner of the Nobel Prize on Economic Science, 1986, for work in Public Choice) and Gordon Tullock are credited with being the primary evelopers of Public Choice Theory. *The Calculus of Consent: Logical Foundations of Constitutional Democracy* (1962), co-authored by James M. Buchanan and Gordon Tullock, of George Mason University, is considered one of the landmark works that founded he discipline of public choice theory. The book is about the political organization of a free society. However, its method, conceptual apparatus, and analytics are derived, essentially, from the discipline that has as its subject the economic organization of such a society. The book focuses on positive-economic analysis as to the development oi constitutional democracy but in an ethical context of consent in the sense of compensation for making a policy change and unanimity as a point of departure for social choice. 20 Kenneth Arrow's *Social Choice and Individual Values* (1951) influenced formulation of the theory. Among other important works are Anthony Downs's *An Economic Theory of Democracy* (1957) and Mancur Olson's *The Logio of Collective Action* (1965). Development of Public Choice Theory accelerated with the formation of the Public Choice Society in the Unitec States in 1965. The journal *Public Choice* and society's annual meetings attracted economists and political scientists. The economists brought their choice-based, model-building skill. 19. Tullock, Gordon (1987), "public choice," *The New Palgrave: A Dictionary of Economics*, v. 3, pp. 1040-44. 20. Buchanan, James M. and Gordon Tullock. (1962), *The Calculus of Consent*. Ann Arbor: University of Michigan Press.

37 The political scientists brought their broad knowledge of different political systems and detailed knowledge of institutions and political interaction Scholars in related fields, such as philosophy, public administration, and sociology, also contributed. 2.2 ??Conceptual Framework Public Choice Theory is the use of modern economic tools to study problems of constitutional democracy traditionally the province of political science. In particular, it studies the behavior of voters, politicians, an government officials as (mostly) self-interested agents and their interactions in the social system either as such under alternative constitutional rules. These can be represented a number of ways, including standard constraine utility maximization, game theory, or decision theory. Public choice analysis has roots in positive analysis ("who is") but is used for normative purposes ("what ought to be") to identify a problem or suggest how a system could improved by changes in constitutional rules) A key formulation of public choice theory is in terms of ration choice, the agent-based proportioning of scarce means to given ends. An overlapping formulation with a different focus is positive political theory. Another related field is social choice theory. Most public choice elements under *Economic Models of Political Processes: Rent-Seeking, Elections, Legislatures, and Voting Behavior*. Prior to the emergence of public choice theory, many economists tended to consider the government as an age outside the scope of economic theory, whose actions depend on different considerations than those drivi economic agents. Public choice theory attempts to look at governments from the perspective of the bureaucrats a politicians who compose them, and makes the assumption that they act based on Budget-maximizing model in self- interested way for the purpose of maximizing their own economic benefits (e.g. their personal wealth). The theory aims to apply economic analysis (usually decision theory and game theory) to the political decision-make process in order to reveal certain systematic trends towards inefficient government policies. to assess the effects of creating different loci of power and decision- making within a government; to examine voting and the various means of selecting candidates and choosing winners in elections;

38 to assess various behavioral rules that might be established to influence the behavior of elected and appointed government officials; to evaluate alternative constitutional and legal rights that could be reserved for citizens, especially rights relating to citizen oversight and the avoidance of harm due to the coercive power of government agents. Another major sub-field is the study of bureaucracy. The usual model depicts the top bureaucrats as being chosen by the chief executive and legislature, depending on whether the democratic system is presidential or parliamentary. The typical image of a bureau chief is a person on a fixed salary who is concerned with pleasing those who appointed him. The latter have the power to hire and fire him more or less at will. The bulk of the bureaucrats, however, are civil servants whose jobs and pay are protected by a civil service system against major changes by their appointed bureau chiefs. This image is often compared with that of a business owner whose profit varies with the success of production and sales, who aims to 'maximize profit, and who can hire and fire employees at will. 2.3 ?? Some Other Aspects of Public Choice Theory Constitutional, Democratic Government Public Choice Theorists attempt to examine the system of government in which the people governed define their government by means of a constitution. Voting Much attention has been given in the Public Choice field to the problem of voting. The simple approaches currently used have been shown to be defective as they do not always achieve the desired results. Alternative voting methods are examined and evaluated. Unfortunately, it has been difficult to modify our voting methods to reflect this knowledge. Political Manipulations Public Choice scholars have looked at the ways politicians interact with each other, the voters, and their supporters to achieve their own goals. Vote- trading, "log-rolling", wealth transfers, etc. are a few of the methods they use to obtain their own selfish ends and, occasionally, the wants of the citizens.

39 Rent-Seeking Public Choice has much to say about the use of rent seeking, which is the act of obtaining special treatment by the government at the expense of the rest of us. Finally, Public Choice scholars examine the options involved with solving the many social dilemmas resulting from living in groups or collectives. We know that private enterprise is not a good solution to the problem of the distribution of public goods. Criticism The theory presents voters as narrowly self-interested. Voters, in other words, are capable of recognizing a collective interest apart from their own. Indeed, the whole point of "government by discussion" is to discover and express common interests not easily voiced or achieved in the private sphere. The public choice approach simply does not comprehend this preference- shaping function of political democracy. It also neglects the restraints built into the architecture of liberalism. While the theory holds that government is systematically biased toward dissipating value and increasing expenditure, it disregards the checks and balances among branches of government and within them. The rhetoric of the public choice school is a kind of hard-core realism. The theory dismisses as naive civic ideals such as public service; it denies the capacity of voters or politicians to act on the basis of a national interest wider than their own private aggrandizement. Rather like Marxism, public choice theory claims to face up to the self-interested basis of democratic politics and therefore treats all claims of higher purpose as smoke and deception. And also like Marxism, the theory presents itself as a scientific advance over earlier romantic and idealized views of the state. But rather than being an advance of science over intuition, the appeal of the public choice school is precisely to those who are intuitively certain that whatever government does, the private sector can do better. Together, the property rights and public choice schools show only that, if you start by assuming a purely individualistic model of human behavior and treat politics as if it were a pale imitation of the market, democracy will, indeed, make no sense 21 . 21. Jane S. Shaw's article on Public Choice Theory at the Concise Encyclopedia of Economics site.

40 Module 1????Unit-3 ? Implications of Financial Administration Structure 3.1 Subsidy 3.1.1 Types of subsidies 3.2 Downsizing 3.3 Safety 3.3.1 Types of safety 3.4 Reference 3.5. Exercises 3.1 ??Subsidy In standard supply and demand curve diagrams, a subsidy will shift either the demand curve up or the supply curve down. A subsidy that increases production will result in a lower price while a subsidy that increases demand will tend to result in an increase in price. Both cases result in a new Economic equilibrium. Therefore, it is essential to consider elasticity when estimating the total costs of a planned subsidy: it equals the subsidy per unit (difference between market price and subsidized price) times the new equilibrium quantity. One category of goods suffers less from this effect: Public goods are - once created - in ample supply and the total costs of subsidies remain constant regardless of the number of consumers; depending on the form of the subsidy, however, the number of producers demanding their share of benefits may still rise and drive costs up. The recipient of the subsidy may need to be distinguished from the beneficiary of the subsidy, and this analysis will depend on elasticity of supply and demand as well as other factors. For example, a subsidy for consumption of milk by consumers may appear to benefit consumers (or some subset of consumers, such as low-income households); but if supply of milk is constrained and results in higher demand and higher prices, the milk producer may benefit and the consumer may derive no net gain, as the higher prices for milk offset the subsidy. The net effect and identification of winners and losers is rarely straightforward, but subsidies generally result in a transfer of wealth from one group to another (or transfer between sub-groups). Subsidy may also be used to refer to government actions which limit competition or raise the prices at which producers could sell their products, for example, by means of tariff protection. Although economics generally holds that subsidies may distort the market and produce inefficiencies, there are a number of recognized cases where subsidies may be the most efficient solution. In many instances, economics may (somewhat counter-intuitively) suggest that direct subsidies are preferable to other forms of support, such as hidden subsidies or trade barriers; although subsidies may be inefficient, they are often less inefficient than other policy tools used to benefit certain groups. Direct subsidies may also be more transparent, which may allow the political process more opportunity to eliminate wasteful hidden subsidies. This problem - that hidden subsidies are more inefficient, but often favored precisely because they are non-transparent - is central to the political-economy of subsidies. Examples of industries or sectors where subsidies are often found include utilities, gasoline in the United States, welfare, farm subsidies, and (in some countries) certain aspects of student loans. 3.1.1 Types of subsidies There are many different ways to classify subsidies, such as, the reason behind them, the recipients of the subsidy, the source of the funds (government, consumer, general tax revenues, etc). In economics, one of the primary ways to classify subsidies is the means of distributing the subsidy. In economics, the term subsidy may or may not have a negative connotation: that is, the use of the term may not be prescriptive but descriptive. In economics, a subsidy may nonetheless be characterized as inefficient relative to no subsidies; inefficient relative to other means of producing the same results; "second-best", implying an inefficient but feasible solution (contrasted with an efficient but not feasible ideal), among other possible terminology. In other cases, a subsidy may be an efficient means of correcting a market failure. For example, economic analysis may suggest that direct subsidies (cash benefits) would be more efficient than indirect subsidies (such as trade barriers); this does not necessarily imply that direct subsidies are good, but that they may be more efficient or effective than other mechanisms to achieve the same (or better) results. Insofar as they are inefficient, however, subsidies would generally be

42 considered by economists to be bad, as economics is the study of efficient use of limited resources. Ultimately, however, the choice to enact a subsidy is a political choice. Note that subsidies are linked to the concept of economic transfers from one group to another. Economics has also explicitly identified a number of areas where subsidies are entirely justified by economics, particularly in the area of provision of public goods.

Direct subsidies Direct subsidies are the most simple, and arguably the least frequently used. They involve a direct cash transfer to the recipient, for example an unemployed person through Employment Exchange like organizations or through district administration or an agricultural cooperative.

Indirect Subsidies Indirect subsidy is a term sufficiently broad that it may cover most other forms of subsidy. The term would cover any form of subsidy that does not involve a direct transfer.

Labour/Gender subsidies A labor subsidy is any form of subsidy where the recipients receive subsidies to pay for labour costs. Examples may include labour subsidies and tax deductions for workers in industries, such as the film and television industries. Women are given Income Tax benefit in the form of special subsidy in the standard deduction.

Tax Subsidy Tax subsidy is any form of subsidy where the recipients receive the benefit through the tax system, usually, through the income tax, profit tax, or consumption tax systems. Examples may include tax deductions for workers in certain industries, accelerated depreciation for certain industries or types of equipment, or exemption from consumption tax (sales tax or value added tax).

Production subsidies In certain cases (to encourage the development of a particular industry, for example), governments may provide production subsidies - cash payments for production of a given good or service. Frequently, production "subsidies are less easily identifiable, such as minimum price policies. Indirect production subsidies may be less easy to identify, such as infrastructure subsidies.

Infrastructure subsidies Infrastructure subsidies may be used to refer to a form of indirect production subsidy, whereby the provision of infrastructure (at public expense) may effectively be useful for only a limited group of potential users, such as construction of roads at government expense for a single logging company. The implication is that those users benefit disproportionately from the provision of that infrastructure, at the expense of taxpayers. In some cases, the "subsidy" may refer to favoring one type of production or consumption over another, effectively reducing the competitiveness or retarding the development of potential substitutes. For example, it has been argued that the use of petroleum, and particularly gasoline, has been "subsidized" or favored by U.S. defense policy, reducing the use of alternative energy sources and delaying their commercial development.

Trade protection (Import) Measures used to limit imports from other countries may constitute another form of hidden subsidy (policy adopted for importing Hilsa fish from Bangladesh). The economic argument is that consumers of a given product are forced to pay higher prices for a given good than they would pay without the trade barrier; the protected industry has effectively received a subsidy. Such measures include import quotas, import tariffs, import bans, and others.

Export subsidies (Trade Promotion) Various tax or other measures may be used to promote exports that constitute subsidies to the industries favored. In other cases, tax measures may be used to ensure that exports are treated "fairly" under the tax system. The determination of what constitutes a subsidy (or the size of that subsidy) may be complex. In many cases, export subsidies are justified as a means of

44 compensating for the subsidies or protections provided by a foreign state to its own producers.

?????????Procurement subsidies Governments everywhere are relatively large consumers of various goods and services. Subsidies may occur in this process by choice of the products consumed, the producer, the nature of the product itself, and by other means, including payment of higher-than-market prices for goods purchased. ?????????Consumption subsidies Governments everywhere provide consumption subsidies in a number of ways: by actually giving away a good or service, providing use of government assets, property, or services at lower than the cost of provision, or by providing economic incentives (cash subsidies) to purchase or use such goods. In India, especially in West Bengal, consumption of education, health care, and infrastructure (such as roads) are heavily subsidized, and many cases provided free of charge, at least few years back. The provision of true public goods through consumption subsidies is an example of a type of subsidy that economics may recognize as efficient. In other cases, such subsidies may be reasonable second-best solutions; for example, while it may be theoretically efficient to charge for all use of public roads, in practice, the cost of implementing a system to charge for such use may be unworkable or unjustified. In other cases, consumption subsidies may be targeted at a specific group of users, such as large utilities, residential home-owners, and others. 3.2

??Downsizing Downsizing is a word we've heard quite frequently in the past several years. It has taken on a meaning of its own, and it is a word that strikes fear and anxiety in the minds of many American employees. That's true not only in industry but also in government, utilities, public schools, universities and even in the military. Like most other business phenomena, downsizing has both positive and negative attributes. When an /organization gets "bloated", over-staffed, and non-competitive, or if the market place changes dramatically, a reduction

45 in staff may be necessary for the health and often the very survival of that organization. Obviously, such downsizing is painful to those who are the casualties. There are many other pressures that can lead to downsizing. One of the most pervasive and fundamental pressures is new technology. Computerization and advances in automation cause the elimination or reduction of certain types of jobs. Another has been the switch to a global economy. Think back twenty or thirty years and remember the state of communications, transportation, computers, entertainment, home electronics, medicine, education, government regulation, foreign competition, and the fabric of our society. The changes are dramatic, and they exert part of the downsizing pressure. Such downsizing pressures as these are virtually inevitable, and they are for the most part healthy. They are a natural result of change. Industrial societies have had to adapt to such change for the past 150 years, but the rate of change today is staggering. Responding to such change is a real challenge for all of us. There are other pressures as well. Downsizing raises the promise of profit growth, although sometimes this proves to be short term or illusory. The stock market exerts its own pressure. Companies that have announced plans to downsize have often seen their stock prices rise on the market. Executives who have a strong stake in a stock price rise, and most do, are given another reason to look toward downsizing in a positive light. For the same reason, stockholders often pressure management to downsize. The effect of downsizing on employees, and often on whole towns or cities, can be devastating. The effects of those "downsized" out the door are fairly obvious- loss of income and self-esteem, the need to seek new employment, and an uncertain future. 3.3 ??Safety Safety is the state of being "safe", the condition of being protected against physical, social, spiritual, financial, political, emotional, occupational, psychological, educational or other types or consequences of failure, damage, /error, accidents, harm or any other event which could be considered non- desirable. This can take the form of being protected from the event or from exposure to something that causes health or economical losses. It can include protection of people or of possessions.

46 There also are two slightly different meanings of safety, for example, a safety home may indicate its protection ability against external harm events, and the second that its internal installations are safe (not danger/harmful) its habitants. Safety can be limited in relation to some guarantee or a standard of insurance to the quality and anharmful function of an object or organization. It is used in order to ensure that the object or organization will do only what it is meant to do.

3.3.1 Types of Safety It is important to distinguish between products that meet standards, that are safe, and those that merely feel safe. The highway safety community uses these terms: Normative safety is a term used to describe products or designs that meet applicable design standards. Substantive safety means that the real-world safety history is favorable, whether or not standards are met. Perceived safety refers to the level of comfort of users. For example, traffic signals are perceived as safe, yet under some circumstances, they can increase traffic crashes at an intersection. Traffic roundabouts have a generally favorable safety record, yet often make drivers nervous. Safety is often seen as one of a group of related disciplines: quality, reliability, availability, maintainability and safety. (Availability is sometimes not mentioned, on the principle that it is a simple function of reliability and maintainability.) These issues tend to determine the value of any work, and deficits in any of these areas are considered to result in a cost, beyond the cost of addressing the area in the first place; good management is then expected to minimize total cost were not politically prepared for taking pan in the elections. This network were mean! to build ihe capacity of the women and prepared them for the role they opted alter the elections. The Women Councilors Network held four training programs annually on different aspects of local bodies and the roie of the women councilors. Minority Councilors' Network: Human Development Centre is working in Toba Tek Singh. It works for the development of the people. It organizes people on community level. It works for the betterment of women, children, youth and workers in the society. It works to educate and to get aware people so that they could form

47 prosperous and peaceful society. It uses different ways for the mobilization of people like it organizes meetings, seminars, training, workshop and theatres on different issues. A Minority Councilors Network is established in three districts of Toba Tek Singh. Jhang and Faisalabad with the following objectives: 1. Ensure equal citizenship rights for all in Pakistan 2. Build the capacity of the local minority councilors on development, issues. democratic culture and values 3. Promote the social harmony and national integrity in the country 4. Promote and strengthen the democratic institutions from the local government institutions to parliament The minority councilors' network works to promote the values of love, peace, respect, forgiveness, reconciliation in the society. Human Development Centre plans to extend the scope of the Minority Councilors Network. Devolution of Power plan brings more than 36,000 women in power in the local councils. Women's Empowerment Issues in India Gender discrimination continues to be an enormous problem within Indian society. Traditional patriarchal norms have relegated women to secondary status within the household and workplace. This drastically affects women's health, financial status, education, and political involvement. Women are commonly married young, quickly become mothers, and are then burdened by stringent domestic and financial responsibilities. They are frequently malnourished since women typically are the last member of a household to eat and the last to receive medical attention. Additionally, only 54 percent of Indian women are literate as compared to 76 percent of men. Women receive little schooling and also suffer from unfair and biased inheritance and , divorce laws. These laws prevent women from accumulating substantial financial assets, making it difficult for women to establish their own security and autonomy. Kolkata Socio Cultural Research Institute (a voluntary women's organization) highlights following objectives towards women's empowerment: ? To undertake and promote socio economic and legal justice for women of all section with a special emphasis on backward section of the women. ? To be at the service of the aged, sick helpless and destitute widow and distressed women.

48 3.4. ? References ? Arrow, Kenneth J. (1951, 2nd ed., 1963), Social Choice and Individual Values ? Black, Duncan (1958), The Theory of Committees and Elections. Cambridge: Cambridge University Press. ? Buchanan, James M. (2003). "Public Choice: The Origins and Development of a Research Program," Fairfax, Va.: Center for Study of Public Choice, George Mason University. ? Downs, Anthony. (1957), An Economic Theory of Democracy. Cambridge: York: Cambridge University Press. ? Mueller, Dennis C. (1989), Public Choice II. Cambridge: Cambridge University Press. ? Niskanen, W. A. (1987) "Bureaucracy." In Charles K. Rowley (Ed.). Democracy and Public Choice. Oxford: Basil Blackwell. ? Olson, Mancur, Jr. (1965) The Logic of Collective Action. Cambridge: Harvard University Press. ? Ostrom, Vincent (1986), The Theory of the Compound Republic. Lincoln, Nebraska: University of Nebraska Press. Second edition. ? [http://en.wikipedia.org/wiki/Public choice theory](http://en.wikipedia.org/wiki/Public_choice_theory)" 3.5. ??Exercises 1. Discuss the nature and significance of financial administration? 2. Point out the main criteria for distinguishing public and private financial administration? 3. Examine the tenets of public financial administration. 4. Write a critical note on neo-liberal approach to public financial administration. 5. Write a critical note on Public Choice theory and show its impact on public financial administration.

49 Module-II ??????????Unit-1 ? Budget : Concept-Evolution Structure 1.0 Introduction 1.1 Concept, Evolution & Budget as a Tool for Administrative Efficiency 1.2 Preparation of Budget and role of Finance Ministry 1.2.1 Ministry of Finance 1.3 Budget in Some Countries 1.3.1 United Kingdom 1.3.2 United States 1.3.3 India 1.3.3.1 The role Parliament in Financial Accountability and Management in India 1.3.3.2 Votes on Account 1.3.3.3 The Role of the Executive in Financial Accountability And Management 1.3.3.4 Ministry of Finance 1.3.3.5 Administrative Ministries 1.3.3.6 Transfer of Appropriation 1.3.3.7 Other Central Agencies 1.3.3.8 Role of the Reserve Bank of India 1.3.3.9 A Summary on Budget Steps 1.4 Deficit Financing 1.4.1 Fiscal Deficit 1.4.2 Revenue Deficit 1.4.3 Budgetary Deficit 1.0 ??Introduction The word 'Budget' originally meant a bag, pouch or pocket attached to a person In

public administration, the term refers to a financial document which is annually placed before the legislature by the executive, giving a complete statement regarding the government revenues and expenditure of the past financial year and an estimate of the same for the next financial year.

50 There is no unanimity among writers regarding the definition of the term 'budget'. It has been defined differently by different authors of public administration. The word has been used synonymously with 'programming' and 'management'. However, most people agree that the budget is the keystone of financial administration and the various operations in the field of public finance are correlated through the instrument of the budget. A budget is a financial report of statement and proposals, which are periodically placed before the legislature for its approval and sanction. A budget is a balance estimate for expenditure and receipts for a given period of time. In the hands of the administrator the budget is a record of past performance, a method of current control, and a projection of future plans. It is a report of the entire financial operations of the government of the past (for a given period) and gives us a glimpse into future government policy. A government budget is a legal document that is often

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passed by the legislature, and approved by the chief executive.

For example, only certain types of revenue may be imposed and collected. Property tax is frequently the basis for local revenues, while sales tax may be the basis for state revenues, and income tax and corporate tax are the basis for national revenues. The two

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basic elements of a budget are the revenues and expenses.

Budgets have an economic, political and technical basis. Unlike a pure economic budget, they are not entirely designed to allocate scarce resources for the best economic use. They also have a political basis wherein different interests push and pull in an attempt to obtain benefits and avoid burdens. The technical element is the forecast of the likely levels of revenues and expenses. Budgeting aims to gather legislative support for government proposals. It is an attempt to allocate financial resources through political processes. It reflects an organization's goal and aspirations and its policies and proposals to realize them.

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The real significance of the budget lies in providing for the orderly administration of the financial affairs of a government. Since the

annual budget is almost without exception the main instrument of fiscal policy, the budget process and the information contained in and presented with the budget is central to fiscal transparency Budget preparation and execution should be open in the sense that information is readily available on how budgets are prepared and executed (e.g., budget circulars and information on the budget process should be available to the public), though not exactly the participation of civil society in budget

51 processes. Further openness does not imply full disclosure to the public at all stages of the budget process.

Transparency in this context is limited by considerations of market sensitivity, due process in policy formulation, and the costs of providing information to the public relative to the expected benefits. Governments need the space for careful deliberation and decision-making before they expose the full detail of the proposed budget for legislative and public consideration. This is particularly important for tax policy changes. In general, however, the detailed budget proposals should be presented to the legislature in sufficient time to allow careful deliberation before passage of the necessary legislation Principles and practices relating to openness of the budget process concern budget documentation, budget presentation, procedures for budget execution, and fiscal reporting. 1.1 ?? Concept, Evolutionan & Budget As A Tool For Administrative Efficiency While the budget has an annual perspective, it should be placed in a wider context. It is important to make a clear Statement about the broad objectives of fiscal policy and the sustainability of fiscal policy over the longer term. At the very least, it should be indicated in the budget documentation how the annual central government budget fits in with the government's broader objectives regarding government or public sector finances, and longer-term deficit and debt targets. This could be a mainly qualitative statement supported by a few key figures, in which case it could be included in the preamble to the annual budget or the budget speech. However, such statements are more helpful if they include quantitative detail on government or public sector finances and the longer-term fiscal outlook, in which case this information should be provided in a background paper that is part of the budget documentation. ? The budget documentation should specify fiscal policy objectives, the macroeconomic framework, the policy basis for the budget, and identifiable major fiscal risks. ? A statement of fiscal policy objectives and an assessment of fiscal sustainability should provide the framework for the annual budget. ? The annual budget should be prepared and presented wuhin

52 a comprehensive and consistent quantitative macroeconomic framework, and the main assumptions underlying the budget should be provided. Any fiscal rules that have been adopted (e.g., a balanced budget requirement or borrowing limits for regional levels of government) should be clearly specified. This is a basic requirement of fiscal transparency. As part of the broader context in which fiscal policy must be placed, its aggregate impact on the economy and its relation to other macroeconomic policies is critical. Most countries have some formal methodology for macroeconomic forecasting and policy formulation, and advanced economies use sophisticated quantitative models to help frame the budget. Information on the macroeconomic framework should be provided in a background paper that is part of the budget documentation. This may be combined with the discussion of fiscal policy objectives and fiscal sustainability in a fiscal and economic outlook paper, in which context the macroeconomic framework should be extended to support fiscal sustainability analysis. Medium-term Budget Frameworks Many countries already present basic fiscal and economic policy statements. Medium-term budget frameworks are administratively and politically demanding, and have been implemented mainly in advanced economies. However, some other countries have successfully implemented them. An important advantage of a medium-term budget framework for developing countries and countries in transition is that it helps link the capital and current budgets. Without the Fiscal rules are forms of agreement (usually in law) that restrict the fiscal policy action of government. Examples are a balanced budget requirement, borrowing limits for the central government or regional levels of government, a rule that public borrowing cannot exceed public investment. Obviously, if a fiscal rule is to be durable, there must be some flexibility in its application when a departure from the rule is justified by economic conditions. However, the circumstances under which such a departure is justified should be clearly explained. While all countries should provide some indication of the sustainability of fiscal policy, more formal fiscal sustainability analysis would be a demanding requirement for many countries, especially since there are no clear and practical rules for establishing whether fiscal policy is sustainable

53 or not. Fiscal policies are unsustainable if they lead to a build-up of debt to an excessive level, in which case there is a need for change to current policy. However, judgments about excessive debt, and particularly about excessive debt-to-GDP ratios, are hard to make. Economic theory provides little guidance on this. A common approach, therefore, is to rely on a simple rule that specifies, for example, that the debt ratio cannot rise or cannot exceed a specific limit. But this and similar rules are arbitrary, and provide little guidance as to whether a particular debt ratio is a threat to macroeconomic stability, could lead to a loss of fiscal policy credibility, result in higher interest rate etc. Therefore assessments of fiscal sustainability have to be made on a country-specific basis, relying on particular knowledge about/the implications of and market reactions to the government's past and future fiscal policies. In this connection, reporting a country's sovereign debt rating, and changes to the rating in recent years, provides one useful guide to sustainability. At a technical level, assessments of fiscal sustainability involve decomposing the change in the debt ratio into components reflecting the primary balance (overall balance excluding interest payments), the interest rate on debt, the growth rate of the economy, and the initial debt stock. This provides an indicator of the fiscal adjustment required for sustainability. Macroeconomic Framework For many developing countries and countries in transition, only an aggregate forecast will be feasible. This will nonetheless provide a useful starting point for considering medium-term changes in budget policy. Best practice is that a comprehensive, rolling medium-term budget framework (covering 3-5 years) should be published as a central basis of fiscal management. A medium-term budget framework, if applied rigorously, provides a very clear statement of the revenue and expenditure effects of maintaining current government policies, and a mechanism for controlling the introduction of new policies and tracking budget implementation beyond a single year. It provides a transparent basis for accountability of the executive branch, and a necessary foundation for more detailed results-oriented budgeting. Medium-term budget frameworks have been used successfully by Germany, the United Kingdom, and Australia. Experience in these and other countries, however, suggests that stringent conditions have to be fulfilled before the full benefits can be attained.

54 The key characteristics of a medium-term framework are as follows: ? a statement of fiscal policy objectives, ? integrated medium-term macroeconomic and fiscal forecasts; ? estimates of expenditure and receipts of ministries and agencies for two to four years beyond the budget year; ? formal “forward” or “out-year” estimates— the first out-year estimate of expenditure becomes the basis of budget negotiations for the following year; and ? ministries’ and agencies’ budget appropriations become hard budget constraints. The forward estimates process has significant technical advantages both for central agencies an individual spending agencies. For the latter, funding for their programs is given a greater degree of predictability, and the requirement for agencies to maintain multiyear estimates also provides greate clarity of policy at a program level. It should also be noted that, particularly in the United Kingdom and Australia, the establishment of a strong forward- estimates process has been associated with much greate flexibility for agencies in resource use within the aggregate and program ceilings. Nevertheless following principles must be the basis for such budget. ? fiscal policy objectives and quantitative fiscal targets need to be articulated and defended the highest level of government; ? robust revenue forecasts are critical, and the target levels of expenditure must be rigorously related to the macroeconomic prospects over the medium term, ? budget and forward estimates are better set in nominal terms to ensure that program managers respond to price changes, ? the framework should be based on clearly defined policy proposals; and ? the medium-term budget framework should be accompanied by strengthened measures to review individual expenditure policies and their institutional delivery mechanisms. Medium-term budget frameworks provide better, more transparent tools for formulating, assessing, and implementing fiscal policy, but they will only be effective if there is a real, stable, transparent, and well- publicized commitment to fiscal control. Medium-term budget frameworks must

55 also be based on fundamental institutional improvements, sustained political commitment, an appropriately phased introduction of improved forecasting, rigorous costing of programs, and disciplined budget management. The budgetary system that evolved in England during the eighteenth and nineteenth centuries, was viewed primarily as a legal and accounting instrument, and the budget agency had the main responsibility of consolidating money estimates of the expenditure needs form the various departments each year. The conventional pattern of government budgeting serves the sole purpose of fiscal accountability and is merely a document for parliamentary control of the financial operations for the government. The entire expenditure is presented through a series of demands fongrants. Every ministry presents one demand for its own requirements and separate demands for each of its subordinate organizations. The demands for grants thus follow the organizational pattern and the details in each of its demand are on the basis of object wise classification, for instance, establishment charges, contingencies equipment and materials. This type of budget is known as the line-item budget with its focus on itemized classification of expenditure. The line item budget is effective from the viewpoint of public accountability, but today a budget has several other objectives viewed as an instrument of financial administration, budget is a vital tool of management. As an operational instrument, it is presented in the form of projects and programmes for which there is managerial responsibility in terms f achievement and cost in a given period. The government budget is being used as an instrument for analysing governmental policy in financial administration. It can be used to review the effects of the fiscal policy of government which has an impact on the national economy as a whole. Through the budgetary processes the government and capital investment consumption which practically affects all segments of the national economy and economic behaviour of the entire nation. Traditionally,

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budgets have been mainly designed to ensure financial and legal accountability to the legislature and, within the executive, observance of similar accountability on the part of each subordinate agency. Budgets are generally prepared with emphasis on the subjects of expenditure constituting the primary units of appropriation such as salaries of officers, establishment charge, allowance honoraria, etc.			

They lay

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more emphasis on the cost aspects 56 without any indication of the results. The traditional budget reveals			

chiefly the purchase policy of government, not exactly

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what the government does. In short, traditional budgeting fails to provide an adequate link between financial outlays and physical targets.			

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The four shortcomings in the conventional budget arise mainly from the existing systems of classification. Those are: (a) The classification does not serve as an adequate base for informed decision making at each level of management. It			

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does not help management to control and appraise the performance and 1.2 ?? Preparation of			

Budget and Role of Finance Ministry Preparation of the national budget requires discussion on following general steps - ? Budget notifications of the Minister of Finance. ? Policy letters from the ministries. ? Framework letter from the Minister of Finance Budget letters and budget memorandums. ? The preparation of the national budget and the Budget Memorandum. ? Submitting the preliminary draft budget. ? Final decisions on the budget in the Council of Ministers.

Budget Notifications Of The Minister Of Finance The Minister of Finance sends a budget notification to the other ministers with technical and procedural directives which the specialist ministers must take into account in the preparation of their budget. It concerns inter alia procedural directives such as: when must the ministers submit the preliminary draft budgets to the Minister of Finance, but also the economic data affecting their expenditure The intention of the budget notification is that all ministries base their budgets on the same premises. **Policy Letters From The Ministries** The directives from the budget notification of the Minister of Finance are internally transmitted within the ministries. The various departments of the ministries prepare their budget proposals. During the preparation the emphasis shifts to the policy contents. And thereby to the questions: what do we wish to achieve, how will we go about it and how much can we spend? The results of the implementation of the budget of the current and previous year are thereby also taken into account. The proposals are submitted to the central department dealing with financial economic affairs of the individual ministries, which reviews them, comments on them and forwards them to the Minister and the Secretary/Secretaries. The political heads decide which priorities must be given, on which issues more money must be spent, on which less and for which policy additional funds may be requested. This is laid down in a policy letter sent to the Minister of Finance. **Framework Letter From The Minister Of Finance** The Ministry of Finance uses the information from the policy letters to prepare a summary of the windfalls and setbacks and of the claims for the desired new policy. On the basis of this summary and the recent economic insights (data from the Central Planning Office on the economic developments, the interest rate the development of wages and prices and employment) affecting the expenditure framework the Ministry of Finance provides insight in the framework letter into the opportunities and problems regarding the next budget. This budget letter reviews in general whether cutbacks are required or whether there is room for additional expenditure, for a relief of the tax and premium burden or for an improvement of the public finances (reducing the financing deficit, realizing a surplus, repaying the debt). **Budget Letters And Budget Memorandums** Many documents are drawn up during the preparation of the budget and in the implementation phase, distinction may be made between budget letters and budget memorandums : (a) execution of its various programmes, projects, activities and schemes (Programmes activity and classification are suggested to remedy this), (b) It is difficult to see from the conventional budget and account heads for what broad purpose and objectives resources are being allocated. To remedy, this functional classification is suggested; (c) The classification does not permit a proper analysis of the impact of government transactions on the total national economy. (This is sought to be remedied by an economic classification),

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and 58 (d) It is not helpful as a basis for judging the progress made towards the achievement of goals and objectives as envisaged in the development plans. In developing countries which are committed to bring about rapid socio-economic progress and development of their people, the bureaucracy has by trial and error become the major instrument of implementation of public policy. Developmental goals like improving the level of social services, health and education, building infrastructure like roads, communication facilities, electricity, and market centers or raising production in agriculture and industry incur much government expenditure. In the change-oriented milieu of development administration, a system so rigid checks and balances over financial administration may act as deterrent to increased government spending which is vitally necessary to lay the foundation of a social welfare state. Too much stress on economy and accountability may make the need of massive public investment and expenditure there is need for reforming the traditional concepts of accountability based budgeting. The budgetary system, especially in developing countries,

needs result- oriented budgeting

where investable resources are few, the backlog in development is considerable, entrepreneurship is scarce and consequently the role of the government is all-pervading, embracing a wide variety of enterprises ranging from the simplest of consumer goods to the most complex capital goods industries and infrastructural facilities. Planning and budgeting are, therefore, extremely important to ensure economy, efficiency and effectiveness in the use of resources. Measurement of performance is an essential aspect of result- oriented budgeting.

Most of the shortcomings of the line-item budget were sought to be removed by the performance budget, a new concept in financial administration which first originated and developed in the USA. Since, 1950, the US government has adopted the performance budget.

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Several countries in Asia, Africa and Latin America have also incorporated the principle of performance budgeting,

partially if not totally, in their budgetary systems. In the 1960s an attempt was made to plan government expenditures on a long-term basis. Emphasis was placed on the predetermination of expenditures, over a five-year period, in accordance with the expected/desired rate of growth of the economy. Planned expenditures are broken down by major functional categories such as defense, education, health and welfare, housing, and so forth, which are to serve as guides in the preparation of annual budgets. The functional breakdown is also intended to assist legislative discussion.

59 More recently, the elaborate systems of planning and control developed in the 1960s have been abandoned. There is less, and less detailed, forward planning of public expenditure. Forecasts are presented in cash terms, and the levels of inflation or cost increases contained within them are only partly disclosed. The primary disadvantages of the old system were that it allowed expenditures to be driven excessively by the burden of past commitments and to be blown off course by rises in the cost of public sector inputs. The new system has almost the opposite weaknesses: it induces short-term planning, in which capital expenditure is squeezed in favour of current spending, and allows the volume of outputs and inputs to be governed by optimistic assumptions about price increases. According to some critics, this development, intended to assist in public expenditure control by providing simple-to-understand criteria, has, reduced public understanding of the public expenditure process and therefore the accountability of government for its actions. Budget letters are internal documents from the Minister of Finance to his fellow ministers. They include proposals and data for the preparation and decision-making of draft budgets by the government (in the Council of Ministers). Such letters are not public. Budget memorandums are external documents sent by the Minister of Finance on behalf of his colleagues to inform the legislative body. The documents are public and provide information on the financial-economic policy of the government. The best-known memorandum is the Budget Memorandum presented on Budget Day. The ministers then discuss the framework letter in the Council of Ministers. This means that they jointly review the expenditure and receipts relating to the budget: where have additional claims been submitted, how are problems resolved and which opportunities for new policies are politically feasible. Usually, general decisions are rendered after a couple of meetings on the objectives, expenditure, and receipts for the following year. The framework letter also immediately provides a budget total per ministry. The Minister of Finance sends these totals to the ministries in a letter, i.e. the Totals Letter. This letter includes a summary of the decision-making for the following budget year. In other words: it includes the figures which the budgets of the ministries must comply with.

60 Submitting The Preliminary Draft Budget Then the ministers submit their preliminary draft budget to the Ministry of Finance. As the Minister of Finance is responsible for the general budget policy all separate budgets are submitted to and reviewed at the Ministry of Finance. It is reviewed per ministry whether the preliminary draft budgets comply with the negotiated agreements. Attention is thereby also drawn to the explanatory notes regarding the policy articles. It is reviewed whether it is clearly stated which objectives the ministry concerned wishes to attain, which performances must therefore be rendered and how much money must be spent on each objective. Intensive consultations are therefore held at senior officer level. Where points of conflicts remain, further consultations are held at an increasingly higher level up to the level of the ministers and secretaries. The consultations may result in changes. The Minister of Finance submits such changes to the Council of Ministers. The Ministry of Finance also prepares the Budget Memorandum stating the main lines of the financial- economic policy and the national and international economic developments. Final Decisions On The Budget In The Council Of Ministers In the decision-making round the up-to-date economic data from the organizations like central planning bodies are taken into consideration. The draft budgets may now be completed. The Budget is subsequently discussed and adopted in the Council of Ministers. These follows, ? The presentation of budget proposal on Budget Day ? The discussion and adoption of the budget ? Parliamentary approval following detailed discussion and amendments (if recommended by the majority) ? The implementation of audit and accounting for the budget ? Back to overview 1.2.1- Ministry of Finance All ministers bear political responsibility for the preparation (and the implementation) of the budget of their ministry. For example, the Minister of Finance is responsible for the budget of the Ministry of Finance. As a specialist minister he is responsible for the expenditure of his ministry. In addition, he also has a special position in the budget process as he is responsible for the general budget policy. The Minister of Finance thereby has powers with

61 regard to the budgets of all other ministries. For example, all plans of ministers with financial consequences must be submitted to the Minister of Finance. 1.3 ?? Budget in Some Countries 1.3.1 United Kingdom U.K. budget is submitted to Parliament by the chancellor of the Exchequer, who is responsible for its preparation. The emphasis of the BUDGET PROCESS Scrutiny by Heads of Departments Concerned Ministries Finance Minister (Finalisation of Budget) Presentation to Parliament Budget Preparation by Estimation authority Ministry of Finance Budget Division Budget Cirevler Informal Meetins with organissions concerned Debates: Voting on Demands for Grants. Passing of Appropriating and Finance bills Execution of Budget Exanination By Financial Advisers Discassions and Appraisal of secy. Min of Fin/ Finance Minister

62 chancellor's budget speech is on taxation and the state of the economy, rather than on the detail of expenditures; public discussion is devoted mainly to the chancellor's tax proposals. The estimates of expenditures are sent to Parliament with less fanfare and are reviewed by the departmental select committees on estimates of the House of Commons. The reviews hardly touch matters of policy. While the committees do not amend the budget, they're influential through their criticism and advice. In the preparation of the budget, the Treasury appears to have virtually complete authority over the government departments on matters of detail. Major issues are settled in Cabinet discussions, the records of which are not available. The British system thus vests extensive controls in the Treasury bureaucracy. In the UK the budget is prepared by the Chancellor of the Exchequer, the second most important member of the government, and must be passed by Parliament. Parliament seldom makes changes, to the budget. A major part of the budget speech by the chancellor of the Exchequer is addressed to forecasts of employment, prices, and the balance of payments, together with a discussion of fiscal and monetary policies. Economic analysis is a continuing preoccupation' of the Treasury. Forecasts are prepared three times a year, although only published once a year with little detail; a budget committee composed of important financial and economic officials meets continuously to discuss policy matters. Their attention, however, is focused on tax, borrowing, and monetary policies rather than on the details of government spending. 1.3.2 United States

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The budget of a government is a summary or plan of the intended revenues and expenditures of that government. In

the United States, the federal budget is prepared by the Office of Management and Budget, and submitted to Congress for consideration. Invariably, Congress makes many and substantial changes. Nearly all American states are required to have balanced budgets, but the federal government is allowed to run deficits. In the United States, the Congressional Budget Office is required by law to advise the legislature of the estimated costs (and the basis of the estimate) that proposed federal legislation would impose on state and local governments (and on the private sector). CBO's website at 63 <http://www.cbo.gov/>. An important legislative oversight mechanism is the annual appropriations process. Congress determines the budget and appropriates money for the various administrative agencies. An administrative agency that angers Congress, or a key member, may find less money to work with next year, or even see certain programs eliminated. The president also reviews agency budgets, through the Office of Management and Budget. A president's disapproval of agency initiatives can block appropriations in Congress. Output budgeting is a wide ranging management technique introduced into the USA in the mid 1960s b Robert S. McNamara's collaborator Charles J. Hitch, not always with ready cooperation with tl administrators and based on the industrial management techniques of program budgeting. Subsequentl the technique has been introduced into other countries including the UK. 1.3.3 India

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Finance Minister, assisted inter alia by the Budget Division of the Department of Economic Affairs of Ministry of Finance, has responsibility for producing the budget, in the form of the Annual Financial ement and such supplementary budgets as may be needed during a year for the Government of India ler than for the railways). The Budget Division is responsible for issuing all instructions and guidelines the preparation of budget estimates and for monitoring the timely receipt of the same from all the nistries concerned. The railway budget is prepared separately and presented to the Parliament a fewys in advance of the general budget. The railway budget figures (net) are, however, also incorporated in general budget to give an overall picture of the financial position. The Railway Budget is presented to rliament by the Minister of Railways. India, the

Finance Minister prepares the Union Budget and presents it to theLok Sabha, on the last day of February. It has to be approved by Parliament before April 1, the start of India's financial year. The day ie Union Budget is presented and considered by many observers to be the most important of India's political calendar. It usually has an immediate effect on the nation's stock exchanges and also has possible short term political implications. This is in addition to the long term changes that some budgets may lead :o, e.g. Manmohan Singh's budgets in the early 90's. India is a 'Union of States' (Federal). The responsibilities and powers

64 (including financial) of the Union and the

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States, and the relationship between them, are set out in the Constitution

of India. The legislative powers are detailed in three lists-Union, State and Concurrent. The Union list includes

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matters of national interest such as foreign affairs, railways, posts and telegraphs, currency and coinage, and inter-state trade and commerce while the State list contains matters of regional interest such as law and order, health, agriculture, irrigation, power, rural and community development. Certain matters of common interest, such as economic and social planning, have been placed under the concurrent

legislative powers of the Union and the States.

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In the event of a clash between the laws of the Union and

the States in the concurrent area, the laws of the former prevail.

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The Constitution allots separate legislative heads of taxation to the Union and the States.

Borrowing and foreign exchange entitlements are controlled by the Union. The residual powers of levying taxes not mentioned in the State list and the Concurrent list also rest with the Union.

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The division of fields of taxation between the Union and the States is based on economic and administrative rationale. The power to levy taxes with an inter-state base, and where uniformity in rates is desirable,

is vested in the Union Government, but the power to levy taxes that are location- specific lies with the States. However, certain taxes are levied by the Union but are collected and retained by the States, while certain other taxes and duties are levied and collected by the Union but their net proceeds are assigned to or shared with the States. The Constitution provides for payment by the Union of grants-in-aid of revenues to the States. The Government of India is also empowered to make loans to the States or give guarantees in respect of loans j raised by them. There is also provision for grants by the Union or a State for any public purpose.

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The audit of the accounts of the Union and of the States is a Union responsibility.

Accordingly

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the accounts of the Union and of the States are to be kept

in
such form as
the President of India prescribes on the advice of the
Comptroller and Auditor General

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of India (CAG). There is thus a unified system of auditing; and accounting, facilitated by Parliament enacting a law governing the duties, powers and conditions of service of the CAG known as the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971. The

financial management systems and accountability mechanisms, both
65 at Union and State levels, are almost the same except in certain details. Unless specifically mentioned, the systems detailed below in respect of the Union apply also to the States.

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The executive authority of the Union is vested in the President of India who exercises this authority either directly or through officers in accordance with constitutional provisions. However the President has been placed under a firm constitutional obligation to act in accordance with the advice tendered by the Council of Ministers headed by the Prime Minister.

In the States it is the Governor who discharges the executive functions of the State with the aid and advice of the Council of Ministers headed by the Chief Minister. The financial year in India is from 1 April to the 31 March of the following year.

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The annual financial statement of receipts and expenditure of the Government is required[^] to be placed before the Parliament/State Legislature which, in each case, confers specific authority for raising revenue through taxation and incurring expenditure. In this regard, no tax can be levied or collected except by authority of law while, similarly, no moneys can be appropriated from the Consolidated Fund except in accordance with law and for the purposes and in the manner provided in the Constitution. The Constitution of

India provides for the creation of three separate funds both at the Union and State levels. (i)

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Consolidated Fund (Art. 266 and 283) : All revenues received by a Government, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans, form

the one Consolidated Fund. (ii) Contingency Fund (Art. 267 and 283) : The

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Contingency Fund is in the nature of an imprest, into which are paid from time to time such sums

of money

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as may be determined by law. The Fund is placed at the disposal of the President

of India or

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the Governor of the State, as the case may be, to enable advances to be made for the purpose of meeting unforeseen expenditure pending authorisation of such expenditure by

Parliament

or State Legislature. (iii) Public Account (Art. 266 and 283) : All other moneys not forming part of

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the Consolidated Fund, received by or on behalf of the Government, are credited to the Public Account.

The demarcation of moneys received by the Union or a State Government

66 into three separate funds is based on a rational basis. All the moneys whether received by way of tax or non-tax revenues, or from any other source where the ownership of the moneys vests with the Government, form part of the Consolidated Fund.

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Moneys received by or on behalf of the Government where the Government acts as a trustee form part of the Public Account. The nature of the

Contingency Fund is self-evident. No moneys can be withdrawn from the Consolidated Fund for incurring any expenditure without prior approval of the Parliament or the State Legislature through a process of legal appropriation. Therefore unforesees expenditures, or expenditure in excess of approved appropriations, are met from the Contingency Fund The Parliament of India and the various State Legislatures have passed laws establishing sue Contingency Funds.
1.3.3.1 The Role Of Parliament In Financial Accountability And Management In India

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Although the Indian Constitution does not mention the term 'Budget', it provides that the President she in respect of every financial year cause to be laid before both the Houses (The Houses are the House of People (Lok Sabha) and the Council of States (Rajya Sabha)

of

Parliament

a statement of the estimate receipts and expenditure of the Government of India

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for that year. This statement, known as the Ann Financial Statement, is the main fiscal or budgetary document of the Government.

he estimates of expenditure embodied in the Annual Financial Statement are required to show

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separately: (i) Sums required to meet expenditure described under the Constitution as 'Charged' upon the Consolidated Fund of India. (ii) Sums required to meet other expenditure proposed to be made from

this Fund, i.e., expenditure which is subject to Vote of the Parliament. The estimates are also required to distinguish expenditure on revenue account from that on capital account. A further classification of expenditure is made on the basis of its being a part of 'Plan Outlay' or

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non-plan, i.e. expenditure which is part of normal governmental activities or maintenance expenditure.

The expenditure of the following nature is charged on the Consolidated Fund and is not subject to Vote of Parliament: (i) emoluments and other allowances of the President of India; Presiding Officers of the two Houses of Parliament; 67 (ii)

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salaries and allowances, etc. of the Judges of the Supreme Court; Comptroller and Auditor General of

India; (iii) debt redemption charges, including interest; (iv) any sums required to satisfy any judgment of the Court or a legal tribunal, as also (v) any other expenditure which might be declared by the Parliament by law to be a charged expenditure. The expenditure estimates which form part of the Annual Financial Statement are divided into different Demands for Grants. The Demands for Grants, as mentioned earlier,

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show separately the revenue and capital, and the charged and voted expenditure. Similarly, estimates of receipts are classified in the tax and non-tax categories and also those which are on revenue account and others which are on capital account (

in common with public loans). The Demands for Grants (voted portion) are submitted before the Lok Sabha and put to vote. This House has the power to assent or refuse to assent or reduce the amount of the Demand. The Demands relating to 'Charged' expenditure are not subject to any vote, but Parliament is free to discuss any of these Demands and express its opinion for the consideration of the Government. The Demands for Grants before they are submitted to the Parliament require a specific recommendation of the President (or Governor in the case of a State). After the Demands for Grants have been approved by the Lok Sabha (or the State Legislative Assembly), an Appropriation Bill to authorise the Government to withdraw moneys from the Consolidated Fund is required to be introduced and passed by the Parliament (or the State Legislature). It is through the medium of this Appropriation Act that the constitutional requirement of parliamentary financial control is met. A similar procedure is mandatory for providing supplementary or additional funds required in a particular financial year, and for regularising any excess expenditure over the approved appropriations. For this purpose, Supplementary Demands for Grants or Demands for Excess Grants have to be presented and relevant Appropriation Acts passed. 1.3.3.2 Votes on Account Since India has an annual budget cycle in respect of each Appropriation, the entire budgetary process is to be completed, according to constitutional 68 and legal requirements,

for the next financial year, before the end of the current financial year

i.e. before 31 March. In a country of the size of India with widespread activities of the Government, the budgetary process has to start at least six to seven months before the commencement of the next financial year. The process of estimation starting from the lowest activity centre up to the apex level of the Ministry of Finance and the Cabinet has to be completed at least a month before the commencement of the next financial year. Therefore, normally by end of February, the budget estimates and other related documents are presented to the Parliament. It is, however, not possible always to complete the entire legal process of consideration, discussion and approval of the estimates and related appropriation and other finance bills before 31 March. In order therefore to enable the Executive to carry on the activities of the Government uninterrupted, the mechanism of allowing supplies in the interim for a part of the financial year has been provided through the medium of Vote on Account. 1.3.3.3-The Role of The Executive In Financial Accountability And Management

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The Council of Ministers headed by the Prime Minister is collectively responsible to the Parliament. Each Minister holding a portfolio for formulating departmental policies is individually responsible, as well as collective responsibility to oversee the implementation and ensure the efficient working of the administrative machinery under his charge.

Individual Ministers are responsible to the legislature for actions of their respective civil servants, who, in turn, are ministerially accountable. Accountability is made more specific and is ensured by a complex set of organisational and procedural devices. 1.3.3.4-Ministry of Finance The control over finances of Government has traditionally been confined to

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the Ministry of Finance. With the phenomenal growth and the complexity of Government activities, several powers have been delegated to Administrative

Ministry, but

the Ministry of Finance continues to have the overall responsibility of co-ordination

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and control. For speedy and effective discharge of their functions in financial matters, which include planning, programming, budgeting, internal control, monitoring and evaluation, an Integrated Financial Adviser is attached to each Administrative Ministry. The Integrated Financial Adviser acts both as internal and external financial adviser. He functions as internal financial adviser in the exercise of powers delegated to the Ministries under the Delegation of Financial Power Rules, and acts as an external financial adviser on behalf of the Ministry of Finance in respect of matters outside the delegated financial powers of the Administrative Ministry. The

Ministry of Finance has issued detailed regulations on financial management and control to be followed uniformly in the Govt. of India.

In addition, the Ministry is responsible for framing rules relating to the maintenance

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of accounts of the Union and of the States, on the advice of the

CAG.

The CAG provides the Union and State Govts. with any information requested from time to time regarding accounts for the compilation and maintenance of which he is responsible. The CAG also renders all reasonable assistance sought by the respective Govts in the preparation of their annual financial statements (budget estimates). 1.3.3.5-

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Administrative Ministries The basic responsibility for the administration of each department's activities is entrusted to the Head of the department concerned, who is guided and controlled by the Administrative Ministry. In financial matters each head of the department is thus responsible for the collection of revenue and control of expenditure pertaining to his department, the receipt and disbursement of which are usually effected in various places and through various persons. The Ministries also exercise financial control over public enterprises set up under each of them. The

Permanent Secretary of each Ministry who is

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the Chief Accounting Authority for that Ministry, discharges this function through and with the assistance of the Controller of Accounts and the Financial Adviser.

Once the Appropriation Bill (Vote on Account) or the Appropriation Bill relating to the whole year, as case may be, is passed by Parliament, the Ministry of Finance advises the other Administrative Ministry of the Grants made by the Lok Sabha and the Appropriations sanctioned by Parliament. Each Ministry on the Union Government may

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distribute the funds, where necessary, among the controlling and disbursing officers subordinate to it.

Unspent balances are unavailable for utilisation in the following year. Officers incurring or authorising expenditure from public moneys must comply with the prescribed standards of financial propriety.

70 The various Ministries are

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responsible for the control of expenditure against the financial grants and appropriations placed at their disposal, control being exercised through the

respective Controlling, Officers. For this purpose there are well laid down procedures and management information systems. All anticipated savings in the grants are surrendered to the Ministry of Finance, before the close of the financial year, for possible reappropriation as permissible under the rules of appropriation. 1.3.3.6 Transfer of Appropriation

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No expenditure can be incurred which may have the effect of exceeding a grant authorised by law for a financial year, except after obtaining a supplementary grant or an advance from the Contingency Fund. Since voted and charged portions-

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the revenue and capital sections of individual grants-are distinct and reappropriation inter se is not permissible, an excess in any one portion or section is treated as an excess in

that particular grant. However, reappropriation

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of funds from one primary unit of appropriation to another such unit within a grant may be sanctioned by a competent authority at any time before the close of the financial year, subject to

certain restrictions. 1.3.3.7 Other Central Agencies Besides the Ministry of Finance, the Finance Commission

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and the Planning Commission play an important role in public finances of the country. The Finance Commission

makes recommendations relating to the distribution of net proceeds of certain taxes between the Union and the States and

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the 'payment of grants-in-aid of the revenues of the States out of the Consolidated Fund of India.

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The Planning Commission, besides formulating and monitoring development plans, advises the Union Government regarding the desirable transfer to the States of resources essential for developmental outlays.

These transfers are over and above those recommended by the Finance Commission. Its recommendations cover among other things, feasible changes in tax rates and efforts, quantum and allocation of borrowings between the Union and the States. 1.3.3.8

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Role Of The Reserve Bank Of India The Reserve Bank of India,

which has been set up as a Central Bank by
71 an Act of Parliament

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is the repository of all cash balances of the Government of India

and of all the States except in

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the case of two States. It plays a vital role in assisting the Government in the economic management of the country, particularly the monetary system. The Govt. of India borrows from the Reserve Bank against issue of treasury bills for replenishing its cash balance from time to time. The

State governments also obtain ways and means advances as bridging loans from the Bank, which are repayable within a specified period.

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The Reserve Bank has been entrusted with the responsibility of management of public debt raised by the Government of India and of the States including maintenance of detailed accounts of all the loans floated. The Bank has also been entrusted with the complete control of foreign exchange

of the country. Policy changes being introduced and their expected fiscal effects as part of the budget documentation. This allows clear identification of factors causing budget outcomes to diverge from planned spending and thus improves accountability for fiscal policy implementation. It also provides a basis for a disciplined medium-term budget framework. Best practice is that the estimated fiscal effects of all proposed central government legislation, including the cost implications for subnational levels of government, should be made publicly available. In Hong Kong, the annual budget documentation provides a clear statement of fiscal policy objectives and medium term sustainability, In Hong Kong SAR, a medium range forecast is prepared and published as an annex to the budget speech : In South Africa, a Medium Term Budget Policy Statement is presented to parliament three months before budget day. It contains the macroeconomic assumptions, proposed inter-provincial allocations, the expected functional classification of expenditure, and the expected split between capital and current spending (Folscher (1999). United States budget for 1999 contains detailed information on the long- term implications of current fiscal policies. In an "Analytical Perspectives" publication provided as part of the budget documentation projections are given for the budget to the year 2070. The key assumptions are described, and illustrations provided of the sensitivity of the projections to alternative assumptions and scenarios. Long-term (75 year) projections of the income and outgoings of the Social Security and Hospital Insurance Trust Funds are

72 also provided, including the estimated 75-year actuarial balance of the Trust Funds as a summary measure of their financial status. The medium range forecast involves projections for the budget year plus three years. Hungary has also started to present its budget in the context of a three-year outlook for the budget and the economy. The United Kingdom budget for 2000 contains information on generational accounts for the United Kingdom (including comparative information for other countries), in the context of a detailed discussion of long term fiscal sustainability. In Germany, the Law on Budgetary Principles, for instance, explicitly requires multiyear financial planning by all levels of government. To coordinate this task, a Financial Planning Council comprising the minister of Finance (chairman), the minister of economics, the state ministers responsible for financial affairs, and four representatives of municipalities was created in 1968. A good example of this is the reporting of budget measures in the United Kingdom, where a summary table of new budget measures and their estimated fiscal effects is provided in the budget document, and an annex expands upon each new measure in more detail. In France, existing policies expenditure ("appropriations for current services") is clearly distinguished from "items of expenditure reflecting new policies." This distinction is required by the organic budget law and, under that law, current services appropriations are subject to only one vote in parliament while new policy items are subject to detailed voting processes. In recent years Greece has strengthened its reporting of fiscal risks. Risks from variations macroeconomic assumptions, contingent liabilities, and other uncertainties are now examined in the budget document. IMF Staff Country Report No. 99/138 (pp. 49-53) discusses fiscal transparency Greece. An example of comprehensive reporting. In India there has been a growing awareness among the public sector policy makers and executives public enterprises of the need to take various remedial measures to correct adverse trends in public enterprises. There is a quest for increasing efficiency, optimising performance and ensuring better financial results. With the exception of a few small public enterprises which have been wound up, there has been no concrete case of 'privatisation' in India, as it is commonly understood. However the Government of India has recently sold limited shares of some public enterprises to mutual funds and

73 has announced its intention of selling up to 49 percent of equity to certain financial institutions and to the public.

1.3.3.9 A Summary On Budget Steps

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The General Financial Rules prescribe the broad guidelines, procedures and forms for the preparation of budget estimates of receipts and expenditure by the ministries.

In addition, the Budget Division issues a circular, normally during September each year, known as the 'Budget Circular' for the next financial year (which is 1 April to 31 March as indicated earlier)

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for preparation of the Revised Estimates of the current financial year and the budget estimates of the ensuing financial year. This circular gives detailed instructions about the preparation of estimates of receipts and expenditure, the required format and the various statements that are to be appended to the estimates. It also specifies the processes to be followed and their scheduled dates. The

estimating authorities prepare the detailed estimates of receipts separately for each Major Head of account. For each Major Head, break-up of minor/detailed heads (to be in conformity with the accounting classification) is given, taking into account the actuals for the past three years. Relevant notes are given to highlight any individual items of significance or explanation for any major variation with reference to past actuals.

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The detailed estimates of expenditure are prepared by the estimating authorities

by each unit of appropriation (sub/detailed head) under the prescribed Major and Minor Heads of Account separately for

Plan and Non-plan expenditure. The estimates of Plan expenditure are made on the basis of the approved plan allocations intimated by the Planning Commission.

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The estimating authorities forward the budget proposals to their departmental heads for consideration and onward transmission to the ministries administratively concerned. These ministries scrutinise the estimates, make modifications where necessary, and transmit these revised estimates to the Financial Adviser for further examination and processing. The Financial Adviser ensures the correctness of accounts classification, makes modifications as may be called for in his judgement in the context of economy and other considerations, consolidates the estimates for each programme/organisation to present a complete picture of their financial costs, and obtains approval of the Secretary (Expenditure) in the Ministry of Finance, wherever necessary. Departmental budgets are then forwarded to the Budget Division.

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While the prescribed date for receipt of the estimates of receipts by the 74 Budget Division is normally not later than the end of December, the date for estimates of expenditure is 31 October. The estimates of departmental receipts and expenditure received in the Budget Division are duly scrutinised and then accepted for incorporation in the Budget.

Before finalising the budget proposals the Finance Minister holds informal meetings with organisations representing industry, agriculture and other key sectors. He also meets leading economists to ascertain their views on matters having a bearing on the fiscal policies of the Government.

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The budget proposals are placed before the Parliament by the end of February. The

railway budget, as already mentioned, is presented separately a few days in advance of the general budget. Clear description, including careful costing, of continuing government programs and new policies are vital elements of budget discipline. Countries should include a statement which describes tax and expenditure information on fiscal risks in the annual budget is provided by New Zealand. The emergence of new debt creating obligations that may be excluded from routine fiscal projections—such as contingent liabilities that may have to be honored—should also be taken into account. Budget estimates and the economic forecasts underlying the budget are subject to a variety of risks. The effects of variations in the assumptions and parameters underlying the macroeconomic forecasts and individual program estimates, as well as uncertainty over the costs of specific expenditure commitments are matters of concern. Best practice is that a statement of fiscal risks should be included in the budget documentation as a basis for assessing the budget's reliability as a guide to likely fiscal outcomes and new policies being introduced in the annual budget should be clearly described. Statement of Fiscal Risks should be provided with the annual budget giving an overview of all material fiscal risks, quantified to the extent possible. Where allowance for a risk has been made in a budget contingency reserve this should be noted. The statement should contain information on risks broken down into the following categories: (1) variations in key forecasting assumptions—the fiscal effects of variations in key assumptions underpinning the macroeconomic forecasts (e.g., the effect on the fiscal deficit of a 1 percent increase or decrease in GDP growth, inflation, interest rates, or the exchange rate from the central rate assumed in the budget forecast); and the fiscal effects

75 of variations in key assumptions underpinning the budget forecasts of revenue and expenditure (e.g., a variation in the effective tax rates, public sector wage increases, or the average number of claimants for social assistance). (2) contingent liabilities—these may include guarantees, indemnities, and warranties; uncalled capital (e.g., in international financial institutions); and litigation against the government. (3) uncertainty about the size of specific expenditure commitments—where provision has been made in the budget for expenditure on an item or activity but there is a greater-than-usual degree of uncertainty about the likely cost, the risk should be disclosed. For example, the government may have given a blanket undertaking to depositors of a specified distressed financial institution that their deposits would be honored. However, at the time of finalizing the budget, the cost of this commitment may still be highly uncertain. (4) other items that have not been included in the budget because of the extent of uncertainty about their timing, magnitude, or eventuality—for example, the government may have announced a general intention to introduce a tax or expenditure policy change, the details of which have not been finalized sufficiently for inclusion in the budget. There may be some instances where there are legitimate public policy reasons not to quantify a fiscal risk, this might be the case, for example, where to do so would result in disadvantage to the government in negotiations with third parties. The existence and nature of the risk should however still be disclosed.

1.4 Deficit Financing This Deficit financing occurs mainly because of government's important requirement. When expenditure is more than receipt, that is expenditure is 100 and receipt is 80, it is called deficit; in this case deficit is Rs. 20. This deficit of 20 is to be compensated by printing notes. Money supply will be increased in market, resulting in inflation and involuntary savings. Deficit financing leads to a somewhat forced saving. Poor people have to face more problems due to increase in price.

76 Reasons for deficit financing are as follow : In a developing country, the government has to take social sector into consideration and therefore a number of subsidies needs to be given. The government has to create employment avenues. The public expenditure mainly non-planned expensive rises considerably causing deficit. Effects of Deficit Financing:- 1. Forced Savings 2. Growing interest burden on Government. 3. Inflationary rise in prices (deficits breed further deficit it is a cumulative process). 4. Change in the pattern of investment. Now instead of planned expenditure there will be more non planned expenditure. 5. Interest rate increases because of the more money supply, thereby further adding to the liabilities of govt. because internal borrowing will be costlier, which further adds to fiscal deficit.

1.4.1 Fiscal Deficit This deficit measures the gap between what the government intends to spend, including loan repayment, and what it will earn from the tax revenue- for example dividends from the Public Sector Enterprise (PSEs), foreign grants, interest on its own loans. The impact of the fiscal deficit is very dangerous. The bigger this gap, the more the government will have to borrow or print money or both to make both ends meet. FISCAL DEFICIT:- (FD)= Budgetary Deficit-Government market borrowing + liabilities or $FD = \text{Revenue Receipt} + \text{Capital Receipt} - \text{Total Expenditure}$

1.4.2 Revenue Deficit This measures the gap between what the Government's consumption expenditure-everything from interest payment and revenue. It's like a household borrowing just to eat. Smallest of all deficits is Revenue Deficit. But it is most potent one.

77 $RD = \text{Revenue Expenditure} - \text{Revenue Receipt}$. $RD = (\text{Tax} + \text{Non tax receipt}) - (\text{Planned} + \text{Non Planned Expenditure})$

1.4.3. Budgetary Deficit It is the most dangerous deficit. Though this deficit is officially just the net R.B.I, credit to the Central Government, in actual practice it is like printing notes to finance Government overspending. BUDGETARY DEFICIT (BD) = Total Expenditure - Total Receipts. Now the Central Government of India tries to meet its all deficit by the process of WMA (ways and means advance) and this concept is a part of future Zero Based Budgeting).

78 Module-II ?????????? Unit 2 ?? Programme and Performance Budgeting Structure 2.1 Programme and Performance Budgeting 2.1.1 Meaning And Features, Measurement 2.1.2 Principles 2.1.3 Processes of Performance Budgeting 2.2 Planning Programming and Budgeting System (PPBS) 2.2.1 Planning 2.2.2 Programming 2.2.3 Budgeting 2.3 Zero-Base Budgeting 2.4 Bibliography 2.1 ?? Programme and Performance Budgeting 2.1.1-Meaning And Features, Measurement Performance budgeting is

a financial document that seeks the implementation and control of government programmes through budget allocation. This is done by

presenting government operations in terms of programmes, activates and functions. Through such a functional classification of governmental

financial operations, public policies are sought to be identified and

in the annual

budget in concrete physical terms so that a direct interaction between inputs and outputs could be identified and

state performance reviewed through clearly identifiable cost overheads. In traditional budgeting the object of government expenditure, purpose of the different proposed outlays or linkages between or assessed. In performance budgeting, the focus is on the end rather than on the means. The main purpose is to clearly define the objects of governmental spending, the work to be performed and an estimated cost of performance. The concept of a programme budget, which is also called a performance budget, sets in advance the targets and the authorizations against which the performance of the governmental departments can be assessed periodically. It serves as a basis of efficiency and work measurement qualitatively and quantitatively. The performance of 79 the past years serves as an evaluation sheet for next year's budgetary targets and estimates. Performance budgeting shifts the emphasis from the means of achievement to the achievement itself, from what the governmental buys and acquires, to the service rendered. The differences between a line-item budget and a programme budget has been aptly summarized in the following lines: A line-item budget shows how many clerks will be hires, how much travel money will be spent, how much will go for printing or mimeographing, and what will be expended, for papers, typewriters, and stationary. The plans are based on these line-items; the controls are geared to these lines; the information has to do with the things used. In sharp contrast, the programme budgets starts with the work to be done, the costs of the various work units, the purpose of travel, the ends to be served by printing or office supplies. The programme plans are in terms of the jobs to be accomplished; the controls are related to responsible management, the information tells what works is being or will be done in relation to what was authorized in the past.

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Performance budgeting comprises five essential elements : (a) programming, or the subdivision of the government budget for information purposes into programmes and activates representing identifiable

unit

with similar aims and/ or operations; (b)

identifying the operational aims of each programmes and activity for the budget year; (c) budgeting and accounting for each programme so that the separate costs ad revenues each programne and activity are shown, (d) measuring the outputs and performance of activities so that these can be related to their cost and to operational aims;

and (

e) using the resultant data to establish standards and norms so that costs and performance can be evaluated and government resources used more efficiently.

Performance budgeting,

in its simplest terms marks the move away from merely managing numbers in a budget toward some understanding of outcomes. These outcomes can be widgets produced, hours spent in training for war, or clients seen by an agency. It marks the first steps toward the use of policy- based outcomes.

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The traditional budget is generally an incremental line-item budget based on historical or empirical methods of estimating revenues and 80 expenditures. Soon after national independence, the Government launched comprehensive socio-economic development

through five year plans, divided into annual plans.

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Apart from a detailed planning process, these involved three major concerns: (i) raising and allocating additional resources-both internal and external; (ii) enlarging the responsibility functions of budgets, and (iii) strengthening the systems of expenditure control. Following national independence, there was a growing awareness by legislators, taxpayers and budget authorities

of

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the need for a structural change in the budget so that additional budgetary input could be compared with additional output. In 1965 the United Nations published a Manual for Programme and Performance Budgeting and suggested that the developing countries could adopt this technique with view to obtaining a better return on resources. The Indian Government appointed a high-level Administrative Reforms Commission which recommended the introduction of a performance budget as an instrument for budgeting in terms of physical inputs and outputs, in addition to budgeting purely on financial terms. As a result of this recommendation performance budgets were developed taking into account international practices in conjunction with the national planning structure. The Planning Commission, which acts as the apex body of planning in India for all sectors, substantially performs the planning functions of the budget, in contrast to other countries where these are handled by the Ministry of Finance, the Treasury or other budgetary authorities. Performance budgets in India are prepared in addition to the budgetary documents required under constitutional or other legal provisions. Emphasis is placed on comparing the effects of financial inputs with physical outputs. These budgets provide various performance indicators in both financial and physical terms. 2.1.2

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Principles There are three interrelated considerations or basic steps in the development of performance budgeting in an organization. They are: a) Evolving a meaningful classification structure in terms of programmes, projects and activities under each function entrusted to an organization in order to show precisely its objectives, the work done and the organizational responsibilities b) Bringing the system of accounts, reporting and the prevailing financial management practices in general into accord with the now classification and requirement of performance budgeting, and c) Establishing suitable work units work for physical measurement of work done, or services rendered under each programme and activities and developing suitable norms, standards and other performance indicator for appraisal of performance. In fact, performance budgeting attempts to integrate the planning, budgeting, costing, reporting and control systems of the organization. In its ultimate application, this approach involves a sound budgetary operation, financial discipline, skilled and responsible manpower both for budget formulation and

for

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execution, a frequent and efficient system of recording and reporting financial and physical data, and close coordination between various governmental agencies and the centre budget agency. 3 Performance budgeting is very useful

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developing countries. It facilitates better programming, decision-making, review and control for a more intelligible presentation of government activities to the public and the legislature. Broadly speaking, the main purposes sought to be served by performance budgeting are: a) To correlate the physical and financial aspect of every programme/activity; b) To improve budget formulation, review and decision making at all level of management in the government machinery; c) To facilitate better appreciation and review by the legislature. d) To make possible more effective performance audit; e) To measure progress towards long-term objectives as envisaged in the plan; f) To bring annual budgets and development plans closely together through a common language. 2.1.3.

Processes of Performance

Budgeting : A performance budget is prepared in functional categories, such as agriculture, education, industry and health. Each functional category is

divided into 'programmes', for instance, health may be divided into primary health, child health, and public health.

Each programme is subdivided into activities which in turn, are further divided into 'projects'. Activity

constitutes the collection of similar types of work in a programme,

the purpose of which is to contribute to the achievement of the

latter, for example, training of

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primary rural health workers in an activity in the public health programme. 'Project 5 entails any activity which requires capital investment, such as building hospitals and health clinics. There are four main steps or phases of performance budgeting. They are: (i) compiling a functional classification of all governmental activities in the manner discussed above;

(ii)

evolving a system of fiscal management and cost reporting which may be in accordance with the objectives of a programme budget;

iii)

developing accurate statistical weights and measures of assessing government performance in terms of adequacy and unit

costs; and (iv)

establishing in the budgetary processes, an objective system of performance evaluation to provide periodic feedback to executors of public policies.

The entire budgetary process of a performance budget entails certain basic steps: The first step is to indicate the organizational structure of the agency and the objectives of that table. Tabular presentation of the budgetary needs of the organizations, contains three basic elements: (i) a programme and activity classification; (ii) object-wise classification showing the same expenditure divided into broad object-wise expenditure groupings, such as establishment charges, travel, grants-in-aid, etc; and (iii)

sources of financing indicating the demand numbers and major heads under which these outlays are included

in the current appropriation structure. The third step consists in providing an explanation of the financial requirements.

This needs to be done with reference to each of the programmes included in the table. The purpose of this explanation is to provide some indicators that are capable of reflecting the performance aspects of the organization. Performance budgeting serves many useful purposes and fulfils many shortcomings of the line-item budget.' It is becoming increasingly popular as a tool of fiscal management and policy in modern financial administration. In the first place it makes it possible to establish identifiable linkages between policy and performance, inputs and outputs, the physical and financial aspects of governmental programmes and activities. Secondly, it would improve upon the budgetary processes and related

83 fiscal policy making coupled with the analysis of actual governmental performance. Thirdly, it would help to evolve a better system of financial accountability and legislative control. Fourthly, it would facilitate the processes of audit of government operations. Fifthly, it would male effective result-oriented assessment of the long- term development policies of the government. Sixthly, it would be the innovator of far-reaching reforms in financial administration. Seventhly, it would help eliminate waste and inefficiency in the financial transactions of government, make budgets y direction oriented and more development motivated. Last but not the least, it fixes responsibility very precisely besides giving a clear picture of revenue and expenditure alternatives. The adoption of performance budgeting imposes many initial difficulties especially in countries where the traditional from of budgeting has been continuing for a long time. The major reasons for this discussed as follows: (a) The government performance is not always easily quantifiable and often may not have clearly visible results. In the absence of quantitative performance units an attempt to correlate plan programmes to budget heads often become a futile exercise, for example, law and offer activity is a government activity whose 'result' or 'performance' cannot be very objectively measured. (b) The difficulty relates to the lack of cost-accounts. Many assets of the government agencies cannot be accounted for in terms of units costs. (c) A problem in adopting the performance budgetary procedure is the arduous tasl of linking accounting heads with development heads. The difficulty arises dur to the fact that the development heads such as agricultural production, education, and health are spread at different major heads of accounts, with the result that it is very difficult to decipher the total expenditure on all the schemes under a development head. Therefore, it is often impossible to know what had been originally planned-and their costs. In India, proposal in favour of performance budgeting started originating in the mid-fifties. The Estimates Committee discussed budgetary reforms in its twentieth report and recommended the adaptation of performance budgeting in India. It reiterated this recommendation again in its report in 1960.

84 Following the recommendation of the Administrative Reforms Commission in 1968, strongly urging the central and state government to adopt this new form of budgeting, performance budgets of four central ministries were prepared that year. In 1977-78 about thirty-two developmental departments in the central government switched over to performance budgeting. Many state governments have also now introduced performance budgeting in selected departments. However, the system of performance budgeting in India suffers from the same limitation discussed earlier (in the limitation of performance budgeting). Problems have arisen in the setting up of work units and in estimating costs. Regional diversities have resulted in different local precedents in costing procedures. In the absence of universal norms and standards of performance evaluation much of the benefits of this type of budgeting in terms of efficiency and performance are lost. In India, the achievement figures are oftern not quoted in concrete physical terms and techniques of cost measurement has no been followed right down to each cost centre. Targets and estimates are yet to be explained in terms of relevance and objective as clearly as they should be. To overcome these shortcomings a reorganization of the heads of accounts to bring them inline with the heads of development is first required. A reform in the accounting system is also called for. A measure of rationalization of the administrative organization of government ministries and department will also facilitate the processes of performance budgeting. Lastly, a complete integration of planning and budgeting in imperative for a greater degree of success in the 'performance' of programme budgeting in India.

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Performance budgeting as a tool is manageable or unwieldy depends largely on the skill of the tool-maker. How effectively it is applied depends on the skill, imagination, energy and strength of purpose of the user. All it can provide is a meaningful basis for administrative planning, executive coordination, legislative decisions and administrative accountability at all levels of government. It is by no means a substitute for responsible public administration. 2.2 ??

Planning, Programming and Budgeting System (PPBS) Schick (1966) has described the application of PPBS as being an effort to change the fundamental, repetitive cycle of budgeting to that point (at the

85 federal level) toward one that was future- oriented. Jones has described the application of PPBS in the Department of Defense and found this to be essentially true—particularly for well-settled issues such as the impact of U. S. commitments abroad or PBS requires Planners focus on operational requirements, programmers link the plans to a six year financial plan (known as a Future Years Defense Plan (FYDP)), and budgeteers prepare a two year Congressional budget. While each step contains more detailed financial data, the two-year Congressional budget stems from the six year Future Years Defense Plan, which is based on the even longer term Defense Plan. As the name suggests,

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the Planning, Programming and Budgeting System (PPBS) has three components: planning, programming and budgeting.

The ultimate objective of PPBS is to provide the best mix of forces, equipment and support attainable within fiscal constraints. PPBS enables senior leadership to assess alternative ways to achieve the objectives established by the President and the Secretary of Defense. The decisions from the PPBS involve balancing near term readiness, sustainability and force structure requirements with long term modernization needs to ensure a warfighting capability today and in the future. The PPBS process is run on a very structured schedule because of planning constraints for a particular Fiscal Year. The first attempts to bring rational choice to the management of a defense budget coincided with the U.S. involvement in Vietnam. Terms such as systems analysis, as well as planning, programming, and budgeting systems (PPBS) and functional costing, became common in defense management. Much of the intellectual capital invested in these techniques came from economists, whose discipline in costing.

2.2.1 Planning Program planning establishes a direct linkage from strategy to programmatic decisions through a single organization in order to develop comprehensive roadmap's comprising end-to-end analyses of warfare capabilities. Program planning seeks to answer the following questions: How is the defense capability requirement entered into the next decision- making (PPBS) cycle? How much of this capability can be afforded? What programmatic adjustments must made to gain/prepare for this desired capability?

86 The capability of manpower and personnel is measured as a function of quantity (ability to provide specific numbers of military and civilian personnel to meet requirements) and quality (ability to provide specific skills, grades & experience levels to meet requirements). End-to-End Capability is expressed as the ability to access, retain, and distribute specific quantities of trained personnel to fill defense requirements.

2.2.2 Programming The objectives are to: ? Match available resources against validated requirements ? Convert planned requirements into resources needed to provide them ? Develop a balanced defense program for submission to government ? Defend the proposal through program & budget review All the web addresses given in bibliography.

2.2.3-Budgeting* The budgeting program is analyzed for near year execution. The output of the exercise is constituted by the budget exhibits, by budget line item. Adjustments to it may be made by holding hearings by providing justifications of programmatic changes. The budget process accommodates changes. treaties on defense spending. He also found that PPBS did not respond well to short-term issues any day- to-day conflicts. Schick (1975) by the time that PPBS had been abandoned by the federal government defended its use by raising its short comings, and are useful as advice for those considering policy-oriented budget decision systems. Both Schick and Lee have identified the value of policy-oriented budgeting systems as their ability to move the budgeting process itself away from the traditional serial, repetitive nature toward the ability to anticipate the future. While limits are obvious regarding the ability of any organization to accurately forecast the future, policy-oriented budgeting systems allow for the orientation of the budgeting process to become forward, not the current year or backward. First, they are complicated and require much support, both moral and *

* All the web addresses given in bibliography.

87 otherwise from management. It takes time for the newly introduced system to educate, recruit, and train the necessary policy generalists and budget analysts capable of running such a system. This maturation of such a complex system does not follow election cycles or other formal time lines. It is difficult and may well be impossible in some areas of government activity to develop performance goals, objectives, and measures that make sense: If it is difficult to measure, then it will be difficult to accurately incorporate that part of the government in a policy-based budget decision system. The measurement problem is somewhat fundamental and has been widely cited in the literature as a criticism of cost-benefit analysis. Such analysis is closely related to performance measures, and similar difficulties exist. It is difficult to quantify or value certain government activities. Wildavsky (and to some degree Wildavsky and Pressman in their evaluation research) makes the point in "Rescuing Policy Analysis from PPBS" that policy analysis, in and of itself, is difficult enough when applied to limited areas. It is further weakened when it is applied government-wide and on a system of deadlines intended to be used to ultimately authorize a budget. This criticism must be placed in its appropriate historic context (and his views at the time toward incrementalism), but its essence remains a valid concern. Schick argued that the demise of PPBS was due, in part, to unrealistic expectations, unrealistic time lines for implementation, and its wide spread application, too soon. However, Caiden has noted that it is necessary to embrace the advances in technology and the changes in the quality of the workforce to redesign policy-based budget decision systems. As budget theorists look forward toward continued development of the public management aspect of budgeting, such issues will come to the forefront. The advent of Drucker's knowledge society and the development of Warren Bennis's "organizations of the future" provide us with a useful framework (and practical reasons) to improve the success of policy-based budget decision-making systems. New computer technologies and highly centralized/decentralized computer and information networks can better enable the staff of central, executive budget agencies to develop realistic measures of performance. This type of analysis could even become "transparent" to the line agencies as each on-line budget and agency performance data becomes a virtual data base for the application of sophisticated technology-based performance evaluation techniques. If the new technologies are properly harnessed and if the corresponding budgeting systems are properly designed, then appropriate

88 functions can be centralized while others decentralized. PPBS is in effect on integrating of a number of techniques in a planning and budgeting process for identifying, costing and assigning a complexity of resources for establishing priorities and strategies in a major program and for forecasting costs, expenditure and achievements within the immediate financial year or over a longer period. United States Department of Defense leaders use their Planning, Programming, and Budgeting System to link operational requirements with financial obligations. Department of Defense branches typically divide the process into plans, programs and budgets. While planning, programming, and budgeting continues throughout the year, PPBS dictates a sequential and annual process culminating with annual Defense Plan, followed by a Defense Program, then a Defense Budget. Program and activity structure Program Objective evaluation setting Performance Performance measurement Indicators Linking expected results to expenditure The existence of the new technologies are also providing a different kind of worker. These workers are better educated in general, and are the most "technology-able" workforce mankind has ever produced. The early "failures" of policy-oriented budgeting systems such as PPBS, PERT, MBO, and ZZB may, in large part, rest on the (in)ability of the workforce in general to use such sophisticated technology. Most of the "whiz kids" of the era located in and operating out of highly centralized offices using "magical" new techniques and technologies. This served to effectively separate them from the users and implementers of these highly complex systems. Bounded rationality exists, as do constraints of time, space, and interest. However, the sophisticated computer systems and technology proficient work

89 force of the late 20th century have the potential to expand any individual or institutional "bounded rationality" to a point never before experienced by public manager. These expert systems and quality employees will also design user friendly systems that do not require the investment of the early systems to obtain answers about performance or goals. This will increase the acceptance and usefulness of these policy-oriented budgeting systems. 2.3 Zero-Base Budgeting The idea of ZBB was given by Peter Plyrr in 1970. The first person to adopt was Jimmy Carter in 1973 when he was governed to GEORGIA. When he became president of USA in 1979, he introduced ZBB. Under ZBB no base or minimum expenditure level is presumed for any activity. ZBB means the past is cut off and the present is regarded as a clean state and all departments have to start from a scratch. It is also called Sunset Budgeting.

Difference between Conventional Budget and Zero Based Budgeting- 1. Base is always presumed. In ZBB the base is regarded as Zero. 2. All the department submits their budget of finance ministry. FM uses to present the budget in the collective manner. Every department has to present the budget independently. Accountability increases. The PPBS Framework Determining needs, programs, Strategic planning and activities ? Setting objectives, program priorities and strategies Budgeting ? Determining inputs ? Monitoring and control Determining output levels ? Measuring and evaluating performance

90 PPBS seeks to achieve the twin objectives of results orientation and forging the input-output link through the following features: ? Program and activity structure; ? Objective setting; ? Performance indicators and budgeting by planned performance levels; ? Linking expected results to expenditure ? Performance measurement and reporting; and ? Program Evaluation. 3. There is only one time assessment of the budget that is at the time of the presentation of budget. Every time the assessment is made, one can easily cut down the expenditure if it is increasing and can be shifted to other head if it is becoming non-productive. 4. Even with a department the whole activity is combined and then the budget is being given to Finance Ministry. It is not only made department wise but section wise. 5. Even the priority sector cannot be immediately determined. Therefore, ZBB has essential all the three advantages. A. Whether to spend? B. How much to spent? C. Where to spend? Limitations of ZBB. 1. The charged items can't be calculated. 2. Subsidy and populism are very influenced in India. 3. Bureaucratic hurdles. As it would indicate their performance. 4. Defense, law and order maintenance of foreign affairs can't be managed easily. Following a considerable period of investigation and examination, zero- base budgeting was adopted in India in 1986 as a technique for determining expenditure budgets. Accordingly the Ministry of Finance instructed all the administrative ministries to review their respective programmes and activities in order to prepare expenditure budget estimates based on the principles of zero-base budgeting. Although this budgeting system has not yet been fully implemented in India, it is envisaged that the following essential steps should be taken by all ministries and departments: (i) Establishment of precise objectives for each function, and programme or project;

91 (ii) Identification and analysis of decision units, (iii) Formulation of decision packages; and (iv) Ranking of decision packages. There has been some resistance by ministries and departments to the full implementation of zero-base budgeting. However a much more stringent degree of scrutiny and cost benefit analysis with clear prioritization of activities and programmes will have to be done if budgetary imbalances are not to be allowed to go beyond control. 2.4 ??Bibliography (<http://www.imf.org/external/np/rosc/hkg/index.htm>.) (see <http://www.info.gov.hk/fb/budget2000-01/english/eindex.htm>): at<http://www.idasa.org.za/>). (<http://w3.access.gpo.gov/usbudget/fy2001/maindown.html>). (see <http://www.meh.hu/default.htm>) (http://www.hmtreasury.gov.uk/Budget/Budget_2000/bud_bud00_index.cfm?). (<http://www.imf.org/external/np/rosc/fra/index.htm>). (<http://www.imf.org/external/np/rosc/rosc.asp>). (<http://www.treasury.govt.nz/forecasts/befu/2000/> — — —

92 Module-II ?????????Unit-3 ? Public Goods Structure 3.0 Introduction 3.1 Definition of Public Goods 3.2 Types of Goods 3.3 Theories of Public Goods 3.3.1 The Normative Theory of Public Goods 3.3.2The Positive Theory of Public Goods Supply 3.3.3Concluding Observations 3.4 The Free Rider Problem 3.4.1Possible Solutions to The Free Rider Problem 3.5 Cost-Benefit Analysis (CBA) 3.0 ??Introduction Public finance is now an exciting field of scholarship for a very simple reason. Scholars have only recently begun to look at fiscal phenomena through a different perspective. New insights are appearing. New relationships are being derived; old and established institutions and ideas are being subjected to critical analysis. Paradigms have not yet emerged to fix irrevocably the thought patterns of professionals. The theory of public goods remains in a preparadigm stage of development. In the early and mid-nineteenth century when laissez-faire served as an intellectual model for social order, almost no intellectual historians designed a theory of public goods to parcel the devefoprntofthe theory of private goods. There was rather a drive from socialist reformist thinkers in all its varieties to think for a shift of goods from private or market organization to public or governmental-political organization In the political sphere, no attempt was made to relate outcomes to individual values, and policy analysis proceeded on the possibility of assumption of benevolent despotism. This policy presumption was maintained, even when history witnessed the extension of suffrage at least apparently to everyone. From the neoclassical English utilitarians to the absolute individualist thinkers, no body fostered notions of 'public good'in political theory.

93 Socialist and nonsocialist scholars alike tended to accept the dichotomy between the public and the private sectors of the economy. Socialist proposals aimed at shifting the private production of private goods to collective management. Few questions were raised about “public” supply of “public” goods, for the most part, those which had been collectivized from the outset. This sector was not, presumably, subject to economic analysis; it received little attention from socialists or nonsocialists. In this sector, decisions were presumed to be made “politically” and not to be subjected to the analysis applied to decisions on the demand and supply-of private goods, whether these should be provided in markets or by governments. These comments are fully applicable only to the English-American tradition. Continental scholars like Wicksell, however, dominates the scene and he remains the intellectual father of modern public-finance theory. He tried to link the economics of public finance to the actualities of democratic process, at least a half-century in advance of his professional colleagues. The Italian scholars, like Francesco Ferrara, who wrote in the 1850s and 1860s, proceeded in the same way, though with lesser precision. Mazzola, Pantaleoni, de Viti de Marco, Einaudi, Barone, Fasiani are a few of the outstanding names in Italian tradition who stressed on a recognition of the productivity of public services to individuals,—on the identity of the producers and consumers public services—in an effectively democratic model, and on the cold realities of exploitation through governmental-fiscal processes. These scholars were almost wholly ignored by the followers of utilitarian pleasure-machines. German scholar Sax also mentioned about “public” goods, although his ambiguities concerning collective wants tend to overwhelm the real insights, that he possessed. Finally, the Swedish scholar Erik Lindahl, who, although was influenced by Wicksell, tended to concentrate attention unduly on the bargained solution to the public-goods problem and to shift attention away from the political-economic relationship properly stressed by Wicksell. Public-finance economists were ignored because of their lack of understanding of the whole political process. They remained unconcerned with the way fiscal decisions actually get made, and they were apparently quite willing to define the whole expenditure side of the budget as being outside the pale of their analysis. It is but small wonder that little progress was made toward either an acceptable normative theory or a positive predictive theory of public finance until near the close of the interwar period. Musgrave’s discussion of Lindahl’s model, along with Howard Bowen’s

94 examination of voting and resource allocation, mark the beginnings of the modern era. These contributions were supplemented and the scope of theory expanded by Paul Samuelson’s rigorous formulations of the efficiency conditions in his 1954 and 1955 papers. Wicksell was made available to English-language scholars in translation only 1958, along with other important continental writers. Only since then we have begun to witness a flowering of interest in public-goods theory, generally, and this interest has not yet reached its zenith. In economics, a public goods is a goods that is non-rival. This means: consumption of the goods by one individual does not reduce the amount of the goods available for consumption by others.’ For example, if /one individual eats a cake, there is no cake left for anyone else; but breathing air or drinking water from a stream does not significantly reduce the amount of air or water available to others. The term public goods is often used to refer to goods that are non- excludable as well as non-rival. This means it is not possible to exclude individuals from the good’s consumption. Fresh air may be considered a public goods as it is not generally possible to prevent people from breathing it. However, technically speaking such goods should be called pure public goods. These are highly theoretical definitions: in the real world there may be no such thing as an absolutely non-rival or non-excludable goods; but economists think that some goods in the real world approximate closely enough for these concepts to be meaningful. Non-rivalness and non-excludability may cause problems for the production of such goods. Specifically, some economists have argued that they may lead to instances of market failure, where uncoordinated markets are unable to provide these goods in desired quantities. These issues are known as public goods problems, and there is a goods deal of debate and literature on how significant they are, and on what their solutions might be. These debates can become important to political arguments about the role of markets in the economy. More technically, public goods problems are related to the broader issue of externalities. 3.1 ?? Definition of Public Goods Paul A. Samuelson is usually credited as the first economist to develop the theory of public goods. In his classic 1954 paper The Pure Theory of Public Expenditure he defined a public goods, or as he called it in the paper a

95 "collective consumption goods", as follows: '...[goods] which all enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good...' This is the property that has become known as Non-rivalness. In addition a pure public goods exhibits a second property called Non-excludability: that is, it is impossible to exclude any individuals from consuming the goods. The opposite of a public goods is a private good, which does not possess these properties. A loaf of bread, for example, is a private goods: its owner can exclude others from using it, and once it has been consumed, it cannot be used again. A goods which is rival but non-excludable is sometimes called a common pool resource. Such goods raise similar issues to public goods: the mirror to the public goods problem for this case is sometimes called the tragedy of the commons. For example, it is so difficult to police deep sea fishing that the world's fish stocks can be seen as a non-excludable resource, but one which is finite and diminishing. It should be emphasised that these concepts are highly theoretical. For example, the definition of non-excludability states that it is impossible to exclude individuals from consumption. In reality, perhaps any ----- can become excludable: for example, radio or television broadcasts have in the past been used as a classic example of non-excludable goods. But as technology has developed, it is now possible to encrypt these signals so that anyone without a special decoder is excluded from the broadcast. Many forms of creative works have characteristics of public goods. For example, a poem can be read by many people without reducing the consumption of that goods by others; in this sense, it is non-rival. Similarly, the information in most patents can be used by any party without reducing consumption of that goods by others. Creative works may be excludable in some circumstances, however: the individual who wrote the poem may decline to share it with others by not publishing it. Copyrights and patents function to encourage the creation of such non-rival goods by providing temporary monopolies, or, in the terminology of public goods, providing a legal mechanism to enforce excludability for a limited period. For public goods, the "lost revenue" of the producer of the goods is not part of the definition: a public goods is a good whose consumption does not reduce any other's consumption of that goods.

96 Excludable Non-excludable Rivalrous Private goods Common pool resources food, clothing, toys, water, fish, hunting game furniture, cars Non-rivalrous Club goods Public goods cable television national defense, terrestrial television Private and Public Goods As well as public goods there can be public bads that have negative externality effects instead of positive ones. For example, pollution or political corruption may be bads that show some of the same non-excludability and non-rivalness properties. The economic concept of public goods should not be confused with the expression "the public goods", which is usually an application of a collective ethical notion of "the goods" in political decision-making. Another common confusion is that public goods are goods provided by the public sector. Although it is often the case that Government is involved in producing public goods, this is not necessarily the case. Public goods may be naturally available, they may be produced by private individuals and firms, by non-state collective action, or they may not be produced at all. The theoretical concept of public goods does not distinguish with regards to the geographical region in which a goods may be produced or consumed. However some theorists use the term global public goods to mean a public goods which is non-rival and non-excludable throughout the whole world, as opposed to a public goods which exists in just one national area. Knowledge is held to be an example of a global public goods. Collective goods (or social goods) are often defined as public goods that could be delivered as private goods, but are usually delivered by the government for various reasons, including social policy, and financed from public funds like taxes. 3.2 ??Types goods Goods may be of various kinds: public goods - private goods - common goods - common-pool resource-club goods - anti-rival goods, rivalrous goods

97 and non-excludable goods. It may be clarified as complement goods vs. substitute goods -free goods vs. scarce goods, positional goods, (non-)durable goods, intermediate goods (producer good), final goods, consumer goods, capital goods. inferior goods, normal goods, ordinary goods, luxury good, superior goods search goods, (post-) experience goods, merit credence goods, demerit goods etc. Areas of Public Goods Common areas of public goods include: defense and law enforcement (including the system of property rights), public fireworks, lighthouses, clean air and other environmental goods, and information goods, such as software development, authorship, and invention. Some goods -such as orphan drugs- require special governmental incentives to be produced, but can't be classified as public goods since they don't the above requirements (Non-excludable and non-rivalrous.) The provision of a lighthouse has often been used as the standard example of a public goods, since it is difficult to exclude ships from using its services and no ship's use detracts from that of others. However, since most of the benefit of a lighthouse accrues to ships using particular ports, lighthouse maintenance fees can often profitably be bundled with port fees (Ronald Coase, *The Lighthouse in Economics* 1974). This has been sufficient to fund actual lighthouses. A public good's status may change over time. Technological progress can significantly impact excludability of traditional public goods: encryption allows broadcasters to sell individual access to their programming. The costs for electronic road pricing have fallen dramatically, paving the way for detailed billing based on actual use. On the other hand, technological progress can also create new public goods. The simplest examples are street lights: they are relatively recent inventions (by historical standards), one person's enjoyment of them does not detract from other persons' enjoyment, and it is impossible to charge individuals separately for the amount of light they presumably use. Note: Some writers have used the term public goods to refer only to non- excludable pure public goods. They may then call excludable public goods club goods.

98 3.3 ? Theories of Public Goods 3.3.1 The Normative Theory of Public Goods Normative and positive strands are closely intermingled in the modern theory of public goods. The normative theory of public goods, best represented in the two basic papers by Samuelson, stems directly from theoretical welfare economics. This subdiscipline is widely acknowledged to be normative in that its allocative norms prescribe the ends or "shoulds" of policy, provided that efficiency criteria are accepted. These norms are, of course, much more carefully circumscribed than were those of the old welfare economics. The formal structure of the new version was developed only in the 1930s and 1940s, although the intellectual origins lie in the work of Pareto. Pareto searched for more rigorous criteria for making policy statements on the basis of the norms for optimality or efficiency. This set of norms allowed economists to classify positions, or proposals for changes in positions, into two separate categories: optimal (efficient) and nonoptimal (inefficient). This classification is accomplished with minimal ethical commitment, and the commitment that is required is such as to command near-universal consent. In a formal sense, the Pareto constructions were highly useful, and remain so, but economists were not fully satisfied with the formal limits. They sought to find more direct application, and this search produced its own exhausting and long-continuing discussion of compensation. This led, in its turn, to the attempts to formulate a "social welfare function," a fictional device that draws attention away from the explicit resort to external and non individualistic criteria. In proper concern of the normative theory of public goods is limited to laying down the necessary original conditions for the allocation of resources to public-goods supply. Multiple outcomes are possible, each of which will satisfy the conditions for efficiency, but the role of the analysis in this normative version is not that of making a specific selection from among these outcomes. Rather its role is that of providing the formal classification scheme that allows the analyst to place all possible outcomes into one of the two sets. Both Samuelson and Musgrave fail to sense what to me seems to be the basic contradiction between the social welfare function approach and the use of Pareto criteria. Samuelson defines the necessary conditions for allocative efficiency with respect to public goods, but after having done so, he then resorts to a social welfare function to select the single best state of the world. It is

99 impossible, of course, to isolate the allocative problem from the distributional one, since the sharing of the inframarginal gains-from-trade as well as the initial position will determine allocative outcomes through the operation of income- effect feedbacks. Conceptually, however, the normative theory should end with its formal statement of the necessary conditions that must be met. Musgrave follows a pattern similar to Samuelson's when he conceptually separates the allocation and distribution functions of the budget. It is difficult to understand the logic of this segmentation if a consistent analytical model is desired considering the inherent contradiction between the problems to resolve distributional issues and the question of relying on norms based exclusively on individual preference orderings. The distribution will, in itself, have feedback effects on allocative outcomes. Much of orthodox economic theory is normative in the sense that these are oriented to providing "government" with "advice" about efficient resource allocation. The contrast between "normative" and "positive" theory is between two sets of objective analysis, the first aimed primarily at specifying precisely the characteristics of results that "should" be aimed for in governmental action on the presumption that efficiency is desired and the second aimed primarily at explaining and predicting the outcomes of collective decision processes involving the participation of many persons. The possibility of separating these two strands of analysis is greater in the theory of public goods than in the theory of private goods, the analysis of markets. In the latter, thorough analysis of the necessary conditions that must be satisfied for overall allocative efficiency carries with it a parallel analysis of the interaction processes through which the voluntary exchange behavior of individuals produces efficient outcomes, given that the familiar set of side conditions is also met. Micro-economic theory becomes at one and the same time a normative theory of public policy to the extent that efficiency objectives are paramount, and a positive theory of market interaction. In the former, the theory conceptually tells the government what conditions should be satisfied; in the latter, the theory predicts the results that will tend to emerge. The normative theory states the necessary conditions that should be met if the relevant decision makers accept overall efficiency criteria. It does not contain in the process an explanation or prediction about the voluntary interaction of individuals operating to meet these conditions. Quite the opposite; the theory more or less directly implies the positive statement that these voluntary interactions will not meet 'efficiency requirements, even in some acceptably proximate sense. In other words, the normative theory of 100 public finance contains a positive statement about "market failure" in the presence of public goods. It stops short of analyzing the institutional processes that might be required to generate efficient outcomes.

3.3.2 The positive Theory of Public- Goods Supply

A positive theory of public finance must begin with the basic efficiency analysis that is contained in the standard normative theory. In addition, it must incorporate the negative result that wholly voluntary behavior of individuals in exchange may not produce outcomes satisfying allocative efficiency requirements. Beyond these essentials, a positive theory must analyze the behavior of persons as they examine organizational alternatives to markets, along with their behavior as they participate in collective decision processes that may be designed to secure mutual gains-from-trade in public goods. The possible failure of voluntary exchange or market mechanisms to generate efficient outcomes arises because of the large-number setting in which individuals find themselves. The free-rider dilemma expresses this critical feature. Despite the presence of this dilemma, however, there exist mutual gains-from-trade in public goods and services, and these motivate individuals to seek agreements or changes in the rules governing behavior, even if there is no incentive for them to engage in person-to-person bilateral exchanges of the ordinary sort. Before such generalized agreements can be properly analyzed on their own account, small-number models may be introduced provided that these are interpreted as useful analogues to large-number models. The models show that, in the absence of the large-number problem, efficient outcomes will tend to emerge from voluntary-exchange processes. Through these models the theory of public-goods supply is placed in a position roughly comparable to the theory of private goods which, in this respect, remains always in small- number settings. The models of bilateral (and later of trilateral) trade or agreement on the supply and financing of public goods are not intended to explain real-world fiscal structures. They should be considered as demonstrations of the pressures that mutual gains-from-trade will exert on persons, who will on the basis of their own preferences, organize "public-goods trades," save as they are prevented from so doing by the large-number dilemma. In this particular aspect, the bilateral models developed by Lindahl, although they are formally similar to those developed in this book, seem to have been misinterpreted, even by some of their expositors. These models should never have been aimed at

101 explaining how voluntary exchange might lead to efficient outcomes in the presence of public-goods phenomena. Properly interpreted, they show how and why efficient outcomes will emerge, given public-goods phenomena, in the absence of the large-number dilemma. In this context, the small-number models represent helpful abstractions in a whole chain of related theoretical reasoning. Much of the criticism of the Lindahl-type models has concentrated on the bargaining or strategic-behavior difficulties encountered in small-number interactions. The primary task of theory is to explain behavior in the presence of public-goods phenomena over large-number groups. Here, the small-number models should, and must, abstract from the specific characteristics of behavior that arise only in small-number interactions. If they do not do this, these models can be of no use in explaining the large-number models that must finally be developed. The simple trading models demonstrate only that efficient outcomes will tend to emerge in the extremely rarefied conditions imposed. If the number of persons is small, and if they behave vis-a-vis other persons as if they are in large-number circumstances, ordinary exchange will generate outcomes that may be classified as optimal. The free-rider analysis, following hard on these trading models, demonstrates that the extension of numbers is sufficient to eliminate the optimality properties of predicted trading outcomes. The next stage of a positive theory is apparent. Individuals, recognizing the failure of voluntary-exchange organization, but also continuing to recognize the presence of mutual gains-from-trade in public goods, may propose "rules changes" that will so modify the conditions for individual choice as to secure at least some if not all of the gains-from-trade that are promised. This stage involves the logical derivation of "fiscal systems" as a part of the whole political order from the basic preference orderings of individuals. The "constitutional rules" that describe the fiscal system must include rules concerning the making of budgetary choices in all aspects. These must include rules for deciding among alternative proposals that might be presented, rules for selecting which goods and services are to be supplied publicly rather than privately, rules for determining the characteristics and the extent of provision for those goods and services that are to be privately supplied, and, finally, rules for allocating the costs of these publicly supplied goods and services among individuals and groups in the whole community. The mere enumeration of these different sets of rules or institutions suggests the magnitude of the task required before the construction of any

102 complete positive theory. The simple efficiency norms provided by the orthodox Pareto criteria are no longer directly applicable. At another level, efficiency criteria can be evoked, as suggested in some of the earlier discussion, but these are more complex. An extension of Pareto criteria to the predicted operation of rules or institutions becomes possible, and, in one sense, the standard normative theory of public goods can be extended in this manner. This extension goes beyond the problems of determining how much and which public goods should be supplied and moves toward the problems of determining which set of fiscal institutions should be selected. The extended normative theory involves the discussion of the optimal or efficient fiscal constitution. This extension of theory to the analysis of alternative rules or institutions is more natural in a positive than in a normative approach. In the former, the extension of analysis to the problems of choice among rules becomes an essential follow-on stage. With the normative theorist, having completed his derivation of the required efficiency conditions, there is the underlying presumption that the collectivity, the government, will somehow implement his implied recommendations, or, at the least, will take these into account in the policy mix that it does finally select. With the positive theorist, there is no such underlying presumption since the collectivity simply does not exist apart from the individuals that make up the community. Collective action must be "explained" and "understood" through individual behavior. There are two separate parts of this institutional stage of a positive theory of public finance. The first consists in the development of a logical theory of individual choice among alternative institutions. This is closely akin to the economist's standard theory of individual choice, and it creates no conceptual difficulties. The procedure here is one of examining the choice among alternative institutional structures in terms of an individual decision calculus. The second part of a theory of institutional choice, as an integral part of a positive theory of public finance, is essentially empirical. Perceptive observations of real-world fiscal structures are needed, and the analyst must try to isolate the central elements in such structures that serve best to explain and predict. Conceptually, models of real-world institutions can be tested; hypotheses can be refuted, and, in turn, different hypotheses can be suggested. Painstaking accumulation of the record of historical experience, careful presentation of descriptive detail, and comparative analysis: these are all necessary.

103 3.3.3 Concluding Observations There seems to be no need for a normative-positive clash on methodological principle. The normatively oriented economist who remains within the Pareto-efficiency framework and who is willing to stretch his constructions beyond their normal limits can be of great assistance to his positivist counterpart who /explicitly rejects global efficiency criteria and seeks to predict the results of individual behavior in institutional constraints. The distinction between these two need not lie in the particulars of analysis; the distinction lies instead in the somewhat greater willingness of the normativist to stop short of full explanation, to consider his strict role as "economist" finished once he has completed what, to the positivist "political economist," seems only a part of the job. The theory of "The Demand and Supply of Public Goods" remains in a preparadigm stage of development. Also for this reason, no single treatment or presentation is likely to command universal assent among informed scholars nor is it likely to be free of its own ambiguities, confusions and contradictions. 3.4 ?? The Free Rider Problem Public goods provide a very important example of market failure, in which market-like behavior of individual gain-seeking does not produce efficient results. The production of public goods results in positive externalities which are not remunerated. Because no private organisation can reap all the benefits of a public good which they have produced, there will be insufficient incentives to produce it voluntarily. Consumers can take advantage of public goods without contributing sufficiently to their creation. This is called the free rider problem, or occasionally, the "easy rider problem" (because consumer's contributions will be small but non-zero). For example, national defense is a standard example of a pure public good. A purely rational person (also known as homo economicus) is an individual who is extremely individualistic, considering only his own benefits and costs that directly affect him or her. Public goods give such a person incentive to be a free rider. A purely rational thought about exerting some extra effort to defend the nation provide the individuals with very low benefits, since the benefits would be distributed among all of the millions of other people in the country. Further, there is a very high possibility that he could get injured or killed during the course of his or her military service.

104 On the other hand, the free rider knows that he or she cannot be excluded from the benefits of national defense, regardless of whether he or she contributes to it. There is also no way that these benefits can be split up and distributed as individual parcels to people. So the free rider would not voluntarily exert any extra effort, unless there is some inherent pleasure or material reward for doing so or a legal compulsion. 3.4.1 Possible Solutions to The Free Rider Problem Dominant Assurance Contracts Assurance contracts are contracts in which participants make a binding pledge to contribute to a contract for building a public goods, contingent on a quorum of a predetermined size being reached. Otherwise their money is refunded. Coasian Solution The Coasian solution, named for the economist Ronald Coase and unrelated to the Coase theorem, proposes a mechanism by which potential beneficiaries of a public good band together and pool their resources based on their willingness to pay to create the public good. Coase (1960) argued that if the transaction costs between potential beneficiaries of a public goods are sufficiently low, and it is therefore easy for beneficiaries to find each other and pool their money based on the public good's value to them, then an adequate level of public goods production can occur even under competitive free market conditions. A similar alternative for arranging funders of public goods production is to produce the public good but refuse to release it into the public until some form of payment to cover costs is met. This method of public goods production is a modern application of the street performer protocol for public goods production. In some ways, the formation of governments and government-like communities such as homeowners associations can be thought of as applied instances of practicing the Coasian solution by creating institutions to reduce the transaction costs.

105 Government Provision If voluntary provision of public goods will not work, then the obvious solution is making their provision involuntary. One general solution to the problem is for governments or states to impose taxation to fund the production of public goods. The difficulty is to determine how much funding should be allocated to different public goods, and how the costs should be split. Subsidies A government may subsidize production of a public goods in the private sector. Unlike government provision, subsidies may result in some form of competitive market. Depending on the nature of a public good and a related subsidy, principal agent problems can arise between the citizens and the government or between the government and the subsidized producers; this effect and counter-measures taken to address it can diminish the benefits of the subsidy. Subsidies can also be used in areas with a potential for non-individualism: For instance, a state may subsidize devices to reduce air pollution and appeal to citizens to cover the remaining costs. Legislated Exclusion Another solution, which has evolved for information goods, is to create intellectual property laws, such as copyright or patents, covering the public goods. These laws attempt to remove the natural non-excludability by prohibiting reproduction of the good. Although they can solve the free rider problem, the downside of these laws is that they imply private monopoly power and thus are not Pareto-optimal. Public Spirit If enough people do not think like free-riders, the private and voluntary provision of public goods may be successful. A free rider might litter in a public park, but a more public-spirited individual would not do so, getting an inherent pleasure from helping the community. In fact, a public-spirited person might voluntarily pick up some of the existing litter. If enough people do so, the role of the state in using taxes to hire professional maintenance crews is reduced. This might imply that even someone typically inclined to

106 free-riding would not litter, since their action would have such an obvious cost. Public spirit may be encouraged by non-market solutions to the economic problem, such as tradition and social norms. For example, this kind of public spirit involving concepts such as nationalism and patriotism has been part of most successful war efforts, complementing the roles of taxation and ascription. Regardless of the method of providing public goods, the efficient level of such provision is still being subjected to economic analysis. For instance, the Samuelson condition calculates the efficient level of public goods production to be where the ratio of the marginal social cost of public and private goods production equals the ratio of the marginal social benefit of public and private goods production. 3.5 Cost-Benefit Analysis (CBA) Project evaluation is the most specialized planning which involves systematic, objective and comprehensive appraisal of development programmes for individual commodities and projects. It implies an appraisal or assessment of a project as to its operational efficiency technically, economically, financially and managerially. It involves a probe by a group of outside experts into the working of a project, to find out its achievements and weaknesses, and to suggest ways and means of overcoming the weaknesses to improve its operation. Project "evaluation thus refers to the procedures of fact-finding through the results of planned social action which in turn move the spiral of planning over upward, it is the proper methodological accompaniment." Project evaluation is an integral part of any development programme in order to assess its success or failure and to point out further lines of improvement, it is a process to evaluate the rate of return on a project, its social profitability and its side effects on the growth rate of population, on employment, industry and management training and on rate of reinvestment. Further, it helps to assess the impact of the new project on the people of the area especially on their social and economic conditions. "Evaluation is, therefore, an essential and to policy, it may be considered to be a branch of research which is oriented primarily to the needs of an action programme." "Project evaluation utilizes principles similar to those used in the evaluation of industrial sectors, but it requires more extensive study of individual elements.

107 Whereas sector analysis is applied only to the topical cost and demand conditions in the industry, project analysis takes into account a variety of supply and demand factors. It involves four stages; to make appraisal when the project is in operation in order to find out how much has been accomplished and what remains to be accomplished, to suggest ways and means to improve its operation further and to plug loopholes; and lastly, to evaluate the ends achieved by the project when it is complete and is in full operation. In the methods of project evaluation, the usual stages are: (a) the description of the technical and economic characteristics of each project; (b) the estimation of the influence of the project on the economy, both during the construction period as well as during the operational period, when the investment is completed and the newly productive capacity is in operation; (c) the evaluation of the consequences of the project which may be direct or indirect. The direct effects consist of the immediate contributions to production within the sector of the project while the indirect effects are those in sectors vertically connected with the sector, either preceding or following, because of their direct technological links; and (d) the formulation of the criterion for the selection of the projects. In appraising projects from the national viewpoint the most appropriate and popular method is the cost-benefit analysis. The most scientific and useful criterion for project evaluation, it helps the planning authority in making correct investment decisions to achieve optimum resource allocation by maximizing the difference between the present value of benefits and costs of a project, it involves the enumeration, comparison and evaluation of benefits and costs. This implies weighing of the returns against the costs involved in a project. Thus the cost-benefit analysis "purposes to describe and quantify - the social advantages and disadvantages of a policy in terms of a common monetary unit. Its objective function is the establishment of the social benefit. This objective function can be expressed as $NSB = \text{Benefit} - \text{Costs}$, where benefits and costs are measures in terms of 'shadow' or 'accounting' prices of inputs and outputs instead of actual market prices. The formula $B-C/I$ is "for determining the total annual returns on a particular investment to the economy as a whole irrespective of to whom these accrue." Here I does not include the private investment that may have to be incurred by the beneficiaries of the project, such as the cultivators for an irrigation project. If the private investment happens to be very large, even a high value of $B-C/I$ may be less beneficial to the economy. Thus, this criterion would not give satisfactory results. The adoption of the $B-C$ criterion would always favor a larger project, and make small and medium size projects less beneficial. Thus the criterion can only help in determining the scale of the project on the basis of the maximization of these differences between B and C . But the best and the most reliable criterion for project evaluation is B/C . In this criterion, the benefit-cost ratio is the measure for the evaluation of a project. If $B/C=1$, the project is marginal. It is just covering its costs. If $B/C < 1$, the benefits are more than costs and it is beneficial to undertake the project. If $B/C > 1$, the benefits are less than costs and the project cannot be undertaken. The higher the benefit-cost ratio, the higher will be the priority attached to a project. Since capital and other investible resources are scarce in underdeveloped countries, it can maximize output by using them on a project so that its benefit-cost ratio is higher than that of the next alternative project. The above formula does not take into account the "time horizon" of the project. As a matter of fact, future benefits and costs cannot be treated at par with present benefits and costs. Therefore, the appraisal rules for project evaluation require discounting of future benefits and costs because society prefers the present to the future. For this purpose, economists have devised a number of 'decision rules' or criteria. But we shall confine ourselves to these present value criterion and the internal rate of return criterion. It is an important criterion used for project evaluation. Net Present Value (NPV) is equal to the present values of benefits minus the present value of operating and maintenance costs minus initial outlay. This criterion is also expressed as the net present value of benefits criterion so that $\text{Net Present Value of Benefits} = \text{Gross Present Value of Benefits} - \text{Gross Present Value of Costs}$. A project is socially profitable, if the $NPV > 0$. If there are a number of mutually exclusive projects, the project with the highest net present value of benefits will be chosen. But the explanation of the NPV criterion in terms of benefits and costs is not a correct method for project evaluation because it neglects the time horizon. Capital investments give benefits after a lapse of some time. Therefore,

109 future benefits and costs cannot be equated with present benefits and costs. Since society gives preference to the present over the future, it becomes essential to discount future benefits and costs of projects. CBA is a life cycle analysis of both the costs and benefits associated with a project. CBA is usually associated with capital projects. Basic information needed for CBA: ? Measurement of all costs and benefits. ? Determination of the Net Present Value of all C & B. ? Assessment of the relationship between the costs & benefits. Cost-Benefit Process 1. Specify objective. 2. Identify alternatives 3. Collect & analyze info. 4. Specification of target groups 5. Identification of all costs and benefits 6. Discount all C&B 7. Estimate risk & uncertainty 8. Specify criteria for selection Steps 1-4 are the same as in the basic policy analysis process, Identification of all costs and benefits is a very complex undertaking. Use of classification schemes can assist in the identification process. Identifying Costs/Benefits may be done by proceeding with four questions: 1. Is the C/B Internal or External to a target group? 2. Is the C/B Tangible or Intangible? 3. Is the C/B a direct or indirect result of the program? 4. Do the combined C&B create a real increase in utility or a pecuniary shift?

110 C/B Tree Structure Essential Requirements for simple Cost-Benefit Process to respond to step 5: All Real Costs & Benefits must be taken into account. Pecuniary C&B (A tradeoff, where one person's cost is another's benefit. Also termed redistributive C&B) must be excluded. CBA should be limited to primary Costs & Benefits. Variety of costs must be considered: 1. Capital costs 2. Maintenance & operating costs 3. Opportunity costs 4. Social costs—externalities Many public-sector C & B are, however, not directly measurable. Shadow Pricing for CBA must be used this, it uses a surrogate measure because the Cost or Benefit cannot be measured directly. Cost-Benefit Decisions may be taken by following two Choices : Net Efficiency Redistributive Net Efficiency Redistributive Net Efficiency Redistributive Net Efficiency Redistributive Net Efficiency Redistributive Net Efficiency Redistributive Net Efficiency Redistributive Primary Secondary Primary Secondary Primary Secondary Primary Secondary Directly Measurable Indirectly Measurable Directly Measurable Indirectly Measurable Inside Type of C/B Outside

111 1. Ratio of benefits to costs - used when multiple projects may be selected. 2. Absolute value of benefits over costs - used when trying to achieve maximum utility from selection of one option. Decision Example Project Benefits Costs Ratio Net A 30 3 10 27 B 64 8 8 56 C 100 40 2.5 60 If multiple projects can be chosen, under a budget cap. choose multiple A's. With no constraint, choose C. ??????????Risk Philosophies 1. High Risk philosophy - Marginal productivity of capital in private investment., kesuuis ui conservative investment rate. 2. Moderate philosophy - Social Rate of Time Preference. Compensation necessary to induce consumers to refrain from spending. 3. Low Risk Philosophy - Government borrowing rate without regard for time preference. Raie at which federal government is willing to borrow money. 4. felkhnax philosophy - internal Rate of Return. Rate at which C&B (Net Present Value) are equal.

?????????Strengths of Cost-Benefit Both costs and benefits are measured in dollars as a common unit of value. Allows us to go beyond the confines of a single policy or program and link C & B to society as a whole. Allows direct comparison of programs in widely differing areas. ??????????Limitations of Cost-Benefit Exclusive emphasis on economic efficiency excludes equity criteria.

112 Monetary value is an inadequate measure of responsiveness (e.g. Rs. 1,000 to a rich person una a pooi person - value of money is relative.) The frequent use of shadow prices may be arbitrary and unjustifiable. The bottom line is subject to intentional manipulation to produce a pre- determined outcome. ??????????COST-EFFECTIVENESS Cost-Effectiveness Procedure maximizes value received for a given expenditure. This means not all benefits must be defined or measured ; only key value is to be considered. ??????????Cost-Effectiveness Procedure Steps 1 — 4 are the same as CBA Step 5 — Choose a comparison value criterion (what is the value to be received, lives saved, etc.) Step 6 — Calculate the value for each alternative proposed (to NET PRESENT VALUE). Step 7 — Rank alternatives in terms of highest cost-effectiveness C.E =Value/Costs Step 8 — Recommendation Cost-Effectiveness Advantages ? Less work than CBA ? More applicable to "suit" programs — can be used on non-capital projects ? Flexible Reality-orientation : Effective decision-makers stay in close touch with such ministry realities as resource constraints, morale, team members' capabilities, and learning from mistakes. They have a good sense of what is realistic and unrealistic and how members of the ministry team perceive reality. Their intuition of tilings comes from frequent interaction with team members—from being piuggta in to team activities and fluetuating workplace circumstances. "Management by walking around" is a recently coined phrase that aptly describes this in-touch reality-orientation process. Cost-benefit analysis : Smart decision-makers not only stay in touch,

113 they have a knack for identifying which options will be most fruitful to pursue. This requires keen insight into the probable costs and benefits of action alternatives and an ability to make intelligent trade-offs between the two. Which costs are worth incurring to derive which benefits? Cost-benefit discernment lies With consulting ministry team members, who should always be the decision-maker's closest confidants and well informed about reality. Timeliness: The third quality of smart decision-making is knowing when to make the decision. Both premature and procrastinated decisions can extract a heavy toil. Wise managers realize when more Information is needed to make a decision or when additional team consultation is warranted. They also know when the costs of analyzing a decision further outweigh the benefits. Timely decision-making is the product of experience and, once again, open- minded consultation with the ministry team. Facts balanced with "feels": Decisions result from facts and "feels," but achieving the right balance is never easy. Some managers rely too much on facts while others over-rely on feelings. Both objective analysis and intuitive feel are involved in decision-making, even though some decision-making, even though some decisions are more "head" decisions than "heart" decisions. Whatever the nature of the decision, ministry managers must strive to blend intellect and intuition to achieve decisfon-meking balance. Incrementalism: Effective decision-makers learn most from acting in progressive increments—step by step, phase by phase. The resist the tendency to make important future decisions until receiving icedbuck on the results of related past decisions. Therefore, decisions are made in an interlocking sequence, Incrementalism thus explains wny on-the-job experience promotes sound decision-making. Managers learn wnat works in the ministry and thus make their future decisions accordingly. As economic and social intervention by governments has increased, the limitations of "Inereinentahsm" as a public administration practice have become increasingly apparent. Incrementalism is the tendency of government to tinker with policies rather than to question the value of continuing them. A number of techniques have been introduced to make decisions more rational. A selection of articles discussing this topic in related articles in Encyclopedia Britannica suggests that in analysis of government programs cost-benefit analysis is widely applied. This involves identifying, quantifying, and comparing the costs and benefits of alternative proposals. Another, less successful, technique was the Planning Programming, and Budgeting System 114 (PPBS), introduced into the U.S. Department of Defense in 1961 and extended to the federal budget in 1965. Cost-benefit analysis, sometimes identified with the nignniag—programming—budgetary system (PPBS), represents an effort to improve the planning of government expenditures. Stalling from the fact that public expenditures are not sensitive to the economic considerations of price and profitability but that they nevertheless use up scarce resources that iiaive economic value, PPBS attempts to bring rational choice to the management of a defense budget coincided with the U.S. involvement in Vietnam Terms such as systems analysis, as well as planning, programming, and budgeting systems (PPBS) and functional costing, became common in defense management. Much of the intellectual capital invested in these techniques came from economists, whose discipline in costing. According to PPBS, the objectives of government programs were to be identified, and then alternative means of achieving these objectives were to be compared according to their costs and benefits. In practice, PPBS made little difference in federal budgeting, partly because the objectives of governmental programs were difficult to specify and partly because comprehensive evaluation took too long. PPBS was abandoned in 1971, and similar attempts, such as Management by Objectives and Zero-Base Budgeting, both introduced in the 1970s, were equally short-lived and ineffective. Comparable schemes in western Europe, such as the method called "rationalization of budgetary choice" introduced into France in the late 1960s and the so-called Programme Analysis and Review in Great Britain in the 1970s, were likewise unsuccessful. Quantitative economic measurement is useful up to a certain point, but the value of human life, of freedom from sickness and pain, of safety on the streets, of clean air, and of opportunity for achievement are hardly measurable in monetary terms. Public administration lias thus increasingly concerned itself with developing better social indicators, quantitative and qualitative— that is, better indexes of the effects of public programs and new techniques of social analysis. Another development has been an increasing emphasis on human relations. This originated in the 1930s when what became known as the Hawthorne research, involving the workers and management of an industrial plant near Chicago, brought out the importance to productivity of social or informal organization, good communications, individual and group behaviour, and attitudes.

115 Awareness of the importance of human relations influenced the conduct of public administration. Many shibboleths of administration (hierarchy, directive leadership, set duties, treatment of employees as impersonal "Units" of production, and monetary incentives) were challenged. By the late 1930s the human relations approach had developed into a concept known as "organization development." Its primary goal was to eliaage the attitudes, values, and structures of organizations so that they could ineei new demands. Trained consultants, usually from outside the organization, undertook intensive interviewing of senior and junior staff, ana sensitivity training and confrontation meetings were also held. Unlike the rationalistic PPBS approach, organization development stressed the identification of personal with organizational goals, the "self-actualization" of workers and managers. eifective interpersonal commucation, and broad participation in decision maKing. Its direct use Within government agencies not been limited and has not always been successful, but it has had considerable indirect influence upon administrators. Another modern movement in public administration has been the greater participation or citizens in goven. It was stimulated during the 1950s and '60s by a growing feeling that governments were not responding to the needs of their citizens, particaiarily minority groups and the poor. A variety of experiments to involve citizens or their representatives in making governmental deecisions were begun in the 1960s. These involved the delegation of decision making from centra! to local offices and, at the local level,, the sharing of authority with citizen groups. A current of change is technology. The breakthroughs of an information- and-computer age are not only advancing globalization but are also recasting public policy and management. The impact is rapid and continually changing. On the educational side of public administration, most MPA programs have altered many facets of the educational enterprise accordingly. Not only are there courses exclusively devoted to inculcating expertise; but also many courses in, say, finance or budgeting, rely on computers and information systems in their pedagogy. The field's historic preoccupation with rational, objective decision making revered information and analyses as essential tools of policymaking. Offices of evaluation legitimate the importance of basing policy in its formulation and implementation on exacting analysis. Technology not only facilitates that premise but also accelerates and disseminates it. Cost-benefit analyses,

116 queuing theories, and other modern techniques have especially refined policy in finance and in the delivery of many services like transportation, the deployment of the military, the location and scale of major investments m the infrastructure, the like. But where technology portends some very fundamental shifts in how we conduct the public's business, is show. For-example, agencies still conform in structure and, to some degree, In behavior to the hierarchical, command- and-control models of the past; these tend to insure stability but they also engender rigidity, incrementalism, rule-bound decisions, and other dysfunctions. Technology, with its capacity to span time and space and with its rapidity of transmitting information promises, is the advent of new modes of organizing, decision making, implementing and evaluation. Greater reliance on teams, greater flexibility in organizing for work, greater capacity to coordinate across units and geography are yet to be acquired fruitfully; these manifestation's of change are slow to materialize against the preponderance of past practice, It is partly because of costs and privacy issues, this new technology is slow to revolutionize how governrnment deals with people. Tliat failure finds its costs in time-consuming and often redundant procedures, in the indignities sustained by clients, and in the inconsistencies across policies with respect ro eligibility, certification, and service. This is but one example of just how hard change is even with the prospect of a path-breaking technology. Notes : 1. For current definitions of public goods see any mainstream microeconomics textbook, eg.: Hal R. Varan, Microeconomic Analysis ISBN 0-393-95735-7; Mas-Colell, Whinston & Green, Microeconomic Theory 1SBN 0-19-507340-1; or Gravelle & Rees, Microeconomics ISBN 0-582-40487-8. 2. Paul A. Sarnueison (1954). "

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117 Module-II ??????????Unit 4 ??Public Debt Management Structure 4.1 Public Debt Management 4.2 Bibliography 4.3 Exercises 4.1 Public Debt Management Deficit financing has come to be a widely accepted technique for financing the government expenditure in recent years in both economically advanced and the underdeveloped countries, In the economically advanced countries the technique has been resorted to on a large scale particularly since the Keynesian revolution of the thirties in order to maintain a steady rate of growth of income without inflationary or deflationary tendency in the economy. A major reliance was also placed on this method for financing the Second World War by the belligerent countries during the 'forties. In the low-saving underdeveloped ----- the principal raison d'être for deficit financing has been to forcibly boost the volume of savings and thus raise the rate of growth of income. As necessary corollary of the large increase in the magnitude of deficit financing, there has been parallel increase in the volume and variety of public debt and the government has entered the private credit market as a big borrower. A large increase in the volume and variety of public debt has, in its turn, created some special and hitherto unforeseen problems in the nature of the management of such debt —problems which have often been of such a big order as to have greatly taxed the wit of the government officials entrusted with the task of management of the public debt. A growing volume of public debt imposes a burden on the community to the extent it requires a larger and larger amount of transfer of resources by the state from the taxpayers to the holders of the government obligations and the ultimate limit to the size of the public debt is determined by the feasibility of such transfer. The realization of a larger amount of resources by way of taxes involves increasing amount of strains and frictions; and the less

118 the amount of such strains and frictions, the greater is the possible size of the public debt. It follows from this that the most important prerequisite for an efficient management of the public debt is that the debt should be so issued, the pattern of maturity structure of the bonds should be so fixed, the interest rates should be so managed, taxes should be so devised and bonds should be so redeemed that the strains and frictions are kept at the minimum. The most important requirement for an efficient management of public debt is that the interest rates on the government obligations should be kept at as low a level as possible and the pattern of interest rates on different maturities of the securities should be so worked out as would most neatly conform to the preference pattern of the individuals. The lower the average rate of interest on the government securities, the smaller will be the required amount of the recurring transfer of resources from the taxpayers to the bondholders and therefore, other things remaining the same, the less will be the strains and frictions associated with a given amount of public debt. As a matter of fact, this is the principal reason as to why the advanced capitalist countries, notably the USA and the UK, followed a low interest rate policy on government securities, though, admittedly, in the UK the motive behind it was also the "euthanasia of the renter", which was an accepted policy of the post-war Labour Government. Besides, individuals and institutions generally like to hold debts of different maturities from the shortest to the longest in order to strike an optimum balance in their portfolios between the conflicting interests of liquidity and solvency, on the one hand, and the highest possible interest income, on the other. The officials entrusted with the management of public debt will have to so fix the pattern (as contrasted to the level) of interest rates on the different maturities of government securities that the debt-holders are able to attain the highest possible satisfaction by the holding of a mix of different types of available public debt. In other words, a given amount of loan may be raised by the government through a number of mixes of government securities and through different patterns of interest rates on different maturities of securities and it is the responsibility of the managers of maturities of securities and it is the responsibility of the managers of public debt to work out that asset mix and that particular pattern of interest rates which would conform most to the preference pattern of holders who, as a result, might derive the greatest amount of satisfaction from the holding of the debt. One technique widely utilized by the governments now-a-days in order

119 to make the structure of the public debt conform to the preference pattern of the individuals in called "swapping operation". The operation consists in the simultaneous purchase and sale by the central bank (or any other manager of public debt) of government securities of different maturities, leaving the total volume of the securities unchanged and hence without releasing in or absorbing from the economy any additional bank reserves, but altering the 'composition of the securities and hence the pattern of interest rates on such securities. Empirically it is found that the strategy of the governments in all the countries, who have placed major reliance on deficit financing, has been to deem a very low rate of interest on the shortest-term government securities and to increase the rate gradually, and sometimes by discontinuous spurts, as the maturity period of the debt lengthens. This may give rise to such wide spreads between the short and the long-term rates of interest as to induce pattern-playing switching over from the shorter ends to the longer ends of the market by the holders of the public debt, with the accompanying problem of debt management and the impotency of the monetary policy. Even if such discontinuities or kinks in the interest rate structure on public debt are absent, it should, however, be noted that the shorter the duration of a public debt, the greater will be the ratio of matured debt to total debt at any point of time and the greater, consequently, will be the obligation of the government at any point of time to repay the amount to the lender. The repayment obligation, its turn, will involve the obligation to raise the fresh amount of resources by means of taxes and/or, in the event of the government's decision to maintain the previous volume of public debt, to float a fresh parcel of securities of equivalent amount out of the proceeds of which the due interest obligation may be met. But whatever be the decision taken, it is clear that the proportion of short-term debts to the total volume of public debt, the greater on average will be the incidence of the repayment obligation of the debt of government at any particular points of time with the accompanying problem to fresh tax and/or fresh floatation of debts by the government. This disadvantage of shorter-term debts should be weighed against the advantage of the comparatively small interest obligation on such debts. The longer-term debts, on the other hand, have a comparatively smaller repayment obligation—an advantage which should be counterbalanced by the higher interest obligations on such debts. It follows from the above that any system of public debt under which the holders of the debt are free and/or induced to move rise their debt obligations

120 before their maturity period is bound to create more problems for the managers of public debt than any system under which such freedom and/or inducement is limited or absent. Apart from the adverse effects on an effective exercises of monetary policy which the monetization of public debt involves, a large volume of monetization of the debt obligations by the holders thereof may actually mean that the government's repayment obligation of the debt at any point on time may be virtually unlimited with the exist ion glare size of such debt obligations, with the consequential strains on the central banking systems of the country (which now-a-days is generally entrusted with the stack of floatation and redemption of public debt on behalf of the government). It is, therefore, a great virtue of the art of public debt management that such freedom of and/or inducement to monetization of public debt should be kept at a minimum and various devices have in fact been worked out to this end. One such device is to fix interest rates on intermediate-and long-term government obligations in such a way that the rate of interest per annum on each type of government securities rises progressively; with the increased in the period for which the security is held. Thus though the holder of security is often given option to monetize his debt holding before their maturity periods (in order overcome his resistance to purchasing the government securities particularly when attractive interest rates are offered in the private credit market), he is penalized in the shape of receipt of a very low interests income if he actually monetizes its "too early" and he is rewarded in the shape of a higher interest rate if the monetization is deferred to or near the maturity period of the securities. Another devices to float non-marketable securities; but in this case the advantage of non- monetization should be weighed against the disadvantage of the higher levels of interests rates, which such securities would inevitably bear. A third variant of device is to combine a system of non marketability of the securities for a particular period from the date of floatation of the securities with the features of progressive interest rates, the rate of interest increasing with the increase in the period for which security is held. The issue of large amount to public debt is likely to create stringency in the private capital market, other things remaining the same. This will be so because, assuming that there is not much idle fund in the capital market, the debt which will be floated by the government will be held by individuals, banks and non-bank financial intermediaries which would have otherwise gone to the private capital or money market and this reduces availability of credit in the private credit market and is likely to raise the rate of interests. Such rise in

121 the rate of interest is, however, extremely detrimental to a sound debt management policy. For one thing, a rise in the rate of interest in the private credit market is bound to result in an upward pressure in the government credit market which increases the burden of the public debt. More importantly, it is an accepted notion of debt management policy that there should be an "orderly condition" in the government security market. This "orderly condition" is ensured only if the government can successfully assure the investors in government securities of the continuance of the level and pattern of interest rates stipulated on the government securities. The investors must be assured that after they have purchased the securities they would not have to suffer a capital loss. Major plank of a sound debt management policy is a co-operating monetary policy. Now a days, with the wide power of the government over the central banking organization this co-operation has been quite easy to obtain. As a matter of fact, in the interest of the debt management policy, the central banking system is often made the residual purchasers of the government securities at par so that whenever, e.g., there is an excess supply in the volume of government securities following their holder's willingness to monetize them, the central bank stands ready to purchase them so that the excess supply is wiped out and there is no downward pressure on the security prices or upward pressure on the interest rates. Stated alternatively, with the extensive authority of the government-dominated central banking system to engage in open-market purchase and sale of government securities, the maintenance of stable price of the government securities and thus an orderly condition in the government security market has not been found to be difficult. Thus the floatation of public debt is generally accompanied by required degree of purchase, and redemption by sale, of government securities in the open market by the central bank so that the people's liquidity preference is just satisfied by the injection of money into, and withdrawal thereof from, the system at the prevailing rate of interest. The above policy, while easing the task of management of public debt, has, it should, however, be noted, erected major obstacles to an effective implementation of the monetary policy. In other words, though the floatation of the public debt is deflationary (since it tends to raise the rate of interest) the existence of a large amount of public debt generally has grave inflationary potential so much so as to defy its effective control by a vigorous use of monetary policy. This is so because, apart from the destabilizing effect on government credit market which an increase in the rate of interest, following a

122 vigorous use of monetary policy entails, the presence of a large volume of government securities considerably eases the access of the spending units to money from government securities, because of the latter's characteristics of high liquidity and risklessness which make them close substitutes of money. In other words, government securities are, so to say, "money sitting" which can be very easily transformed into "money on the wing", and hence with the effective money supply thus augmentable, the economy may be subjected to serious occasional inflationary pressures. Account should also be taken of the fact that under a fractional reserve banking system topped by central banking organization, any increase in the holding of public debt by the central bank and the consequent increase in their liability correspondingly increases the cash assets of the commercial banks on the basis of which such banks make a multiple increases in their deposits potential. Further, it is often sought to be shown that the great increase in the amount of public debt and the fluctuations in their demand, supply and prices over the business cycles tend to amplify the magnitude of the cycles. Thus in their earlier phases of the boom the economic units expecting a rise in the commodity prices but no change in security prices, want to hold commodities only disposing of both squirts and money. While an excess supply of securities tends to lower their process and thus raise the rate of interest (since the rate of interest = $1/\text{security price}$), an excess supply of money tends to lower the rate of interest. In the initial phase of the upswing, the second effect is likely to predominate over the first effect and the interest rate is thereby reduced. In the next stage in the upswing when the economic units accept both the commodities and securities at the expenses of money. A rise in the demand for securities causes a further fall in the interest rates that adds further momentum to the upswing. For a fall in security prices in the following stage a rise in commodity prices is accompanied which induces the economic units to hold commodities and money by disposing the securities. This causes a fall in the prices of the securities or a rise in the rate of interest. As the rise becomes sufficient and as it is accompanied with an expectation of a fall in the commodity-prices, the downturn sets in. In the down-swing phase, there is, at first, a shift from the holding of commodities to both securities and money (but more to money) and, as a result, the interest security to money is anticipation al a fall in security process also which causes a rise in the interest rate aggravating the downturn. The expectation of a rise in the security prices revives gradually in the depth from both money and commodity to security which pushes down the interest rate and eventually facilitates the recovery.

123 The above sequences notation are used: C-Commodity; S- Security; M-Money; +, O, and—signify expectation of rise, status quo and fall respectively in the prices, and so on); the indication "→" signifies "shift" by the economic units from the holding of one type of item to another type (e.g. "M → C" means the economic units will shift from money to commodity, and so on). C + C 0 C. S + (3) (7) M→C C →S C →S M→S M →S M 6S

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S 0 (2) — (5) S→C C →S M→C C →M S. (4) — (6) S→C S →C S →

M S→M S →M C →M M→C The Table shows the pattern of shifts between the holdings of the commodities, securities and money by the economic under different sets of expectation of such units of the future course of the commodity and security prices over the course of the business cycles. Starting from the stationary position to the top of the boom and back again to the stationary position the economy passes through the stages from (1) to (2) to (3) to (4) to (1) in the Table. Starting from the stationary position to bottom of the depression and back the economy passes through the stages from (1) to (5) to (7) to (1). It is clear from the above that the existence of a large volume of public debt adds to the severity and longevity of the booms and depressions.

124 4.2 Bibliography ? Cohen, M. D., March, J. G., & Olsen, J. P. (1972). A garbage can model of organizational choice. *Administrative Science Quarterly* 17(1): 1-25. ? Kingdon, J. W. (1995). *Agendas, alternatives, and public policies* (2nd ed.). New York: Longman. ? March, J. G. & Olsen, J. P. (1989). *Rediscovering institutions: The organizational basis of politics*. NY: Free Press. ? Padgett, J. F. (1980) *Managing garbage can hierarchies*. *Administrative Science Quarterly* 25(4): 583-604. ? Sabater, P. A. (1999). *Theories of the policy process*. Boulder, Colo.: Westview Press. 4.3 Exercises 1. What does the word 'Budget' originally meant? 2. What it means in public administration? 3. What is budget? How a government budget is made? 4. Write notes on concept, evolution & budget as a tool for administrative efficiency? 5. How Medium-term budget frameworks and Macroeconomic frameworks are made? Output budgeting 6. What are the key characteristic of a medium-term framework are as follows : 7. What is known as the line-item budget? 8. What are the shortcomings in the conventional budget system? 9. What is known as the principle of performance budgeting? 10. Write essay on the preparation of budget and role of finance ministry? 11. The Role of Parliament in Financial Accountability and Management in India

125 Short questions: 1. Write notes on 2. Deficit financing: 3. Fiscal deficit: 4. Revenue deficit 5. Budgetary deficit 6. Planning 7. Programming 8. The objectives of budgeting 9. Performance budgeting 10. Principles of performance budgeting in an organization. 11. What are the possible solutions to the free rider problem? 12. What is coasian solution? 13. What are smart decisions? Clarify the following concepts: 1. The PPBS framework 2. CB TREE STRUCTURE 3. Prog and activity structure 4. The free rider problem 5. Cost-benefit process 6. Cost-effectiveness disadvantages 7. Cost-effectiveness procedure 8. Cost-effectiveness advantages 9. Cost-effectiveness 10. Dominant assurance contracts 11. Essential requirements for simple cost-benefit process Large Questions: 1. Write an essay on zero-base budgeting and limitations of ZBB? 2. What is public good ? What are the differences between private and public goods ? 3. What are global public good and collective goods?

126 4. What are the types of goods? 5. Write an essay on areas of public goods 6. Write an essay on theories of public goods 7. Write an essay on public debt management 8. Write an essay on meaning and features, measurement of performance budgeting. 9. Write an essay on processes of performance budgeting. 10. Write an essay on Planning, programming and budgeting system (PPBS)

127 Module -III Unit - 1 Financial Audit Structure 1.0 Introduction on Auditing and Accounting 1.1 Introducing Financial Audit 1.2 Purpose 1.3 Evolution 1.3.1 Audit of Government Expenditure 1.3.2 Audit of Companies and Regulation of Auditors 1.3.3 Evolution of Audit Since Independence 1.4 Types of Auditors 1.4.1 Internal Auditing 1.4.2 Role of Executive Departments 1.4.3 Audit Committes 1.4.4 Other Agencies 1.4.5 Local (Third Tier of) Government-Panchaytas and Municipalities 1.5 Stages of An Audit 1.6 Significant Global Audit Firms 1.0 Introduction on Auditing and Accounting An independent audit of financial statements is one of the foundations for the effective operation of the capital markets. Audit quality is vital for maintaining trust in the financial reporting process and the Imegrtly of financial information. Audit teams equipped with a high level of technical skills and empowered with professional skepticism provide the heart and soul of a good audit. Further audit must be done by following some basic principles: ? Audil methodologies must focus on fundamentals and guide good audit judgments. ? Audit methodologies must allow for critical data comparisons, and

128 enhance contextual analysis. Technology can provide for effective information gathering, Compliance tools help the auditor meet professional and regulatory requirements. ? Audit must begin with a broad understanding of an organization to focus on key areas of risk, adequacy of internal controls, and potential fraud. ? Audit must take into account culture, values and code of conduct of the organization concerned, which are fundamental to how business is done. The Organizational culture has a significant impact on audit quality. Cultural values have their role in the capital markets. Simultaneously cultural values should encourage fair judgment and objectivity in auditing. The most

93%

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general definition of an audit is an evaluation of a person, organization, system, process, project product.

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Audits are performed to ascertain the validity and reliability of information,

and also provide an assessment of a systems internal control. Auditing is therefore a part of some quality control certifications such as ISO 9000. An audit is based on random sampling and is not an assurance that audit statements are free from error. However, the goal is to minimize any error, hence making information valid and reliable.

91%

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Traditionally audits were mainly associated with gaining information about financial systems and the financial records of a company or a business. However recently auditing has begun to include other information about the system, such as information about

environmental or academic performance. As a result there are now professions that conduct environmental or academic audits. Universities in recent years go for academic audits for themselves and for their affiliated colleges or institutions (if any).

86%

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Value for Money or 3E's Audit, so known as Performance audit is an independent assessment of the performance of an organization, programme, project or an activity in terms of its goals and objectives-riow far expected results have been achieved from the use of available resources of money, men and material. An examination is made regarding economy, efficiency and effectiveness of public spending, knownas as 3E's audit. ? Economy minimizing the cost of resources used or required - spending less, ? Efticiency the relationship between the output of goods and services and the resources to produce them- spending well. 129 ? Effectiveness: the relationship between the intended and actual results of public spending - spending wisely.

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The concept and technique of audit has undergone a major change during the last fifty years. Before India became independent, the government audit was mostly confined to check against provision of funds, rules and orders and competence of authority concerned to sanction expenditure. With the launching of the Five Year plans for economic and social development there has been change in the pattern of government expenditure necessitating shift in the emphasis, concept and practice of audit as scrutiny of individual transactions became inadequate as it tended to mistake wood for the tree. The Parliament and the public are more interested to know whether various development and welfare programmes are being executed efficiently and whether they were producing the expected results. This lead Audit department to enter in the area oi Performance Evaluation and Value for Money Audit.

92% MATCHING BLOCK 74/235

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Audit department is now producing a iurg'. number of performance reviews every year covering almost every facet of government's working.

93% MATCHING BLOCK 75/235

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In financial accounting., an audit is an independent assessment of the fairness by which a organization 's financial statements are presented by its

governing personnel or ministries cor

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by management, it is performed by competent, independent and objective person or persons, known as auditors or accountants, who then issue

a report on the results of the audit. Such systems must adhere to generally accepted standards set by rule making bodies that regulate the conduct of the organization, it simply provides assurance for third parties or external users that such statements present 'fairly' a organization's financial condition and results of operations.

100% MATCHING BLOCK 78/235

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The traditional audit conducted by the supreme audit institutions (SAI)

is known as Regularity audit which

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implies checking upon the legality of an action taken by a public official or a person using public funds and whether the decision or its implementation is according to the law, rules or regulations governing that activity Gradually its dimension was extended to Financial audit and now to Value for money audit. Financial Audit basically means audit of financial statement and whether they provide reasonable assurance that they present fairly the financial position, results of operations, and cash flows of an audited entity in accordance with generally accepted accounting principles. In Financial audit, State auditors do almost the same kind of job which the Chartered Accountants do while auditing a public limited company. 130 1.1 ?

Introducing Financial Audit An important type of audit is the financial audit. It is designed to determine whether financial statements are fairly presented in accordance with International Financial Reporting Standards (IFRS) or Generally Accepted Accounting Principles (GAAP). A financial audit, or more accurately, an audit of financial statements, is the examination by an independent third party of the financial statements of a company or any other legal entity (including governments and individuals), resulting in the publication of an independent opinion on whether or not those financial statements are relevant, accurate, complete, and fairly presented. The financial audit is one of many assurance or attestation functions provided by-accounting and auditing firms, whereby the firm provides an independent opinion on published information. In USA, financial audits are required for all publicly registered companies. In India, financial audits are required for all such institutions who directly or indirectly receive money from the government or are somehow regulated by the rules of the government. Government financial reports are not always audited by outside auditors. Some governments have elected or appointed auditors. Financial audits are typically performed by firms of practising accountants due to the specialist financial reporting knowledge they require. Many organisations separately employ or hire internal auditors who do not attest to financial reports but focus mainly on the internal controls of the organisation. External auditors may choose to place limited reliance on the work of internal auditors. 1.2 ??Purpose Financial audits exist to add credibility to the implied assertion by an organisation’s management that its financial statements fairly represent the organisation’s position and performance to the firm’s stakeholders (interested parties). The principal stakeholders of a company are typically its shareholders, but other parties such as tax authorities, banks, regulators, suppliers, customers and employees may also have an interest in ensuring that the financial statements are accurate. The audit is designed to reduce the possibility of a material misstatement. A misstatement is defined as false or missing information, whether caused by fraud (including deliberate misstatement) or error. Material is very broadly 131 defined as being large enough or important enough to cause stakeholders to alter their decisions. Financial audits may be performed for private companies, registered charities, and some governmental and public entities. Private companies typically request financial audits year after year because lenders may have required an audit or owners may want to have external unbiased eyes look at the financial statements to determine if the company is complying with all the required accounting principles. Charities would require a financial audit to show the financial status of the organization to potential donors. Governments and government businesses are usually required to be audited by statutes to determine whether the money budgeted has been properly spent. Other than testing the reliability of a firm’s expenditure details, financial audits can alert management to areas of high risk. Strategic systems auditors are now providing a top down approach to audit by first examining a organization’s business strategy and keys to competitive advantage. The exact ‘audit opinion’ will vary between countries, firms and audited organisations. In the US, the CPA firm provides written assurance that financial reports are ‘fairly presented in conformity with generally accepted accounting principles (GAAP).’ The measure for ‘fairly presented’ is that there is less than 5% chance (5% audit risk) that the financial statements are ‘materially misstated. In England and Wales, the Registered Auditors including Chartered Certified Accountant (ACCA) and Chartered Accountant (CA or ACA)

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provide ‘reasonable assurance’ that the financial statements are ‘free from material misstatement’,

and that they give ‘a true and fair view’ of the state of the company’s affairs as at a particular date, and of its profit/loss for the period then ended, and have been ‘properly prepared in accordance with the Companies Act 1985’ or other relevant legislation. 1.3 ??Evolution 1.3.1 Audit Of Government Expenditure The earliest instance of auditing government expenditure is a reference to the Auditor of the Exchequer in England in 1314. The Auditors of the Imprest were established under Queen Elizabeth I in 1559 with formal

132 responsibility for auditing Exchequer payments. This system gradually lapsed and in 1780, Commissioners for Auditing the Public Accounts were appointed by statute. From 1834, the commissioners worked in tandem with the Comptroller of the Exchequer, charged with controlling the issue of funds to the government. Public audit is a vital instrument of ensuring supremacy of Parliament over executive and enforcing public accountability. Public audit institutions developed over time to help legislatures to implement the power of the purse. This power had two essential elements: the granting of the moneys and supervision of the expenditure. State audit in its present form was introduced first time in Great Britain as an integral part of parliamentary control over national finance with the enactment of Exchequer and Audit Department Act in 1866. the Act required all departments for the first time, to produce annual accounts known as appropriation accounts. The act also established the position of Comptroller and Auditor General (C&AG) and an Exchequer and Audit department to provide the supportive staff from within the civil service. An expert parliamentary committee called the Committee on Public Accounts thus establishing a circle of parliamentary financial control considered the results of C & AG's investigations. As Chancellor of the Exchequer, William Ewart Gladstone initiated major reforms of public finance and Parliamentary accountability. His 1866 Exchequer and Audit Departments Act required all departments, for the first time, to produce annual accounts, known as appropriation accounts. The Act also established the position of Comptroller and Auditor General (C&AG) and an Exchequer and Audit Department (E&AD) to provide supporting staff from within the civil service. The C&AG was given two main functions - to authorise the issue of public money to government from the Bank of England, having satisfied himself that this was within the limits Parliament had voted - and to audit the accounts of all Government departments and report to Parliament accordingly. The National Audit Office and Audit Commission now carry out auditing of UK government expenditure. The system of Government accounting and auditing and the organisational structure of the Indian Audit and Accounts department (IAAD) as it exists today in our country is the legacy of British Raj and is more or less patterned on British model. The "IAAD has a history dating back to 1858

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when the East India Company administration was taken over by the

British

133 Government and an Auditor General of India, who looked after both audit and accounts functions, was appointed. The introduction of constitutional reforms in 1919 brought about statutory recognition to the Auditor General.

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The Government of India Act 1935, gave further recognition to the importance and status of

the Auditor General. The Indian Constitution gave special status to Comptroller & Auditor General (C&AG) as laid down in Articles 148 to 152. The C & AG's Act, 1971 regulate

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the duties, powers and conditions of service of the Comptroller and Auditor General.

Section 13, 16 and 17 of Act gives authority to C & AG

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to audit all expenditure from and receipt into the consolidated fund of India and the State. Section 14, 15, and 20 of the Act authorizes C&AG to audit the receipts and expenditure of bodies or authorities substantially financed

by

loans or grants from Union or State or Union Territory. Article 151 of the Constitution prescribes that Audit Reports on the accounts of Union and the States be submitted to Parliament /State Legislature.

1.3.2 Audit Of Companies And Regulation Of Auditors

In the US, prior to the 1930s, corporations were required neither to submit annual reports to government agencies or shareholders nor to have such reports audited. In the United States, the Securities Exchange Act of 1934 required all publicly traded companies to disclose certain financial information, and that financial information be audited. The establishment of the Securities and Exchange Commission (SEC) created a body to enforce the audit requirements. In the United States, the SEC has generally deferred to the accounting industry (acting through various organizations throughout the years) as to the accounting standards for financial reporting, and the U.S. Congress has deferred to the SEC. This is also typically the case in other developed economies. In the UK, the institutes (including ACCA, ICAEW, ICAS and ICAI) set auditing guidelines. Auditing firms and individual auditors are members of these institutes. Accordingly, financial auditing standards and methods have tended to change significantly only after auditing failures. The most recent and familiar case is that of Enron. The company succeeded in hiding some important facts, such as off-book liabilities, from banks and shareholders. Eventually, Enron filed for bankruptcy, and (as of 2006) is in the process of being dissolved. One result of this scandal was that Arthur Andersen, then

134 one of the five largest accountancy firms worldwide, lost their ability to audit public companies, essentially killing off the firm. A recent trend in audits (spurred on by such accounting scandals as Enron and WorldCom) has been an increased focus on internal control procedures, which aim to ensure the completeness, accuracy and validity of items in the accounts, and restricted access to financial systems. This emphasis on the internal control environment is now a mandatory part of the audit of SEC-listed companies, under the auditing standards of the Public Company.

1.3.3 Evolution of Audit since Independence

Audit of Revenue: C&AG after some initial resistance on the part of revenue department was able to extend its dimension to audit of revenues which includes audit of tax assessment such as Income tax, Central Excise and Customs, Sales tax etc. The audit of receipts has helped bringing considerable revenue for the government by pointing out cases of under assessment of tax, and also assisted in better functioning of tax administration machinery by pointing out lacunae or loopholes in the Act/ Rules and deficiencies in the functioning of tax administration.

Audit of Commercial Enterprises: The audit of government companies was brought within the purview of C&AG's audit at the insistence of then CAG by introducing a suitable provision in the Companies Act 1956., although there were initial attempts to exclude his jurisdiction. Thus, while Chartered Accountants are required to certify Annual Accounts of government companies, C&AG has been granted right to conduct supplementary audit.

1.4 Types of Auditors

There are Two Types of Auditors: ? (A) Internal auditors are employees of a company hired to assess and evaluate its system of internal control. To maintain independence, they present their reports directly to the Board of Directors or to Top Management / government authority. They provide functional operation to the concern. Internal Auditors are employees of the company / government so that they can easily find out the frauds and any misappropriation. ? (B) External auditor are independent staff assigned by an auditing firm to assess and evaluate financial statements of their clients or to

135 perform other agreed upon evaluations. Most external auditors are employed by accounting firms for annual engagements. They are called upon the out side of the company.

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The relevant administrative ministry has the main responsibility for ensuring that (i) expenditure is incurred for the approved purpose, (ii) it is within the sums allotted, (iii) it has been incurred under the authority competent to sanction it, and (iv) due prudence has been shown in its incurrence. As ministries have delegated their powers to lower functionaries, the basic responsibility is shifted to the particular functionary concerned, but overall responsibility remains with the administrative ministry. As per rules, no public authority can incur any expenditure or enter into any liability involving expenditure or transfer of moneys for investment or deposit from government account unless such expenditure or transfer, as the case may be has been sanctioned by general or special orders of the Government or by any authority to which power has been delegated in this regard. No expenditure can be incurred against a sanction unless funds are made available to meet the expenditure by valid appropriation or re- appropriation. The government authorities have to comply with rules prescribed in the General Financial Rules and the Delegation of Financial Power Rules in all financial matters. The designated controlling authorities have to ensure not only that the total expenditure is kept within the limits of the authorised grants but also that the funds allotted to spending units are expended in the public interest and on objects for which the money was provided. In order to maintain proper control, the controlling officer obtains information on not only what has actually been spent from the grants but also what commitments and liabilities have been and will be incurred against them. He must be in a position to assume, before the Government and Public Accounts Committee, complete responsibility for departmental expenditure and to explain or to justify any instance of excess expenditure or financial irregularity that may be brought to notice as a result of audit scrutiny or otherwise. In the discharge of his ultimate responsibility for the administration of a grant, or a part thereof, placed at his disposal, every controlling officer must satisfy himself

not only

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that adequate provisions exist within the departmental organisation for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of his subordinate officers and to guard against waste and loss 136 of public money and stores, but also that the prescribed checks are effectively applied. As regards receipts, it is the duty of the departments concerned to ensure that the dues of Government are correctly and promptly assessed and paid into the treasury/bank. All moneys received by or on behalf of Government either as dues of Government or for deposit, remittance or otherwise are required to be brought into Government Account without delay in accordance with the prescribed rules and regulations.

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In view of the volume of expenditure particularly in regard to large projects and programmes, the system of 'Financial Advisers' has been established at the Union level.

Prior to 1976 there were two separate functionaries, namely, Internal Financial Adviser and Associated Financial Adviser. A system of Integrated Financial Advisers is now operative.

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This system ensures the availability of in-house expert advice to administrative ministries and departments.

In regard to the financial powers which have been delegated to the ministries, the Financial Adviser acts as a part of the administrative ministry and his advice can be overruled by the ministry concerned. However, in those areas where the financial powers have not been delegated, this functionary acts on behalf of Ministry of Finance. In such areas he can be overruled only with the approval of the Ministry of Finance. 1.4.1 Internal Auditing In India major importance is attached to the system of internal audit in Government.

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It is recognised that the continuing examination of the accounting and financial records, of systems and procedures, and of compliance with stated management policies, are essential elements of internal audit and a positive help to public administration. Accordingly each ministry and department of the Union Government has a special unit under the direct control and supervision of Financial Advisers.

All ministries and departments prepare their own internal audit manuals which detail the duties and functions of the internal audit unit. The findings of this unit are submitted to the permanent secretaries of the ministries concerned. The audit by the CAG also lays a great deal of stress on the adequacy of internal audit systems. In those instances where the CAG is of the opinion

137 that these systems need to be strengthened, appropriate comments and recommendations are made in his reports. 1.4.2 Role of Executive Departments Responsibility for monitoring the progress of expenditure against a Grant devolves on the executive which is ultimately responsible for keeping the expenditure within that Grant. In order to make control of expenditure against appropriations an operative reality, an efficient monitoring system has been established. A monthly return indicating separate plan and non- plan expenditure figures is prescribed to be furnished by the spending authorities. The consolidated information shows the sanctioned grant and the progressive total of expenditure incurred from month to month for a ministry as a whole. The system also provides for reconciliation of the departmental figures with the accounts figures. The ministries also obtain the details of physical progress of developmental schemes. These details include the budget provision, the progressive expenditure and the physical progress of each scheme in addition to the reasons for any financial and physical variations. The data relating to the progress of expenditure and the physical progress of the schemes are analysed every month and remedial action as considered necessary initiated.

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The Accounts Officers under the Financial Adviser of each Ministry also keep a watch over the progress of expenditure and report to the departmental head concerned immediately if there is the likelihood of any grant being exceeded. Such financial surveillance provides an additional control mechanism to enable timely action by the executive. 1.4.3

Audit Committees In order to ensure speedy action on audit findings, instructions are issued by the Ministry of Finance either on its own initiative, or on the basis of suggestions by the CAG or on the recommendations of the Public Accounts Committee. These instructions require the (i) specification of time limits, (ii) designation of responsible officials and (iii) appointment of audit committees. 1.4.4 Other Agencies For effective control and monitoring of implementation of the developmental programmes and schemes, the Government of India has

138 recently set up a separate Ministry of Programme Implementation. This ministry closely monitors the implementation of major public sector projects and programmes. It also assists various other ministries in the preparation of Annual Action Plans and in the review of associated performance reports. For monitoring and generation of periodical reports, the system has been computerised by developing requisite data bases. The National Informatics Centre, set up as a nodal agency, has developed several data bases and continuously monitor all plan and non- plan programmes through a computer network known as NICNET which provides the data required by various users. The main users of such data presently are the Prime Minister's Office, Planning Commission and Ministry of Programme Implementation. The computer network is being extended to cover district treasuries in the States as well. 1.4.5 Local (Third Tier of) Government- Panchayats and Municipalities Consistent with the philosophy of devolution of powers and strengthening of local self government institutions, the constitution, composition, power and duties of Panchayats and Municipalities were enshrined in the Constitution by making 73 ru amendment in 1993. Bulk of finance for panchayats municipalities comes from government but there is no satisfactory arrangement for their audit. Article 243 - 243 Z states."

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The Legislature of a state may, by law, make provisions with respect to the ---- -- of accounts by the

Panchayats/ Municipalities and the auditing of such accounts." Hardly any State has made law in this regard. The old arrangement continues and the Examiner Local Fund Accounts, which functions under the Finance department, audits the accounts of these bodies. With the policy of progressive empowerment of the self- governing institutions receiving greater emphasis with attendant prospect of sizable percentage of state funds being handled by these institutions appropriate public audit mechanism need to be considered, It may be noted that keeping in view the importance of Local bodies in England an Audit Commission has been constituted in 1982 for auditing Local Authorities and National Health Service. Similarly in France, Regional Courts of Accounts have been created in 1982 as part of wider policy of decentralisation which is empowered to audit all local authorities. There is need for placing accounting and audit arrangement of

139 Panchayats and Municipalities on sound footing and it is for consideration whether a Central legislation be enacted, with Comptroller and Auditor General having authority to lay down accounting and auditing standards and general superintendence over such audit. Government has set up District Rural Development Agency (DRDA), as a registered society headed by an elected representative, in every district of the country to which Central/ State government grants are given directly. DRDA's pass on money to Zila Parishad's for various poverty alleviation programmes. No satisfactory system of audit of DRDA/ ZP has been developed although money spent by them comes from the Consolidated Fund of India /State and a staggering' some of about Rs 10000 crs is spent annually. Chartered accountants certify their Annual Accounts on the basis of perfunctory information available to them regarding usage of money and they do not automatically fall within the audit jurisdiction of C&AG. 1.5 ?? Stages of An Audit A financial audit is performed before the release of the financial statements (typically on an annual basis), and will overlap the 'year-end' (the date which the financial statements relate to). The following are the stages of a typical audit: Planning and risk assessment Timing: before year-end Purpose: ? To understand the business of the company and the environment in which it operates. ? To determine the major audit risks (i.e. the chance that the auditor will issue the wrong opinion). For example, if sales representatives stand to gain bonuses based on their sales, and they account for the sales they generate, they have both the incentive and the ability to overstate their sales figures, thus leading to overstated revenue. In response, the auditor would typically plan to increase the rigour of teir procedures fa checking the sales figures.

140 Internal control testing Timing: before and/or after year-end Purpose. To assess the internal control procedures (e.g. by checking computer security, account reconciliations, segregation of duties). If internal controls are assessed as strong, this will reduce (but eliminate) the amount of 'substantive' work the auditor needs to do. In some cases, an auditor may not perform any internal controls testing, because he/she does not expect internal controls to be reliable. When no internal control testing is performed, the audit is said to follow a substantive approach. Substantive procedures Timing: after year-end Purpose: ? To collect audit evidence that the actual figures and disclosures made in the Financial Statements are reliable and in accordance with required standards and legislation. Methods: ? Where internal controls are strong, auditors typically rely more on Substantive Analytical Procedures (the comparison of sets of financial information, and financial with non-financial information, to see if the numbers 'make sense' and that unexpected movements can be explained) ? where internal controls are weak, auditors typically rely more on Substantive Tests of Detail (selecting a sample of items from the major account balances, and finding hard evidence (e.g. invoices, bank statements) for those items. Some audits involve a 'hard close' or 'fast -close' whereby certain substantive procedures can be performed before year-end. For example, if the year-end is 31st December, the hard close may provide the auditors with figures as at 30th November. The auditors would audit income/ expense movements between 1st January and 30th November, so that after year end, it is only necessary for them to audit the December income/ expense movements and the 31st December balance sheet. In some countries and accountancy firms, these are known as 'roll forward' procedures.

141 Finalisation Timing: at the end of the audit Purpose: ? to compile a report to management regarding any important matters that came to the auditor's attention during performance of the audit, ? to evaluate and review the audit evidence obtained, ensuring sufficient appropriate evidence was obtained for every material assertion and ? To consider the type of audit opinion that should be reported based on the audit evidence obtained. 1.6 ?? Significant Global Audit Firms These firms are the 'Big 4' multinational accountancy firms which audit the majority of large quoted/listed world companies, They also provide other services including tax advice and strategic consultancy. Firm 2005 global revenue (US dollars) PricewaterhouseCoopers 20.3bn (corporate website) Deloitte (corporate website) 18.2bn Ernst & Young (corporate website) 16.9bn KPMG (corporate website) 15.7bn One of the major issues faced by private auditing firms is the need to provide independent auditing services while maintaining a business relationship with the audited company. The auditing firm's responsibility to check and confirm the reliability of financial statements may be limited by pressure from the audited company, who pays the auditing firm for the service. The auditing firm's need to maintain a viable business through auditing revenue may be weighed against its duty to examine and verify the accuracy, relevancy, and completeness of the company's financial statements. (http://en.wikipedia.org/wiki/Financial_audit)

142 Module III ?????

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Unit 2 ????? Comptroller And Auditor General of India Structure 2.1 Introduction 2.2 Appointment of Comptroller and Auditor General 2.3 Accountability of			

Public Sector Undertakings (Psu's) 2.4 Monitoring Mechanisms 2.4.1 The role of the supreme audit Institution (Sai) 2.4.2 Relationship With Parliamentary Committees 2.4.3 Auditing Standards 2.5 Weakness of the existing system in the context of its function 2.5.1 Position in Advanced Countries 2.5.2 Quality of Audit-Problems Due to C & AG's Highly Centralized Set-Up 2.5.3 C & AG and Parliament Interface 2.5.4 Accountability of C & AG—External Audit 2.1 ???Introduction Article 148(1):

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There shall be a Comptroller and Auditor General of India who shall be appointed by the President by warrant under his hand and seal and shall only be removed from office in like manner and on the like grounds as a Judge of the Supreme Court. 2.2 ??			

Appointment of
Comptroller and Auditor General

The office of C&AG embodies an institution of great importance. However, an institution, however exalted, is only as good as the incumbent holding it. Do qualified individuals get appointed to the post? The Constitution grants C&AG independence and an exalted status (Article 148)- he is appointed by President by a warrant under his hand and seal, has the same status as a Supreme Court judge, cannot be removed from office, his conditions of service cannot be varied to his disadvantage, his salary is charged on the Consolidated fund of India etc. During last three decades the appointment of C&AG has always been mired with controversy. From the

143 time the Constitution came into being in 1950, the four C&AG's appointed to the post, were senior members of the Indian Audit & Accounts Service . However from 1978 onwards the last four incumbents, are from the Indian Administrative Service(IAS). The appointment of C&AG who do not possess the requisite background of auditing and accounting has been subject of severe criticism by Chairman of the Public Accounts Committee, press, public spirited men, Officers and Staff association of the Audit department. The Indian Constitution does not lay down qualification for the post of C&AG nor the manner of his selection. However the matter was discussed during the Constituent Assembly debates held in May 1949. From the debates it seems that framers of the Constitution's intention was that a person who had sufficient knowledge of finance and accounting systems and had practical experience of the work of Finance department and had worked as Accountant General would only be appointed. However, in practice this assurance has not been honored by successive governments. The period for which CAG is presently appointed is 6 years with 65 as age of retirement. The President, Vice- President, members of Public Service Commission are all appointed for a 5 year term. There is a strong case to prescribe 5 year term with age of retirement at 65. The Judiciary has the power even to declare a law invalid when the Legislature has exceeded its powers. Similarly the office of the Comptroller and Auditor General has the power to call to account any officer, however highly placed, so far as State moneys are concerned. 2.3 ??

Accountability of Public Sector Under-takings (PSU's) Where autonomous bodies are created under a specific act, the statute setting them provides for the audit arrangement. There are a number of corporations, particularly in financial sector such as nationalised banks , IDBI, IFCI, LIC which have been kept outside the ambit of C&AG's audit . This is possibly on the ground that government audit is not suitable and hamstrungs their commercial operations. Audit of public enterprises by C&AG has always remained a controversial issue. In the 50's when PSU's were being set-up first time, there were attempts to bar C&AG's jurisdiction but the then C&AG resisted and the matter was resolved by amending the Companies Act and providing for supplementary audit of government companies by C&AG. Subsequently in the 70's, as a result of recommendation

144 of Administrative Reforms Commission, an Audit Board system was introduced to provide commercial type audit for PSU's. In the wake of current privatisation programme, government is making policy pronouncements that government portion of equity will be brought down to a level of 49 or 26 percent. This is ostensibly being done to free them from government control including audit as they would no longer fall within the definition of government company. Will this not tantamount to evasion of public accountability as by retaining sizable share-holding government could still exercise policy control over these companies but will not be answerable to Parliament? There is an opposite view that government control and agencies such as CBI, CVC, and CAG hampers decision making and risk taking necessary for a commercial organisation and largely responsible for their poor performance. Public enterprise managers and experts argue that in an era of globalisation and liberalisation where competition is the new mantra government companies have to be provided the same level field as their compeers in private sector if they have to survive the market forces. They should therefore be given autonomy and supplementary audit by CAG be done away with. In U.K nationalised industries were kept outside C&AG's audit from the beginning. However, British practice was more of an exception. France and Italy which have large public enterprises including banks fall within the jurisdiction of state audit. In USA under the Corporation Control Act, financial transactions of wholly owned corporations are audited by General Accounting Office. Of late there has been tremendous change in the pattern of public expenditure due to the policy of devolution of administrative functions and parceling out certain activities to non-government organisations. A substantial part of public funds are transferred through complex financing arrangements to these autonomous bodies and NGO's which have mushroomed in thousands. How to verify that they have properly utilised the money and fulfilled the objective is a major challenge, as CAG has no access to their book of accounts. Presently Chartered Accountants certify their accounts which forms the basis of utilisation certificates furnished by them.

145 Article 151:

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Audit Reports- (1) The reports of the Comptroller and Auditor General of India relating to the accounts of the Union shall be submitted to the President, who shall cause them to be laid before each House of Parliament. (2) The reports of the Comptroller and Auditor General of India relating to the accounts of a State shall be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State.

The C&AG

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is the head of the Indian Audit and Accounts Department, The office of

the

C&AG directs, controls and monitors the activities of the various offices of the

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department and is responsible for development of organisational objectives and policies, auditing standards and systems,

laying down policies for management of man power and final approval of the Audit report. For carrying on these responsibilities field formations exist for each specific areas of auditing and accounting. The offices of IAAD are spread throughout the country. There are 34 Union Government Audit Offices headed by Director General) Principal Director of Audit and 60 State Accounts and Audit offices headed by Principal Accountant General and Accountant General. There are 60000 personnel in the IAAD with about 500 Group A officers belonging to the Indian Audit and Accounts Service (IA&AS).The total budget of the IAAD is around Rs 846 crs bulk of which constitutes expenditure on pay and allowances of the staff. Position in Other Countries: India has been following British traditions of parliamentary democracy and the post of C&AG has been patterned on British model. In U.K

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an act to strengthen Parliamentary control and supervision of expenditure of public money by making new provision for appointment and status of C&AG and establishing a

National Audit Commission was enacted in 1983. The relevant provision regarding appointment of C&AG requires that the Prime Minister and Chairman of the Committee on Public Accounts should jointly select the incumbent and get it ratified by the House of Commons. In Australia Comptroller and Auditor General

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is appointed by the Governor General on the recommendation of the

Minister, after the Minister has referred his recommendation to the Joint Committee of Public Accounts and Audit and the Committee has approved the same. UK - National Audit Act 1983 1.-(1) The power of her Majesty under section 6 of the appointment

146 Exchequer and Audit Departments Act 1866(appointment of Comptroller and Auditor General) shall be

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exercisable on an address presented by the House of Commons, and no motion shall be made for such an address except by the Prime Minister acting with the agreement of the chairman of the Committee of Public Accounts. (2) The Comptroller and Auditor General

shall by virtue of his office be an officer of the House of Commons. In USA under the Budget and Accounting Act of 1921, the Comptroller General of the United States and the Assistant Comptroller General of the United States shall be appointed by the President with the advise and consent of the Senate. The Congress participates in the selection of the Comptroller General by providing a list of candidates from which the President may choose and by confirming the appointment. The GAO Act of 1980 further amplifies the selection process of Controller General, and stipulates establishing a Commission to recommend the name for the post. In Germany the Bundestag and Bundesrat (Parliament) shall elect the president and Vice President of Bundesrechnungshof without debate. In Japan the Commissioners of the Board of Audit are appointed by the Cabinet, with the consent of both Houses of the Diet. In Korea the Chairman of the Board of audit is appointed by the President with the consent of the National Assembly. Similarly in Thailand the appointment of Auditor General must receive prior approval of national Assembly. In India it is necessary that the appointment of C&AG is kept outside the exclusive purview of the Executive. Recommendations regarding his appointment should be made by an independent committee. One could suggest that the committee should consist of the Prime Minister, Finance Minister, the

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Leader of the Opposition of the Lok Sabha and Chairman of the

Public Accounts Committee, There is also need to prescribe qualification for appointment to the post and a person who has substantive experience of public sector accounting and auditing systems should only be appointed. 2.4 Monitoring Mechanisms

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With the advent of the planned era in India following national independence, there was a major growth of economic development and social welfare activities. This growth necessitated an attendant increase in both 147 revenue and capital expenditure, and in receipts and borrowings to match such expenditure. These new responsibilities of the government and the complex nature of its expanded activities called for a change in the nature and scope of audit. Consequently audit by the SAI has evolved from an accountancy and regularity check to evaluation of the end results of the operations of government, including considerations of economy, efficiency and effectiveness. The audit by the SAI is conducted under a Planned Programme covering the accounts, systems, procedures, projects and programmes on the basis of the documents and information submitted to the Indian Audit and Accounts Department. Field audits of the various organisations involved are an essential part of the overall programme. The initial audit findings are taken up with the appropriate authorities for remedial action through audit notes and inspection reports. Important audit findings, performance reviews of projects and programmes, and comprehensive appraisals of public enterprises and other bodies and authorities are processed for inclusion in the reports of the CAG which are laid before the Parliament

or the State Legislatures as the case may be.

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Apart from the certification of the Appropriation Accounts and Finance Accounts of the Union and of 25 States and submission of separate audit reports on

about 260 statutory corporations and other autonomous bodies for which the CAG

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is the sole auditor, the CAG brings out a large number of reports every year.

These reports are of the following categories: Union States Civil Civil Defence Receipts Railways Commercial Posts and Telecommunications Autonomous Bodies Direct Taxes Indirect Taxes Scientific Departments Autonomous Bodies Commercial The reports of the CAG after presentation to the legislature concerned are remitted to the related committees of Parliament and State Legislatures

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for consideration and appropriate recommendations to the executive for remedial action which is further followed up by the committees. 2.4.1

The Role
Of The Supreme Audit Institution (SAI)

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The Comptroller and Auditor General of India (CAG) plays a crucial role in parliamentary financial control. The Indian Constitution provides for a unitary and independent audit by the CAG. The audited Appropriation and Finance Accounts are submitted along with the audit reports of the CAG to the president of India

or the
Governors of the States
according to
whether they relate to the Union or the States.

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These accounts and reports are then caused to be laid before the

Union Parliament or the State legislatures concerned.

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The primary function of the audit of the CAG is to verify the accounts to ascertain (1) whether the moneys shown in the accounts as having been disbursed were legally available for and applicable to the service or purpose to which they have been applied or charged and whether the expenditure conforms to the authority which governs it and (2) whether the assessment, collection and allocation of revenue have been properly done. The Appropriation and Finance Accounts are accordingly examined under the directions of the CAG and certified as to their correctness subject to his observations in his Reports on the Accounts submitted under Article 151 of the Constitution. The

jurisdiction of the
CAG

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extends to the audit of Government commercial enterprises, as well as to bodies and authorities substantially financed from Government revenues. The CAG also examines the accounts relating to grants and loans given by the Government to other bodies. There is also an enabling provision in the act passed by the Union Parliament in 1971 to take up the audit of any other bodies or authorities with the approval of, or at the request of, the President or the Governors as the case may be. The CAG has the authority to make regulations on the scope of audit.

Such regulations are not subject to the approval of either the Government of the day or the Parliament. Thus,

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the CAG has complete discretion to regulate the scope of his audit. Apart from the traditional forms of audit, commonly known as the appropriation audit and regularity audit, the discretionary forms of audit (the propriety audit and the efficiency-cum-performance audit) developed by the CAG have assumed significance from the viewpoint of 'accountability' in a comprehensive sense. The audit looks beyond the mere regularity of expenditure to its prudence and economy and to a general examination of the efficiency and effectiveness with which an organisation is discharging its financial responsibilities.

The powers of the CAG

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to have access to documents and information in connection with audit of accounts have been enhanced under the Act of 1971.

Earlier, in certain cases he was obliged to accept a simple statement of facts derived from a book or document which the highest executive authority certified as secret. Now, no such restriction exists and the CAG

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can call for any document as long as it is considered relevant to the transactions to which his auditing duties extend. Further, the Act specifically enjoins that the administration shall afford all facilities for his inspection and comply with his request for information in as complete

a form as possible and with all reasonable expedition; 2.4.2
Relationship With Parliamentary Committees

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The audit reports of the CAG, other than those relating to commercial enterprises, are considered by the Public Accounts Committees. The Committees on Public Undertakings consider the audit reports relating to commercial enterprises.

The various committees examine the many

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audit reports on a selective, basis, assisted by the CAG or his Principal Audit Officers as follows: ? Assistance in the selection of subjects. ? Supply of background information and memorandum of important points. ? Briefing of the working groups/sub-committees for a proper understanding of the subject. ? Briefing of the chairmen of the committees, as and when necessary. ? Attendance at the sittings of the committees to assist in their examination of witnesses. ? Investigating of written submissions of the witnesses for ensuring factual accuracy. ? Factual verification of the reports of the committees. ? Assistance at the sittings of the committees devoted to deliberation on and adoption of their reports. ? Going through of the notes of government on action taken on the committees' recommendations. 150 ? factual verification of the follow-up reports of the committees. ? Attendance to assist the committees at the sittings for consideration and adoption of their follow-up reports. Informal assistance is also given to the individual members and the secretariat of the committees so as to enable them to have a proper understanding of the issues dealt with in the relevant audit report.

In India

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the audit reports as such are not generally discussed in the Parliament

or State Legislatures. However

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the recommendations of the committees are by convention considered as the recommendations of the entire Parliament.

Hence, the assistance given by the CAG and his office to the Financial Committees is in effect /assistance to

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the entire legislature. Even in regard to those issues dealt with in the audit reports which have not been taken up by the committees for detailed oral or other examination, notes on remedial action taken by individual departments of government are required to be submitted to the committees, after

the notes are vetted

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by the Audit Department. The Public Undertakings Committee of Parliament, besides considering some of the reports of Comptroller and Auditor General, carries out its own examination of the working of

a number of public commercial enterprises. There is a need here for closer coordination between the CAG and the Committee in selection of the subjects for audit appraisals of public undertakings to avoid duplication of efforts. 2.4.3 Auditing Standards As pointed out earlier, the CAG has full authority to determine the scope and extent of his audit. The auditing standards followed in India have evolved over many years during which state audit has been /practised in this country. These auditing standards have been incorporated in various manuals issued by the CAG for the guidance of his officers. Specific criteria and procedures of audit have also been laid down in separate manuals on various audit disciplines.

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In the audit of the financial statements of commercial departments of the government or of the many public enterprises, Generally Accepted Auditing Standards (GAAS) as applicable to comparable enterprises in private sector are observed. The CAG has, however, the right to issue directions to the professional accountants who conduct the primary audit of public sector 151 companies, indicating to them the manner in which the audit of such enterprises is to be conducted. The CAG also reviews the performance of such auditors. 2.5 ??

Weakness of The Existing System in the Context of its Functions : 1. One of the primary functions of audit is to see that provisions of law, rules and regulation are properly applied while incurring expenditure or collecting revenue. In order to regulate usage of money elaborate rules and regulations have been drawn by government. While audit notices systematic violation of law, rules and regulations by departmental officers it is unable to take an effective action to prevent them. The Bihar fodder scam will illustrate the point. Serious financial irregularities and misappropriation of government funds were being committed by senior government functionaries and the Treasury officials all acting together in collusion. The Accountant General (AG) Bihar could not detect the irregularity in time as Treasury officers suppressed the vouchers through which money was drawn and / did not transmit them to AG thus preventing its audit. C&AG has been making mention of excess drawl over voted provision in its Audit Report presented to Bihar Legislature but Public Accounts Committee, it is said did not even met to discuss the report leave apart take preventive action. After the scam became public knowledge, C&AG has produced a well documented Audit Report but it is more a case of getting wise after the event. Section 13 of the Comptroller and Auditor General's Act, lays down that

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it is the duty of audit: to ascertain that the money, which has been disbursed was legally available for the service or purpose

on which it has been applied and there is a proper authority to spend the money. What happens when a public official spends money, which is not legally available viz., it is in violation of laid down rules and regulations. The Act is silent about it - all that the last sentence of Section 13 says, "

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in each case to report on the expenditure, transaction or accounts so audited by him."

If the C&AG makes a report about the irregular usage of money to the Departments whose officials have committed the default and they contest C&AG's decision or do not take any action, C&AG finds itself in such a helpless situation.

152 2.5.1 ??????????Position in Advanced Countries Most Supreme Audit Institutions (SAI) have been vested with powers to fix responsibility on the officials who have caused loss to the exchequer and have legal power for its recovery. In New Zealand under the Public Finance Act of 1977, the Controller and Auditor General(CAG) is empowered to hold an enquiry which may require any evidence to be given either orally or in writing and to which the provisions of Crimes Act relating to perjury applies. The CAG has power for surcharge if he finds that there is deficiency or loss of money or store caused through fraud, mistake, default, negligence, error or improper or unauthorized use. In Japan the Board of Audit has powers to adjudicate and can order an official to indemnify the loss and direct the supervising officer to take disciplinary action against the delinquent official when it finds that the official has caused grave loss to the State either deliberately or by gross negligence. In France Cour des Comptes which functions like a court may order accounting officers to settle uncollected revenue or irregular expenses out of their own resources, if during an investigation it finds that the accounting officer has failed to provide satisfactory justification- on the ground that they have formal personal responsibility. Hindering Cour's investigation may give rise to a monetary fine. The judgements of Cour are legally binding and can be appealed only on points of law. In South Korea, the Board of Audit and Inspection (BAI) law, confers authority to the Board to examine and adjudicate whether an accounting official or any other person is liable for reparation and the manner in which recovery is to be made and execute collection by applying mutatis mutandis provisions concerning disposition of taxes in arrears in the National Tax Collection Act. In China under the State Audit Act, an audited unit violating financial and economic laws and regulations, the audit organs may confiscate or instruct them to return the illegal gain; take over the embezzled state assets; take decisions to cut off such appropriations or loans; and impose fines. In Thailand under the State Audit Act of 1979, Auditor General can summon an official to deliver accounts and registers; attach money, properties, accounts registers, documents etc. of the audited agency and summon a person to testify as witness. If a person who has the duty to keep in his custody money or property or documents etc., damages, destroys, or causes loss he is liable for imprisonment upto five years or a fine or both. The Auditor General and the competent officials while performing their duties under the State Audit Act are treated as officials under the Penal Code. Conferring Legal Powers - An effective remedy The situation in our country needs to be remedied by conferring legal power to Audit Officers. Suitable provisions in the C&AG's Act are to be included to enable them to implement their findings. The Act should entrust Audit Officers with following powers: (a) Powers to summon the concerned officers before it for evidence on oath and where default is established, after giving due opportunity, they be required to make up the loss, (b) In case the official does not make up the loss and the default or neglect is established, a report be made to the superior authority of the department where officer is working for taking disciplinary action under the Civil Services Conduct Rule. (c) Where action of public official involves criminal liability, the public prosecutor be informed either by Audit official or by the Department to which he belongs for initiating criminal action under the Penal code. For discharging this quasi-judicial function the powers similar to those available under Commission of Enquiry Act be vested with the Accountant General / Principal Director of Audit who are heads of department by making suitable legal provision to that effect. (d) To make the system transparent and fair there should also be a provision of appeal with final appellate stage at the level of Additional / Deputy Comptroller and Auditor General at the headquarters of C&AG's office. (e) It is for consideration whether a

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Constitutional provision be made, that all bodies which are publicly funded, fall within the

audit mandate of Comptroller and Auditor General and any stipulation, which ousts his jurisdiction would be held ultra-vires. ??????????Position in other Federal Countries Every country with federal structure has a provision of separate Auditor General for the provinces states. Thus in Germany the Federal Court of Audit (FCA) and the constituent states known as Leander are autonomous independent unit of government audit. They not subordinate to one another, share audit responsibilities and may perform joint audits.

154 In USA the General Accounting Office performs audit of federal government only. There is Auditor General in each State who enjoys separate legal status and is free to devise his systems to make his audit effective. Similar is the position in Canada and Australia where an act specifies provincial Auditor General's responsibility to examine the accounts of the province and its various agencies and requirement to report to the Assembly on the governments stewardship of public funds. In UK, despite being a unitary state CAG audits central government expenditure only. Following devolution in 1999, new Auditor Generals have been set up in Scotland and Wales to audit the expenditure of new Parliament and Assembly. There has been a separate Comptroller and Auditor General for Northern Ireland since the foundation of the state in 1921. It is therefore forconskJeratfon that in order to make State audit effective independent Auditor Generals for the States who have the same status as a High Court Judges are created by amending the Constitution. The appointment of State Auditor General be made with the approval of President of India on the basis of recommendations of an independent Committee headed by C&AG and qualification for holding the post be laid down. However the Auditor General of India should have power of superintendence over State Auditor Generals, in policy matters relating to accounts and audit, same manner that Court has over the High Courts. Even if separate Auditor General's for State's are created, the existing status of IA&AS need not be disturbed and its members continue to be posted in the Accountant General's / Auditor General's offices as hitherto, on the basis of a policy evolved through Audit Services Board (comprising of representatives of CAG and State Auditor General's) which could be constituted for the purpose. Their current status of staff serving in the IAAD need not be changed, and they may continue to be Central government servants. However, the newly created State Auditor General's, will have final say regarding their recruitment, promotion, transfer etc within some kind of uniform policy which could be worked out by consultation amongst CAG's office and the State Auditor General's. If Indian Audit and Accounts Department (IAAD) is to be given more teeth to be effective it must ensure very high standards of performance. Administrative departments often voice criticism of the manner of functioning of Audit department. They point out that audit often takes trivial objections, 155 does petty fogging, and has a negative fault finding approach rather than coming out with solutions to the problems being faced by administration. Audit is also criticised for preparing reviews on the working of scientific and technical departments and on issues relating to economic policy making about which it has no expertise. There is considerable merit in these observations. Much of the problems arise due to the existing structure of IAAD, which is highly centralised with all powers concentrated with C&AG in person or in his headquarter office with very little delegation to State Accountants Generals or Principal Directors of Audit who perform all the accounting and auditing functions. This tells upon the efficiency of the State Accountant's General and other field outfits and effects their morale. The problem can be seen from the fact the C&AG personally approves about 20 Audit Reports for Union Government and 75 Reports for State Governments. In addition C&AG has to certify Finance and Appropriation accounts of the Union government as well as each of the State governments and UT's having a separate legislature before they are placed in their respective Houses. Each of about 100 odd Audit Reports of the Central and State governments which the C&AG produces annually runs into 200 to 250 pages. It is humanly not possible to read through 20000 to 25000 pages of highly technical literature dealing with subjects as complicated as taxation laws, purchase of defence equipment etc., least of all to give any direction regarding meaningful conduct of audit. It is time to do some serious thinking on the issue and develop a more decentralised functioning of the institution of C&AG. Need For Collegiate Decision : Audit Commission In most advanced democratic countries Audit Reports which are placed in Parliament are finalised through an Audit Board or Audit Commission system in which all the senior officers of the state audit department are represented. In Germany, the Federal Court of Audit enjoys judicial independence and a constitutional status similar to that of judges. The Large Senate which is the main decision making body consists of 16 members and includes President, Vice President and the Directors of Audit. In France the Cour des Comptes is presided by Premier President and has seven chambers with 15 inembers. The Cour always acts as a collegiate body, whether in a judicial or non-judicial capacity. The draft annual reports

156 on the accounts of the state and the management of the state services, agencies and companies are brought before the complete bench presided over by the President of the Cour. In Japan there is an Audit Commission consisting of three Commissioners. The Audit Commission including finalisation of the Audit report takes all major decisions pertaining to audit. In Korea the Board of Audit is composed of seven Commissioners including the chairman. Decisions on policy issues, such as audit and inspection are taken with the approval of the Council of Commissioners. In our country there is no system of finalisation of audit reports through a formal committee system in which the Deputy CAG/Accountant General / Principal Directors of Audit participate. The audit reports both of the Central and State governments are processed on files by the Deputy CAG and Additional Deputy CAG and approval of C&AG is taken. The expenditure and revenue transactions of the ^government have increased hundred folds with tremendous growth in government's activities after independence. It is simply not possible for one individual viz. C&AG to be responsible for all audit work of Central as well as State government. There is need for wider sharing of iresponsibility. The existing system results in neglect of audit and poor quality of Audit Reports. There is also no system of discussion with Secretaries to government / heads of department before the Audit report is finalised. This leaves yawning gap in the Report, facts and conclusions are often challenged with the result that the main purpose of audit viz. improvement of the administrative set-up and the systems and procedure takes a back seat. The existing system needs an overhaul. Audit Reports should be finalised through collegiate decision making of an Audit Commission in which all the Deputy CAG's and Additional Deputy CAG's should be represented besides C&AG. The position of C&AG should be that of primes inter pares. For proposed Audit Commission to be effective its members should be given a status similar to that of a High Court Judge with age of retirement as 62. 2.5.2 ??????????Quality of Audit-Problems Due to C & AG's Highly Centralized Set-Up Most of the problems of the Indian Audit & Accounts department arise from the fact that the organisational structure of C&AG is not in consonance

157 with the federal arrangement as envisaged in the Constitution. While we have a separate Legislature, Governor and a High Court in every State there is no Separate Auditor General. It is important to remember that the Constitution makers were conscious of this fact and : draft Constitution as originally prepared had recommended separate Auditor General for every State. The original draft prepared

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by the drafting Committee, headed by Dr B R Ambedkar		

and submitted to the President of the Constituent Assembly on 21 st May 1948, contained the following provision:
Auditors-in-Chief for the States-Art 210(1) - The Legislature of the State for the time being specified in the First Schedule may by law provide for the appointment of an Auditor-in-Chief for the State and when such a provision has been made an Auditor- in Chief for that State may be appointed by the Governor in his discretion and the Auditor -in-Chief so appointed shall only

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be removed from office in the manner and like grounds as a judge of the High Court of the			

State.” The draft Constitution had a provision for control of Auditor General of India over State Auditor General. Art 210(6) read as follows :” Nothing in this article shall derogate from the power of the Auditor General of India to give such directions in respect of the accounts of the States for the time being specified in Part I of the first schedule as are mentioned in article 126 of this Constitution.” The drafting committee had made the aforesaid provision on the basis of Government of India Act of 1935 which had envisaged separate Auditor General for the Provinces. The provision of draft Constitution was amended at the stage when draft articles came for approval of Constituent Assembly based on the recommendation of an Expert Committee that suggested doing away with provision of Provincial Auditor General. As stated above the provision for a separate Auditor General for the States was deleted at the stage of final passing of the draft Constitution. Nevertheless for audit of State finances the C&AG has to be accountable to State legislature and this was secured by inserting a provision in Article 148 and 149 of the Constitution stating that the Auditor General of Union will perform duties in relation to accounts of the States’, and ‘ his reports will be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the States’. This position is somewhat anomalous. If C&AG is to perform duties in relation to Accounts of the State he should be available to State legislature and attend meetings of the State Public Accounts Committee. But one single individual cannot discharge this function 158 for 25 States. As matters stand today the Accountant General of the State discharges all the duties prescribed in the Constitution on behalf of the C&AG. Given this position, it is imperative that a legal provision is made to this effect. 3. C & AG And Parliament Interface In parliamentary democratic form State audit tends to be classified as part of the legislative branch as the institution has developed over time to implement the power of the purse. State audit with its access to information and review of governmental activities, fulfills an increasingly important role in providing legislature with detailed reliable information necessary for control. A realisation of this fact has lead to rmajor^structuring of the audit department in U.K with the passing of the National Audit Act of 1983. Under the act C&AG has been made an officer of the House of Commons. Another Commonwealth country Australia has fallen in line with British system and under a 1997 act Auditor General will be an independent officer of Parliament. In U.S.A the General Accounting Office from the time of its constitution in 1921, has been recognized as an agency within the legislative branch of the government and enjoys a special working relationship with the American Congress. ??????????Relations with Public Accounts Committee in India The Comptroller & Auditor General audits the accounts and submits his Report to Parliament / State Legislature which are

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automatically remitted to the Public Accounts Committee(PAC) / Committee on Public Undertakings(

COPU). Parliament has constituted PAC and COPU under Rule 308(1) and Rule 312 A of the Rule of Procedure and Conduct of Business of Lok Sabha. ??????????Violation of Constitutional Provision - Excess Expenditure In many States PAC’s have not been able to discharge even the Constitutional obligation of regularising “excess expenditure” over budgetary grants. Under Article 205(b) of the Constitution,

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if any money has been spent on any service in excess of the amount granted for that service		

in the Annual Financial Statement, it would need regularisation by the Legislative Assembly. Under the Rules of Business framed by the Legislatures, the PAC examines

159 the explanatory notes furnished by the Ministry/ department and tffe circumstances leading to such excesses and presents a report to the Legislature recommending regularisation of excess expenditure. As on March 1999 Excess expenditure" of the order of about Rs 94314 crs has not been regularised in various States. The position of some of the States is as follows : J&K: Rs 22767crs, UP :Rs 13618crs , Assam : Rs 12569crs , Bihar :RS 6059 crs. Thus in almost all the States huge amount of public money has been spent in violation of budgetary control envisaged in the Constitution and fraught with the risk of misappropriation of public money. There is no time limit prescribed for placing Appropriation Accounts certified by Comptroller and Auditor General in Parliament/ State Legislature and the regularisation of excess expenditure over voted grants by the PAC. There is need for making statutory provision regarding the dates by which Appropriation Accounts is submitted to Parliament/ Legislature. The Controller General of Accounts/ Accountant General should submit the same to CAG by 30 th September and CAG should certify and arrange to place ---- in Parliament/ Legislature by 30 th December of the following year to which the accounts relate. It is also for consideration whether a provision needs to be made that excess expenditure over voted grant be regularised by PAC/ Parliament/Legislature before the close of next financial year. In UK under the Act, the Treasury is required to submit accounts to Comptroller and Auditor General by 30 September and he is required to certify the same and present to Parliament by January of the following year to which the accounts relate. In New Zealand under the Public Finance Act of 1989, the Treasury is required to forward the annual financial statement to the audit office by 30 th August following the end of the financial year and the Audit office is required to give its opinion within 30 days of receipt and the same should be tabled in the House within six days of receipt by the Treasury. ??????????Strengthening PAC The two Parliamentary Committees PAC and COPU are able to examine only a few paras and reviews out of large number of audit reports submitted to them which defeats the very purpose of parliamentary financial control and the accountability of Executive which the Parliament is required to enforce. For example during 1997-98 out of 16 Reports submitted to Parliament containing 1209 paras/ reviews the number of paras / reviews selected for examination was 76, out of which only 16 could be discussed by the PAC.

160 In States there is a huge backlog of work before the PAC's. In order to strengthen parliamentary control over executive it is necessary to devise a system which envisages that PAC examines all the reports submitted by CAG and submits its recommendations to Legislature within a time limit of say 18 months. This is possible only if the volume of CAG's Audit reports is reduced and their quality and content improved and only matters of critical importance are included in the Audit Reports.(Other financial irregularities noticed during audit need to be settled with the concerned Ministries/ departments through forums such as Audit Committees which need to be devised in consultation with Ministry of Finance). For PAC to function effectively

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and its members to develop specialisation, the life of PAC be made five years co-extensive with the life of Parliament/ State legislature with one- third of members retiring every year.

It for consideration whether PAC be given a Constitutional status wifliclearly defined mandate, duties and functions. It is also, for consideration whether C&AG should be made an officer of the Lok Sabha so that he could work in greater cooperation with Parliament and its Finance committees with a view to make parliamentary financial control more effective. 2.5.4. Accountability Of C&AG - External Audit The importance of audit rrnssbn, and what it entails by way of resources deployed by agencies subject to audit, underlines the importance of subjecting the State audit to regular and perceptive scrutiny. It is necessary that State audit demonstrates that its own operations stand the test of professbnal soundness, efficiency and effectiveness. In India there is no external audit of C&AG's outfit. In practice C&AG nominates one of the Accountant General under him as an auditor for C&AG's office. This is not a very satisfactory arrangement. Commonwealth countries such as U.K and Australia have made legal provision not only for audit of National Audit Office by independent auditors but scrutiny of budget estimates by a parliamentary committee which oversees its functioning. It is for consideration whether an external audit arrangement be made C&AG's set-up in line with the practice in UK.

161 Module -III ??????????Unit-3 ?????? The National Accounting System Structure 3.1 Introduction 3.2 Type of Accounting system 3.3 Classification of Transactions 3.4 Main Divisions of Accounts 3.5 Accounting Standards 3.6 Production of the Accounts 3.6.1Steps in the Accounting process 3.6.2Format of the public Accounts 3.7 References 3.8 Exercises 3.1 ????????????Introduction

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One the most distinctive features of the system of Government Accounts in India is the minuv elaboration of the financial transactions of Government. Both receipts and payments, are differentiated and classified in detail. Further, the uniform classification of transactions enables financial comparisons between Union and State governments. The following three developments are worth mentioning in this context: 1. In view of major public investments by way of plan outlay, government accounts were required to reflect clearly the expenditures incurred on various schemes, programmes and projects, i.e. to conform with plan heads of expenditure. 2. The Parliament and State Legislatures in addition to the general public, became increasingly conscious about government accountability. 3. The government, as a policy maker and as a manager of national finances, became more conscious about the use of government accounts as a tool for obtaining adequate and timely inputs for the rmep'oses of evaluation, remedial action and future policy decisions. These developments resulted in the government accounting authorities making the following responses: (i) Preparation of aggregate accounts [Finance and Appropriation Accounts] 162 with not only adequate financial and accounting data but (a) with a critical analysis of the financial performance of the government, (b) highlighting deviations from the expenditure incurred in contravention of approved appropriations, and (c) verifying the veracity of explanations offered by the executing agencies; and (ii) Greater use of EDP methods for the purposes of accelerating the process of availability of final accounts and for quick retrieval of need-based information. The major information inputs provided by the accounting authorities to the government are in the form of: - (a) Monthly and Annual Accounts, (b) Finance Accounts, (c) Appropriation Accounts

and, additionally (d) Combined Finance and Revenue Accounts. 3.2 ?? Type Of

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Accounting System The government accounts in India are kept on a cash basis. Therefore, only actual receipts and payments during the financial year are taken into account with no outstanding liabilities or accrued income included. All cash appropriations lapse at the close of the financial year. Although the government accounts are maintained on cash basis, a need has been felt for maintaining the relevant accounts on a commercial basis (reflecting accrual accounting) in the case of those government departments where functions are purely or largely of a commercial nature. For this purpose draft accounts are kept on commercial accounting principles for those commercial units under a ministry or department. For the major government commercial departments-such as Railways, and Posts

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and Telecommunications-detailed capital and revenue accounts are prepared and presented separately. This enables the public to see the complete picture inter alia about cost of services rendered and the return from investments.

While the question of government accounts being maintained on an accrual basis was being discussed and considered, it lost a great deal of its relevance in view of the emergence of a very large public sector in India. In compliance with the policy of the government to have a planned economy, massive investments have been made by the Government in various public enterprises. Since a large segment of governmental activity of a commercial, industrial and trading nature is being carried out by public enterprises based on commercial principles, the objective of accrual accounting is inherent in the model adopted.

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Classification Of Transactions The conventional pattern of classification followed organizational lines, consisting mainly of the listing of receipts by various types of taxes, and expenditures by reference to the spending department rather than to its objects or purposes. With the phenomenal growth and diversity in the functions of governments involving huge outlays, accounts acquired a new dimension. Accordingly, the necessity for a more meaningful classification of transactions for presentation of government operations in terms of functions, programmes and activities became increasingly apparent. A study team subsequently established by the Government of India, with the Deputy Comptroller and Auditor General as convenor investigated the feasibility of devising a uniform classification for the budget, accounts and plan, and of presenting the objectives and purposes of government expenditure clearly in terms of functions, programmes and activities. Following the recommendations, the classification of transactions on a functional basis was introduced from 1 April 1974. While the functional approach to classification is now well established, the divergence between plan programmes and accounting classification increased over the years. To bring about a closer correlation between plan schemes and Accounts Heads, the government constituted a committee which included a representative of CAG to review the existing classification and rationalise the Account Heads where required. As a result of this review in consultation with the CAG, the new accounting classification came into force from 1 April 1987. While the basic principles and broad structure of accounts were retained, certain new sub-sectors were introduced, a new coding pattern was devised and other changes initiated so that expenditure on plan programmes could be extracted directly from the accounts. The list of Major and Minor Heads of Accounts of Union and States published by the Government of India gives the relevant details. 3.4 ??

Main Divisions Of Accounts Following

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constitutional requirements government accounts are maintained in the following three categories: ? Part 1—Consolidated Fund (

Art. 266 of Indian Constitution) ? Part II—Contingency Fund (Art. 267 of Indian Constitution) ? Part III—Public Account (Art. 266 of Indian Constitution)

164 Article 283 of Indian Constitution deals with the custody etc. of consolidated fund, contingency fund and public account. In Part I, there are two main divisions of the Consolidated Fund. The first division comprises the section 'Receipt heads (

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Revenue Account)' dealing with the proceeds of taxation and other receipts classed as revenue and

the

section 'Expenditure heads (Revenue Account)' dealing with expenditure met therefrom. The second division

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comprises the following sections : (a) The section 'Receipt heads (Capital Account)'

which

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deals with receipts of a Capital nature which cannot be applied as a set off to Capital Expenditure; (b) The section 'Expenditure heads (Capital Account)' which deals with expenditure

met usually from borrowed funds

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with the object either of increasing concrete assets of a material and permanent character or of reducing recurring liabilities. It also includes receipts of a Capital nature intended to be applied as set off to Capital expenditure; and (c) The sections 'Public Debt' and 'Loans and Advances', which comprise loans raised and their repayments such as internal debt, external debt and their recoveries.

In Part II,

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the transactions connected with the Contingency Fund set up by the Government of India or of

a State are recorded.

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To complete the classification, Part III shows transactions relating to Debt (other than those included in Part I), 'Deposits', 'Advances', 'Remittances' and 'Suspense'.

Within each of the divisions and sections of the consolidated fund, the various transactions are grouped into sectors, such as 'General Services', 'Social Services' and 'Economic Services', These sectors have sub-sectors before their division into Major Heads of Account. In Part II- (Contingency Fund), there is a

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single Major Head to accommodate all transactions of the Contingency Fund.

In

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the case of Part III (Public Account), transactions are grouped according to sectors and sub-sectors which are further sub-divided into Major Heads of Account. 3.5 ??

Accounting Standards

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The Constitution envisages that the accounts of the Union and the States are to be kept in such a form as the President may on the advice of the CAG prescribe. The word 'form' has a comprehensive meaning that includes the prescription not only of the broad form in which the accounts are to be kept 165 but also the appropriate heads under which certain transactions or classes of transactions have to be entered, Accordingly accounting standards have been established in rules and regulations mandated by the Union Govt. on the advice of the

CAG. As regards the accounts of public enterprises and departmental commercial organizations, the Indian Companies Act and professional accounting bodies prescribe accounting standards. The Institute of Chartered Accountants of India accordingly has issued accounting standards, which are implemented where relevant in this context. A representative of the CAG is generally associated with the standards setting process. 3.6 ?? Production of The Accounts

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Initially the CAG had the responsibility of compiling and maintaining the accounts of the Union and th States.

He has now been relieved of this responsibility for the Union. The annual accounts in relation t Railways, The broad accounting structure is shown in following figure Accounts Consolidated fund Contingency fund Public Account Revenue Account Capital Account Public Debt Debts (other than those included in Consoldated fund) deposits etc. Remittances Receipts Expenditure Borrowings

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by Government and their repayments Loans and advances paid by Government and their recoveries

Tax Revenue Non-Tax Revenue
166 Defence, Post and Telecommunications are produced by the respective departments of th Government

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of India. The Appropriation Accounts of the remaining departments and the Finance Accounts of the Government

of India as a whole are produced by the Ministry of Finance. Responsibility for the production of the annual accounts of the State Governments is vested in the Accountants General who are officers under the CAG. 3.6.1

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Steps in the accounting process In view of the vast size of the country and widespread activities of the government, both at the Union and the State levels, the task of maintaining Government Accounts is indeed a formidable one. The proces involves: (a) initial recording of accounting transactions, their classification with reference to a function o activity, their correlation with the administrative ministry/department, i.e. the appropriate control centre and their consolidation; (b) their matching with legally approved appropriations (to enable legislatural scrutiny); and (c) the analysis and presentation of this data to serve as a management tool to the two governments.

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Accounts, as elsewhere, are a systematic record of various activities and functions expressed in financia terms and maintained by activity centres.

Such accounts are classified as initial accounts. In the State they are maintained at the level of Sub-Treasuries and Treasuries. (A Treasury corresponds broadly to one administrative unit of a State known as 'District' and each 'District' has a number of Sub-Treasuries; broadly corresponding to sub-divisions of a District). In India the Treasuries were formerly very important units of the fiscal system, and the points at which the public accounts originated. Into these financial centres were paid the receipts of government and from them were disbursed payments on behalf of the Government. Until the introduction of a new system (discussed later) and marked spread of government owned banks, Treasuries and Sub-treasuries were widely dispersed, functioning as bankers to the government, with the Reserve Bank of India at the apex. Later another major bank of the country (State Bank of India) commenced operations with many branches as a supplementary agency of the Reserve Bank of India. The cash balances of the Treasuries formed part of the Government Account. After 1975, two major developments took place :

167 (i) The cash functions of the Treasuries and Sub-treasuries were largely entrusted to government owned banks and their branches, and (ii) With the establishment of a separate departmental accounting organisation in respect of the Union Government Civil Departments, the functions of the Treasuries and Sub-treasuries at the Union level were largely taken over by the Pay and Accounts Offices. These offices are functionally under the control of the Permanent Secretaries of the Government, but administratively they are governed by the new department, viz. Indian Civil Accounts Department under the Ministry of Finance. As previously mentioned, prior to 1976 responsibility for compiling and consolidating the accounts was not vested in executive departments but in the Accountants General under the aegis of the CAG (except in the case of Defence Department, Railways and a few other departments). With the formation of the new departmental accounting organisation, the responsibility of the Accountants General to maintain the accounts of Union Civil Departments was transferred to the former. Before these developments took place, the revenue and other receipts and the payments made from Treasuries were recorded and compiled into two separate accounts for the transactions of (i) the Union Government, and (ii) the State Governments. The classification of each item of receipt and payment according to its functional and administrative unit was made by the departmental offices. A list of payments (supported by payment vouchers) was sent by the Treasury Officers to the Accountant General twice a month and that of receipts once a month. Detailed rules were framed for the payment of moneys into and withdrawal of moneys from the Treasuries and their accounting. In the case of departments-such as Railways, Posts and Telegraphs, Defence, Public Works and Forest-the receipts realised were paid into the Treasuries in total and accounted for only as receipts of those departments. The detailed accounts of such receipts were kept by the departmental offices concerned. Similarly, sums withdrawn from the Treasuries (or a linked bank) by those departmental offices appeared in the Treasury accounts merely as payments on behalf of those departments-detailed accounts being maintained by the departmental offices. From the initial accounts supported by payment vouchers rendered by the various treasuries and other departmental offices, 168 the Accountants General compiled and consolidated the accounts in the form of Appropriation and Finance Accounts. The accounting position changed considerably after 1976. While the Accountants General, as functionaries of the CAG, are still compiling and maintaining the final Government Accounts at the State level, the responsibility at the Union level no longer lies with the Accountants General. This has been transferred to a separate functionary, namely, the Controller General of Civil Accounts. Similarly functions of the Treasuries and Sub-treasuries, as recipients and disbursers of cash, have largely been transferred to the banks, while at the Union level the Treasuries have practically ceased to play any effective fiscal role.

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The Government Accounts have necessarily to comply with the budgetary structure of the country. Since budgets in India are on an annual basis, governmental transactions are also finalised in the accounts on an annual basis. However, the government Accounts of each financial year are kept open for a certain period in the following year for adjusting transactions which took place in the previous financial year. This is considered necessary in order to allow certain inter-departmental adjustments, corrections of misclassifications, clearance of certain transitory heads (Suspense Heads), and other relevant adjustments. 3.6.2

Format of The Public Accounts ?? FINANCE ACCOUNTS : These

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accounts show the receipts and outgoings of the government for the year, together with the financial results disclosed by the revenue and capital accounts, the accounts relating to public debt, and liability and assets of the government. The Finance Accounts are

generally prepared in two parts: Part I - Summarised Statements Part II - Detailed Accounts and Other Statements. ??

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APPROPRIATION ACCOUNTS : These are accounts of the expenditure, voted and charged, of the government for each financial year compared with the amounts of the voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These accounts are complementary to the above accounts of the annual receipts and disbursements of government (Finance Accounts). 169 ??

COMBINED FINANCE AND REVENUE ACCOUNTS OF THE CENTRAL AND STATE GOVERNMENTS IN INDIA : These present the accounts of all governments in India on a common and comparable basis. They are prepared by the CAG, mainly from the figures contained in the respective Finance Accounts of the governments. ??**Conclusion** In India financial accountability and fiscal management systems covering budgeting, accounting and auditing, have evolved over more than a century. This evolution has been in response to the changes in the political, social and economic environments nationally during this period. However the budget as an instrument of planned development and accounting as an aid to decision-making are relatively new concepts. Similarly, the transformation of audit from a relatively simple device to ensure mere regularity of government expenditure against budget appropriations in a colonial situation

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to an important organ of the democratic polity, engaged in sophisticated performance evaluation of public financial operations in a planned economy, is a

phenomenon of post-Independent India. Future reforms in the systems will have to address, among other things, the development of comprehensive management accounting and information systems capable of achieving effective financial control and accountability. With the vast increase in the financial transactions and their reflective activity centres adequate and reliable internal audit arrangements have to be instituted or strengthened. Further, a climate conducive to appropriate administrative responsiveness to the requirements of effective financial management, accounting and auditing will have to be created. 3.7 ??**References** 1. Johari, J. C. : Indian Government and Politics. 2. Maheswari, S. R. : Indian Administration. 3. Pylee, M. V., Constitutional Government in India. 4. Goel and Arora, Indian Administration. 5. Shafritz, J. M., Refining Public Administration. 6. ?
170 3.8 ??**Exercises** 1. Public response is sought to be elicited for making major reforms in the institution of C&AG to make its functioning more effective: a)

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Should the appointment of C&AG be taken out of the exclusive purview of Executive and a high level independent committee consisting of Prime Minister, Finance Minister, Leader of Opposition in Lok Sabha and Chairman of Public Accounts Committee be constituted to select him? b) Should

qualification for the post of Comptroller and Auditor General be laid down and persons having extensive experience of the functioning of public audit and accounts systems should only be eligible to hold the office? 2. Countries having federal structure such as USA, Germany, Canada, Australia and now U.K have separate Auditor General's for provinces. Should public audit systems conform to the federal structure of our country

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and constitutional status and autonomy be given to the State Accountant General and his status made equivalent to a High Court Judge so that he can effectively discharge his

responsibility to the State Legislature? In that case should he be appointed by the President of India on the recommendations of an independent committee headed by Comptroller and Auditor General? 3. Countries such as Germany, France, Japan and South Korea work through a system of Audit Court / Audit Board with members enjoying high legal status with President of the Court / Board's position that of primus inter pares.

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Should the office of CA&G be restructured and broad based by creating an Audit Commission which should have existing Dy CAG's enjoying the status of High Court Judge as members and function on the principle of collegiate decision for all policy matters relating to audit and accounts? 4.

Audit officers in most countries such as New Zealand, Japan, Germany, France, Korea, China and Thailand have been entrusted with judicial powers so that they ensure that State money and property is safeguarded.

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Should quasi- judicial powers as available under Commission of Enquiry Act be given to senior officers of the Audit department who should have authority to summon public officials to give evidence on oath, surcharge them if they find that he has caused loss of State money and property through fraud, negligence and improper use and if that is not possible advise the Department where

they are working to take disciplinary action under the Conduct Rules? 5. Presently Public Corporations in the banking and financial sector do not fall within the jurisdiction of Comptroller and Auditor General's audit. However, government companies are subject to state audit under the Companies Act. Are public enterprises at a disadvantage due to presence of C&AG's audit in the context of globalisation and competition and a level playing field is not available to them?

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What should be the audit arrangement for Public Enterprises which should fulfill requirements of public accountability without impairing their commercial autonomy? 6.

With the policy of progressive empowerment of the local self-governing institutions receiving a greater emphasis with attendant prospect of sizable percentage of State funds being handled by these/institutions, appropriate public audit mechanism needs to be considered.

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What should be the accounting and audit arrangement of Panchayats and Municipalities

and whether a Central legislation be enacted, with Comptroller and Auditor General (or the proposed Auditor General for the States) having authority to lay down accounting and auditing standards and general superintendence over such audit? 7. Public Accounts Committee's have not been functioning effectively and most of the reports of C&AG remitted to it remain unexamined defeating the principle of parliamentary control over public funds prescribed under the Constitution. In the States a sum of over Rs 94000 crs of "excess expenditure" over voted Grants is awaiting regularisation under Article 205(b) of the Constitution. To make the functioning of PAC effective

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should a time-limit, of say 18 months be prescribed, for it to examine the reports of C&AG and submit its recommendations? To develop expertise should the life of PAC be made five years, co-extensive with the term of legislature, with one-third of its members retiring every year. Should Constitutional status be given to

Public Accounts Committee with clearly defined duties and responsibilities. 8. Public audit institutions tend to be classified as part of legislative branch as they help legislature to implement power of the purse. In U.K and Australia C&AG has been made an officer of the House of Commons. What should be the relationship between C&AG and Parliament. Should 172 practice similar to UK be followed in our country? 9. In UK Public Accounts Commission examines the budget and appoints the auditor of the National Audit Office.

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What should be the arrangement for audit of the office of the

Comptroller and Auditor General? Should an external agency be entrusted this task to make the system transparent? 10. Write a note on stages of an audit. 11. Write a note on the appointment

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and functions of CAG in India. 12. Write a note on the role of the

Supreme Audit Institution (Sai) 13. What are the Monitoring Mechanisms ? 14. Examine the weakness of the existing system in the context of its functions. 15. Evaluate the quality of Audit- Problems Due to C & AG's Highly Centralized Set-Up. ??????????Short Questions : 1. How a system's internal control is done? 2. What is auditing ? 3. What is 3E's Audit? 4. What is known as Performance audit ? 5. Name some significant Global Audit Firms.

173 Module-IV ?????????? Parliamentary Control Over Financial Administration ????? Unit - I Budget Approval Structure
1.1 Introduction 1.2 Public Accounts Committee 1.3 Other Parliamentary Committee 1.4 Estimates Committee 1.5 Other
Financial Committee 1.1 ??????????Introduction Just as a household cannot be managed without fund, government as
the manager of the society can't function without an assured source of fund. The government mobilizes resources
through taxation, fees and charges and other means. The revenue thus raised is society's or public's money. There is,
therefore, a/aten understanding that the society is providing fund to government on condition that money so raised
from society will be properly spent for public purposes. In the developing countries, government has been responsible for
a large number of functions and the private sector is not large enough and unable to undertake most public functions
nor can it subserve 'public interest'. Government in developing countries has to raise more and more resources from a
variety of sources both for 'maintenance' and 'development' functions. The public sphere as thus expanded over the
years to a great extent. The contemporary trend is toward limiting the public sphere and handing over more and more
activities to the private sector. To the extent this will be possible, government activities will shrink, and there will be less
demand on society to pay for government-run activities. In fact, government expenditure burden will be much less, and
hence, government will not be raising more and more revenue from the society. This new philosophy of 'state
minimalism' can be traced to what is known as the "Right" reaction on Thatcherism and Reaganomics, as it originated at
the time of Mrs. Thatcher regime in U.K and the Reagan regime in USA. The third world countries are also now being
advised by the World Bank and the international funding

174 agencies to reduce governmental size by unburdening the government and passing on many functions to the private
sector. No, doubt, the size of government bureaucracy has increased enormously in the Third World countries due to
government take-over of many social and developmental functions. There is surely some scope of reduction in the size
of government divesting some of its responsibilities; but the leading role of government in pushing through
'development' and securing a minimum level of quality of life for the general public, specially the poor and the
underprivileged, can not be dispensed with. Hence, the state "roll back" theory of the "New Right" philosophy has been
taken with a grain of salt so far as the developing countries are concerned. The lesson of this argument is that
government in the Third World countries has to be an efficient financial manager in two senses: One, it has to be prudent
in expenditure and must not overtax the society which itself is in the process of growing. Two, the government has to
frame well planned policies for overall guidance of the economy including the private sector. Any discussion on 'financial
administration' has to be conducted within this broad understanding of the economy of the developing societies.
Government raises fund from the public to meet "maintenance" expenditure or the running expenses of public
administration. Government has also to raise funds for "development" expenditure to create new capital assets like big
dams, steel plants, new roads, railways, electricity generating plants etc. Financial administration involves planning of
public expenditure and revenues, making funds available for the governmental activities and ensuring the lawful and
efficient use of these funds. Under democratic government, the legislature is the body to vote the taxes and authorize
expenditure. Financial administration has to see that the legislature is not asked to place more tax burden on the people
than what is necessary, and that the money voted by it for expenditure is used according to its wish and with regard to
economy and efficiency. Financial administration thus forms a crucial aspect of public administration. Most administrative
acts have their financial implications. They create a charge on the public exchequer or bring revenues to it. Financial
operations may be designed to develop and promote particular public policies. Tariffs may be so shaped as to afford
protection to the home industries, or taxation may be so designed as to promote economic equality by the transfer of
money from the rich to the poor. Finally, financial

175 administration raises important issues of administrative organisation and relationships, e.g., what machinery of
financial administration there should be or what the relationship between such machinery and administrative authorities
should be or who; should have the last word about a proposed item of expenditure, the financial offices or the
administrative officers. Financial administration is a composite term for a number of discrete functions as under:
Preparation of the budget i.e. of the estimates of the revenue and expenditure for the ensuing financial year, Getting
those estimates passed by the legislature or other competent authority, Execution of the budget i.e. regulation of the
expenditure and raising of revenue according to it, Treasury management i.e. safe custody of the funds raised and due
arrangement for the necessary payments to meet the liabilities, and Rendering of the accounts by the executive and
audit of these accounts. Budget making is the first step in Government's financial administration. Really speaking,
however, the budget comes from the political perceptions of the ruling class. The government in power has some
policies, which are reflected in the

budget.

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The term 'Budget' has been derived from a French word, 'Bougette' which means a leather bag or wallet.

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The term was used in its present sense for the first time in 1873, in a satire directed against Walpole'

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financial plan for the year. Since then, the term has been used for a financial scheme or statement of annual income and expenditure of the government. Traditional budget

acquired the descriptive title of "line item", as the object was put on the left side and the cost on the right sides. As Wildavsky has put it:

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a budget is "a series of goals with price tags attached."

Budget is document, but a Budget system is one that makes use of a Budget as the central instrument of financial administration. A budget system has three phases. 1. Formulation of the Budget and determination of the authority for the formulation of Budget. 2. Legislative action upon the Budget. 3. Execution of the Budget: putting of the provisions of the Revenue and Appropriation Acts into effect.

176 Budget Classification The estimates of receipts are made under three main divisions viz. Revenue Receipts (all direct and indirect taxes, non-tax receipts and interest on loans and advances); Capital Receipts (internal debt. external debt and repayment of loans and advances) and Public Account (debt other than that falling under Capital Receipts, deposits, advances, etc.). The estimates of expenditure from the Consolidated Fund fall into two categories-Non-plan expenditure and Plan expenditure. Each comprises expenditure on revenue account and on capital account, including loans and Advances separately. Before the various phases of Budget system area discussed, it is useful to study the essentials of Budget system Some one must prepare the Budget and submit it to the legislature. The responsibility lies with the Chief Executive who, with the aid and assistance of an expert agency like the Bureau of Budget or ("Treasury, prepares the Budget and transmits it to the legislature. The Budget should be accurately and completely prepared and it should state all the facts in detail;.The Budget should give a complete picture of government's finances, and it should be so laid out and summarized as to make this picture quite clear to the citizens and the tax payers. The procedure adopted by legislature for the discussion of Budget should not be veiled in secrecy. After the Budget has been passed by the legislature, it should be in use throughout the period to which it applies. The following steps are taken to see the Budget Through : A. First of all,

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the Political Executive decides the overall financial policy, on the basis if which estimates are prepared.

Budget preparation starts from the lowest level.

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On the basis of instructions from top nodal agency, various administrative agencies prepare their estimates. These sectional estimates are then examined and scrutinised by Departmental Heads and then pass on to officers of the Treasury or the Finance Department.

After many meetings and discussions, the proposed expenditure plan is consolidated into a single document, which may be again discussed by the Finance Department and the Political Executive. In the final analysis, the estimates are the work of the Executive Department like the Treasury or Department of Finance. Once prepared, it is submitted to the Legislature with a request for approval.

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It is discussed in the Legislature in two parts. First, the expenditure side is disclosed and then the revenues are discussed. All legislatures make extensive use of Committees for the examination of estimates. In the legislature, two separate Bills are passed, one is the Appropriation Bill which is a legal document seeking permission to spend money, the second, Revenue bill which gives authority to impose and collect taxes. After these two bills are passed by the Legislature, the Political Executive seeks to implement it.

A Budget which has been approved by the Legislature gives authority to the Executive to spend money on particular items as specified by the Legislature. In this way, parliamentary sovereignty is assured. It is a fundamental principle that a democratically constituted legislature must have an extensive control over the public finances.

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Legislature, as the fund-raising and fund-forming authority has the power to levy, abolish, increase or waive tax. It has the final authority to sanction money for expenditure.

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No tax can be levied or collected and no expenditure can be incurred

without parliamentary approval. The Legislature's Duty is : a) a reasonably fair distribution of the total sum which the country can afford to devote to Government expenditure; b) To ensure that the money so distributed is used for the purposes for which it was intended with the statutory authority; c) To try to secure full value for the money which is distributed. Only a responsible and knowledgeable legislature can perform the above mentioned tasks. That is why the opposition parties are very particular about legislative supervision of public finance. In the same way, in India the Executive demands money from the Legislature by presenting the Budget and Parliament grants it. The Legislature performs its functions under Executive leadership. All demands for grants and all proposals for taxation come from the Executive and the Legislature gives its approval to these proposals after thorough scrutiny. The second agency concerning Financial Administration and control is the Executive. Control in matters of policy concerning finance vests in the government as a whole. Government decides the expenditure policy. Questions like pay, pension and provident fund to the officials are all determined by the Government. The Executive performs the policy making

178 function concerning finance, and then tries to get the approval of the Legislature. The Finance Department is responsible for the entire Financial Administration of the country. This Department performs a variety of functions. It has control over expenditure of money. It controls and coordinates various spending Department i.e. the annual Budget of the government. Its main business is the proper management of the finances of the country. It exercises vital control and supervision over the expenditure of the government Departments. So, primarily among the Departments of Administration stands the Department of Finance, or Treasury as it is known in England. In all democracies independent audit of public fund as authorized by legislature is vested in a constitutional authority. Honest and sound finance can be ensured by subjecting the public expenditures to the search light of an independent audit. Auditing is the investigation of

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and report on the fidelity, legality and efficiency of al financial transactions.

The audit of public money is conducted by an independent officer on behalf of the Legislature. When the Legislature has sanctioned money for expenditure, it should also see to it that the money is spent economically, legally and honestly. Parliament has to see that money is not misused or mis-appropriated by officials for their own benefit. In India, Parliament gets the audit of pubic money conducted by the Comptroller and Auditor General, who isa friend, philosopher and guide of Parliament in this respect. Finally, two committees of the legislature, commonly known as the Estimates Committee and Public Accounts Committees, suggest economies in expenditure in various Departments of Government, at the estimates stage, i.e., before actual expenditure, and

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the Pubic Accounts Committee examines the Appropriation accounts in the light of the audit report of the Comptroller and Auditor General, and draws the attention of the

Legislature of financial irregularities which might have occurred and makes suggestion for preventing then in future. The above mentioned agencies are employed for financial control and administration in the government. The purpose of financial control is to secure honesty and economy in expenditure. Government money is provided by tax-payers. These agencies have to see that the tax-payers' money is rightly and properly used. Public money is a trust, and a rupee is not spent where a paisa would have been sufficient, and that paisa is spent not for the personal gain of any individual, but for the good of the society as a whole.

179 Thus, efficient Financial Administration is an imperative necessity for every country.

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The budget is the most important medium of legislative control over the

executive decisions regarding financial allocations of fund. It starts with the control of revenue and expenditure, initiated by the executive. No tax can be collected and no expenditure can be incurred without its prior approval. The finance minister presents the budget proposals in the Lok Sabhas towards the end of February. It is preceded by an economic review portraying the state of the economy during the current financial year. The finance minister presents the budget with a budget speech explaining at length the financial proposals of the government. It is presented in the Rajya Sabha at the same time. Parliament recesses for three days to enable the members to study the budget proposals. On reassembly a general discussions takes place for three days after which demands for grants are voted on the basis of the priority of demands previously agreed to by the leaders. Only the votable items are put to vote. Motions may be moved to reduce any grant. On the last day all the remaining items are put to vote. Voting on demands grants is followed by the Appropriation Bill authorizing the issue of money from the Consolidated Fund and vesting in the government the authority to draw money from the Consolidated Fund. (As budget proposals may take some time to get legislative approval, a vote on account may be passed providing for the expenditure of a department for about four months in the new financial year. It is open to general discussion in view of the fact that no fiscal decision can be taken without the consent of the people's representatives in the legislative body.) Amendments to the budget proposals

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may propose the abolition or the reduction of any new tax nor an increases in the rate of any existing tax.			

An amended budget proposal is passed by the Lok Sabha

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and after consideration by the Rajya Sabha it goes to the President for his signature on receipt of which it becomes an Act.			

However, the President is bound to give his assent in the money bills/ financial bills as it is proposed by the executive with his prior approval as specified in the constitution. Budget proposals include taxation, borrowing, or expenditure, especially

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with one or more of the following matters: 1. a) the imposition, abolition, remission, alteration, or regulation of any tax; b) the regulation of the borrowing of money or the giving of any guarantee by the Government of India, or the amendment of the law with respect 180 to any financial obligation undertaken or to be undertaken or to be the Government of India. c) The custody of the consolidated Fund or the Contingency Fund of India, the payment of money into or the withdrawal of any money from such Fund; d) The appropriation of money to of the Consolidated Fund of India. e) The declaring of any expenditure to be expenditure charged on the Consolidated Find of India; f) The receipt of money on account of the Consolidated fund of India or the public account of India or the custody or issue of such money or the audit of the account of the union or of a state; or g) Any matter incidental to any of then matters specified in (a) to (

g) Under the Constitution, the executive is to formulate demands for money. The Lok Sabha

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has the prerogative to exercise control over taxation, to grant supplies for public expenditure and control appropriations, and public expenditure.			

This is ensured by the audit of public accounts by an independent statutory authority-the comptroller and auditor-general and the subsequent examination of his audit report by a parliamentary committee- the Public Account Committee. The comptroller and auditor-general examines the annual and satisfies himself that parliamentary grants have been voted and in the amounts intended and they have been spent according to laws, rules and regulations. He reports on any waste, losses or departures from settled financial principles and procedure. This report examined by the PAC completes the cycle of parliamentary control of public expenditure. It is a discretionary audit to ascertain whether the executive has observed the rule of prudent housekeeping in public expenditure. Four organs of government in a parliamentary democracy-the legislature, the government, the finance ministry and the audit department work together or in interrelated way to deal with public funds. ? Parliament exercises

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control over revenue, expenditure, borrowing and accounts. Legislative sanction is required for the levy of new taxes, for the withdrawal of money from the Consolidated Fund of for public expenditure, and for the raising of loans. The

discussions relating to the annual budget in Parliament take place in two stages. In the first stage general discussions centre around the budget speech of the Finance Minister. In the second stage, detailed discussions take place on the 'Demands for Grants'.

181 ? The executive, in addition to the legislature exercises control over the

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finance. It determines the pay allowance, leave, traveling allowance to each of the administrative authorities. The cabinet is assisted by an Economic Committee which decides on the financial matters to be referred to the cabinet

for

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decides on the financial matters to be referred to the cabinet for decision. Its secretary reviews with each ministry its financial proposals in the light of the funds available. It coordinates the activities of the government in the government in the economic sphere, determines the priorities of the development schemes in the central and the state spheres sand distributes the available resources among the competing schemes. Its orders on the estimates are final. The

budget is the programme of the chief executive. Efficient budgeting depends on the active cooperation of all departments and their subdivision. Each agency should have a budget office. The budgeting and the programming work of the agency should be interrelated under the direct responsibility of the agency head. Each agency has a budgets officer who transmits the agency's views and proposals to the central function; it should permeate the entire administrative structure. The communication between the central office and the agency officers responsible for budgeting and programming is a two-way communication. India is a federal state with a centre and units, each having its own budget. The work on the Union Budget starts with the officers preparing the estimates in September on the basis of the figures supplied by the Finance Ministry. The Finance Department consolidates these estimates in January. They are next scrutinized by the Accountant General. In the budgetary process, the Ministry of Finance produces a document known as 'The

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Economic and Functional Classification of the Central Government Budget'. This gives an appreciation of the impact of Government receipts and expenditure on the other sectors of the economy

by regrouping the budgetary aggregates in terms of economic magnitudes—for example, the amount spent on capital formation directly by the Government and transferred to other sectors of economy. ? The Finance Ministry has a special responsibility in enforcing

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economy in expenditure. It has to ensure that the administrative departments get adequate, funds, that they deep within their grants, that they surrender their saving will before the close of the year and that the spending departments send progress reports regularly, and on time. It coordinates the activities of 182 the different ministries, reviews the results and monitors the general trends of government expenditure. ?			

Public accounts are audited by a statutory authority which is independent of the executive and are scrutinized by the Public Accounts Committee, following the report from the audit department. All demands for grants and taxation proposals thus emerges from the executive. Expenditure can be sanctioned only by parliament. The Constitution safeguards the interests and rights of the taxpayers through three provisions: (i)

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No tax shall be levied or collected except by authority of law, (

ii) No expenditure shall be incurred from the public funds except a provided in the Constitution, i.e., unless it has been sanctioned by parliament, (iii) The executive has to spend only in the manner sanctioned by parliament. This control is exercised by the comptroller and auditor-general (and, after the separation pf Accounts from Audit, by the auditor-general). India follows four principles of financial control: (i) the executive acting through ministers cannot raise money by taxation, borrowing or otherwise without the authority of parliament; and proposals for expenditure requiring additional funds must emanate from the cabinet. (ii) The second principle vests in the Lok Sabha the exclusive control of the purse. Money bills must originate in the Lok Sahba which has the sole power to grant money by way of taxes or loans and to authorize expenditure. The Rajya Sabha may reject a grant but not add to it. (iii) The demand for grants must come form the government. Neither the Lok Sabha nor a state Assembly may vote a grant except on demand for grant from the government. (iv) Similarly, the proposal for a new tax or for an increase in the rate of an existing tax must come from the government. Annual Financial Statement shows the sums

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charged on the Consolidated Fund of India and the money required to meet other expenditures.			

The former is non-votable and the later is votable. Votable estimates are submitted to the Lok Sabha which can assent to, refuse, or reduce the grant but not enhance it. The Ministry of Finance administers the finances of the government; in fact, the entire structure of financial administration resolves round Finance Ministry It frames the Annual Financial Statement in

183 consultation with the other ministries. After parliament has approved of the budget, it controls the entire expenditure of the government and a view to economy in public spending by the other administrative ministries. After the money has been spent, public expenditure is subjected to the searchlight of an independent audit to examine the legality and the propriety of the expenditure. Parliamentary control the taxation and expenditure is rendered effective through independent audit. The Auditor-General is independent of the executive and is accountable only to parliament. After parliament has voted grants to government, the auditor-general has to see that the money voted are spent does not exceed the amount granted. He has to report the parliament any expenditure not in conformity with the declared intentions of parliament or any faulty administration of a grant. The budget has three stages: preparation, legislation and execution. The centre and the states in India have each its Consolidated Find to which all receipts are credited and all authorized payments are debited. Expenditure is of two kinds: votable and nonvotable. The non-votable items, i.e., those that are charged to

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the Consolidated Fund are: (i) salaries and allowances of the president and expenditure on his office; (ii) the salaries of the chairman and then deputy chairman of the Rajya Sabha and the speaker and the deputy speaker of the

Lok Sabha; (iii) debt charges including interest and amortization charges on government loans; (iv) salaries and allowance of the judges of the Supreme Court; (v) salary, allowances and pensions

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payable to or in respect to the Comptroller and auditor-general of India; (vi) any sums required to satisfy any judgement-decre of any court or arbitrary tribunal; (vii) any other expenditure declared by

the Constitution or by parliament to be so charged.

Expenditure on the counterparts of the above in the states are charged on the Consolidated Fund of each states. The Committee on Estimates is a continuous 'Economy Committee' to suggest economics within the limits of accepted policy. It is not concerned with government policy as such. Its concern is with exploring how that policy could be achieved with minimum public resources. It has 30 members from the Lok Sabha elected on

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the principle of proportional representation by means of single transferable vote. Its chairman is appointed by the speaker.

By convention one-third retires every year. It works through sub committees. Apart from the Annual Financial Statement and the Demands for Grants, the following documents are also presented to Parliament as part of the overall budget: 184 1. 'Economic Survey' : This gives a background to the economic trends prevailing in the country. It also gives an analysis of the

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agricultural and industrial production, money supply, imports and exports and other relevant factors which have a bearing on the

framing of the budget so that the Parliament may have a better appreciation of the efforts made by the Government for mobilising resources and their allocation in terms of development priorities. 2. 'Public Enterprises Survey' : This contains a detailed report on the operations of commercial public enterprises. Besides,

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the reports of the Comptroller and Auditor General of India on the operation of

various public sector enterprises are also presented to Parliament during the budget session. 3. 'Expenditure Budgets': This gives not only the estimates in terms of revenue and capital under Plan and Non-plan heads in relation to each administrative unit, but also a description of expenditure in terms of major programmes. These are distinct from and in addition to 'Demands for Grants'. 4. '

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Receipts Budget' : Estimates of receipts included in the Annual Financial Statement are further analysed in this document. The document also gives details of revenue and capital receipts, the trend of receipts over the years and,

more importantly the details of external assistance received by the Government. 5. 'Performance Budgets' : These budgets are prepared by all ministries dealing with development activities. Also provided are separate appraisal reports in respect of certain major Central Sector Projects/ Programmes. A statement is included

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on the programmes and performances of each public sector undertaking under the respective administrative ministry, indicating the installed and utilised capacity, physical targets and achievements, results of

operations, and return on capital. 6. 'Budget at a Glance': This document provides information regarding the total expenditure and resources, both for meeting Plan Outlays as well as under the scheme of devolution of financial resources envisaged in the Constitution, transferred from Union budget to the budgets of State Governments. 7. Following the budget speech of the Finance Minister (which is also printed in two volumes and placed before the Parliament along with 185 the budget documents), a Finance Bill is introduced incorporating the fiscal proposals of the Government for the levy of new taxes, modification of the existing tax structure or continuance of the existing tax structure beyond a period approved by the Parliament. 8.

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To facilitate understanding of the taxation proposals contained in the Finance Bill, the provisions of the Bills are explained in simple language in a separate document called 'Memorandum Explaining the Provisions of the Finance Bill'.

After the appropriation Act is passed, the grants as voted by parliament are distributed, care being taken to spread the cuts, of any, over numerous heads. Appropriation is the allocation of funds to a given units as passed by parliament. Within a grant, an intra-unit transfer of funds is permissible. Unspent balance, if any lapses. Actual expenditure deepens on two conditions: sanction by competent authority and provision of adequate funds. The spending authority shall exercise due care in the spending of public money. Public money shall not be spent for the benefit of a particular individual or community; and all orders sanctioning expenditure shall be communicated to the auditor. The accountant-general monitors the progress of receipts and expenditure and brings irregularities, if any, to the notice of the competent authority. Four organs of government exercise financial control is a parliamentary democracy-the legislature, the government, the finance ministry and the audit department. Parliament exercises finance ministry and the audit department. Parliament exercises

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control over revenue, expenditure, borrowing and accounts. Legislative sanction is required for the levy of new taxes, for the withdrawal of money from the Consolidated Fund of for public expenditure, and for the raising of loans.

Public accounts are scrutinized by the Public Accounts Committee and are audited by a statutory authority which is independent of the executive. India follow four principles of financial control: (i) the executive acting through ministers cannot raise money by taxation, borrowing or otherwise without the authority of parliament; and proposals for expenditure requiring additional funds must emanate from the cabinet, (ii) The second principle vests in the Lok Sabha the exclusive control of the purse. Money bills must originate in the Lok Sabha which has the sole power to grant money by way of taxes or loans and to authorize expenditure. The Rajya Sabha may reject a grant but not add to it. (iii)

The demand for grants

186 must come from the government. Neither the Lok Sabha nor a state Assembly may vote a grant except on demand for grant from the government. (iv) Likewise, the proposal for a new tax or for an increase in the rate of an existing tax must come from the government. The Committee on Estimates is a continuous 'Economy Committee' to suggest economics within the limits of accepted policy. It is not concerned with government policy as such. Its concern is with exploring how that policy could be achieved with minimum public resources. It has 30 members from the Lok Sabha elected on

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the principle of proportional representation by means of single transferable vote. Its chairman is appointed by the speaker.

By convention one-third retires every year. It works through sub committees. 1.2 ?? Public Accounts Committee An effective control over public expenditure is essential for the success of a financial administration in a democratic country. The parliament is incapable of undertaking this task due to its large size. It has neither the time nor the capacity for performing controlling functions. Therefore, parliament exercises effective control over the finance of the country through its two committees, viz. Committee on public Accounts and the Committee on Estimates. It is meaningless to vest the legislature with the power of voting for particular purpose unless it is empowered to investigate that the money is spent by the administration for the very purpose for which it was voted. A system of continuous audit of public accounts by an independent authority is adopted for this purpose. The report of such an auditor is made to a committee of the Legislature popularly called public Accounts Committee for further examination and a report of its finding to the legislature. Under the Act of 1919 the Public Accounts Committee was first committee in the Governor General's executive. It was not possible for the members of the committee to freely discuss the government activities. With the inauguration of the new Constitution, the government members have been removed from the committee. In the beginning there were 15 members, all taken from the House of people. From 1953 the membership of the Committee has been raised to 22 of which 7 members represent the Council of States. The Committee is composed for a financial year by both the Houses jointly electing members on the basis of single transferable vote of 187 proportional representation. All political parties share the representation on the basis of their numerical strength. Unlike U.K. where the Chairman is from the opposition and there is no member from the House of Lords, in India the Chairman of the Committee is from the ruling party. Functions of PAC As embodied in the Rules of Procedure of Business

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the functions of the committee are to satisfy: That all monies, shown in the accounts as having been disbursed, were legally available to the activity or purpose to which they have been charged, That the expenditure to the authority which governs it, and That every re-appropriation has been made in accordance with the provision made in this behalf under rules framed by competent authority.

The Public Accounts Committee shall also perform the following functions 1.

To examine,
in the hght of

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the report of the Comptroller and Auditor General, the statement of accounts showing the incomes and expenditure of State Corporations (i. e, Air Corporation, Damodar Valley Corporation), trading and manufacturing schemes, projects etc. together with the balance-sheet and statements of profit and loss

account. 2.

To-

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examine the statement of accounts showing the income and expenditure of autonomous bodies, the audit of which may be conducted by the Comptroller and Auditor General of India. 3.

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To consider the report of the Comptroller and Auditor General in cases where the president may have required him to conduct an audit of any receipts, to examine the accounts of stores and stocks. For the

successful discharge of its functions, the PAC is empowered to send for persons, paper and record. It is authorized to put question to the concerning officials regarding the expenditure recorded in the accounts under its consideration.

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The main work of the Committee is to examine the report of the Comptroller and Auditor General, in order to ascertain that the money granted by then Parliament has been legally spent by the Government within the scope of the

demand. After the scrutiny of witnesses and documents and Committee prepares its report to submit to the Parliament. The recommendations of the Committee are invariably accepted and implemented by the Government. If the Government and the Committee do not agree on

188 the recommendations, the matter is eventually placed before Parliament, though such occasion seldom arises. The general criticism against the Committee is that its work is only a postmortem. It serves no purpose, as once money has been wrongly spent, it cannot be recalled. But even the postmortem has its own utility. In the words of Mr. G.V. Mavlankar, "He very fact of consciousness that there is someone who will scrutinize what has been done, is a great check on the slackness or negligence of the executive. The examination, if it is properly carried out, thus leads to general efficiency of the administration. The examination by the Committee may also be useful as a guide for both future estimates and future policies. 1. Expert Control. The Committee's control is an expert control. It makes full use of an expert audit whose aims are harmonized with its own. This is primarily a financial control to check an audit. It has nothing to do with the investigation of current expenditure. 2. Judicial Control. The law is clear. The past actions of the Department are clear and members have to decide whether the law and the past action of the department are in conformity. 3. Non-partisan Control. It has been described by Austin Chamberlain as a committee of judges putting aside for the time all party consideration. 4. Role in the Indian Financial Administration. From time to time the committee has successfully poi-Hfetl out the financial irregularities of the government. For example, in 1947-49 the Committee drew attention of the Parliament towards the waste of 1.5 crores of Rupees over Sarnath Railway line. The committee has given many invaluable suggestions for the reform ofthefinarcMadrnirstatbn of the country. 1.3 ?? Other Parliamentary Committees Though Parliament itself does not govern the country, it exercises supervision over executive action in various ways through the purposive use of parliamentary procedures and a system of committees, although there is no constitutional provision for such committees of Parliament. As mentioned earlier, Parliament

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has set up three financial committees, viz. Public Accounts Committee (PAC), Committee on Public Undertakings (

COPU) and the Estimates Committee, to assist effective parliamentary control over public finance.

189 The PAC examines

the

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accounts showing the appropriation of sums granted by the House for the expenditure of the Government of India, the annual finance accounts of the Government and such other accounts laid before the House as the Committee may think fit.

Since 1962-63 the Committee has also examined the revenue receipts.

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In scrutinizing the Appropriation Accounts of the Government of India and the Report of the Comptroller and Auditor General thereon, it is the duty of the Committee to satisfy itself that : a. the moneys shown in the accounts as having been disbursed were legally available for, and applicable to, the service or purpose to which they have been applied or charged; b. expenditure conforms to the authority which governs it; and c. every reappropriation has been made in accordance with the provisions made in this regard under rules established by competent authority.

Even though the Parliament discusses the budget estimates for a sufficiently long period, there is often neither the time nor the flexibility to discuss the details and the technical aspects of the estimates. The Estimates Committee was therefore constituted to examine the estimates. The functions of this committee are detailed in Section 5.1 of this chapter. Thirdly,

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COPU examines the reports and accounts of the public undertakings, including the audit reports of the CAG thereon. It is the function of this Committee to see whether the affairs of the public undertaking are being managed in accordance with sound business principles and prudent commercial practices.

The reports of the

various committees are presented to the Parliament. The Government is required to inform the PAC/COPU within six months of the action taken by it on the recommendations of the committees. The committees, in turn, consider the Government's replies and present their further report known as the 'Action Taken Reports' incorporating their views on the action taken by the Government. An adhoc committee, known as the Railway Convention Committee, is also constituted to review

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the rate of dividend which is payable by the railway undertaking to the general revenues in addition to other ancillary matters in connection with railway finances vis-a-vis general

finances, and make recommendations thereon. Subject Committees

190 Other parliamentary subject committees have been established recently for the specialised examination of government activities in such fields as agriculture, environment and forest, and science and technology. Although these specialised committees and the Estimates Committee may utilise the information contained in the various audit reports of the CAG, so far there has been no established convention of the CAG assisting them in their examination and reporting activities. Other Agencies The Department of Public Enterprises of the Government of India analyses and monitors the annual performance of each public enterprise within the jurisdiction of COPU and submits to the government and parliament a combined annual performance appraisal of the public enterprises. The Planning Commission undertakes selective monitoring covering major projects/programmes and important sectors. It also reviews the progress of the plan each year mainly in financial and some times in physical terms based on the detailed information obtained from central ministries and state governments during the formulation of the annual plan for the next year. The results of this review are given in the annual plan document. In addition the Commission brings out the mid term review of the Five Year Plans. 1.4 ??Estimates Committee While the Public accounts committee examines the expenditures of the public funds it has no authority over the appropriations of money. To fulfill this purpose another Committee called Estimates Committee exercises financial control on behalf of the Parliament. In addition to the financial surveillance of the

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Public Accounts Committee and the Committee on Public Undertakings, the

Estimates Committee examines the estimates of the Governments to determine the financial propriety of planned revenues and expenditures, subject to policy constraints. The Estimates Committee subsequently reports on any economies, improvements in systems, or reforms, which may be effected. Where necessary, alternative policies to achieve increased efficiency and economy in administration are suggested. It is also one of the functions of this Committee to recommend the form in which the budget estimates are to be presented to Parliament.

191
Functions

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of the Estimates Committee 1. To report what economics, improvements in organization, efficiency or administrative reform, consistent with the policies underlying the estimate may be effected. 2. To suggest alternative policies in order to bring about efficiency and economy in administration. 3. To examine whether money is well laid within the limit of policy employed in the estimates. 4. To suggest the form in which estimates can presented to the Parliament.

Estimates

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Committee can appoint one or more sub-committees each having the same power as those of Principle Committee, to examine any matter that may be referred to them. The report of such subcommittee is deemed to be the report of the whole Committee

provided the whole Committee approves them. The Committee has powers to call for the officials and to examine their evidence connected with the estimates under examination. It sends a prepared questionnaire to the departmental heads for answer. It can ask them for any charts, figures etc. from the department. Reports are in the form of recommendations to the Government. The Government has either to accept or reject its recommendations. But it has to give reasons for not accepting them. When the Committee insists on its earlier recommendations the ultimate decision must rest with the Parliament. As differences are resolved by the process of consultations, such a situation is never allowed to arise. The very Estimates Committee of the Parliament presented more than 40 reports. Of these recommendations, the second was relating to the reorganizations of Government departments and the Central Secretariat; the fourth was about River Valley Project, the ninth dealt with the administrative, financial reforms. In its 20th report (1957-58) the second Committee opined that budget year must begin from October 1 instead of 1st April. The Committee in its reports gives three types of recommendations 1. Concerning Reforms in Administrative Organization. 2. Relating to the Reforms in Financial Administration. 3. Regarding reforms in the system of presentation of budget estimates. 1.5 ?? Other Financial Committee The Finance Ministry of the Government of India is responsible for financial administration of Central Government. It exercises great control

192 over items of expenditure pertaining to estimates which have been approved by the Parliament, and for which resources have been duly appropriated. It controls and coordinates all other executive departments. It frames general financial and economic policies and programmes of the Government of India. It prepares estimates of income and expenditures and submits them for approval before the parliament. After the approval of the Parliament, the Finance Ministry plays an important role in the execution of the budget. The Chairman of the Finance Ministry is a senior Cabinet Minister called Finance Minister. There are a Minister of State and two Deputy Minister to assist the Minister Incharge. This ministry was originated in 1810 as Finance Department. In 1947 it was divided into three divisions: each headed by an I.A.S. Secretary, 1. Department of Economic Affairs. 2. Revenue Department. 3. Expenditure Department. 1. Department of Economic Affairs - This Department keeps an observation on the present economic tendencies of the country. It advises the Government all matter, affecting internal and external financial management. It is divided into the following seven divisions: A. Economic Division B. Banking Division C. Insurance Division D. Budget Division E. Investment Division F. External Finance Division G. Currency and Coinage Division. The various divisions of the Department are concerned with consolidation and preparation of Central Budget: review of State Budget, Banking, Currency, Public Debts, Capital Issues, Foreign Exchange etc. Assisted by many economic experts the Chief Economic Adviser of the Department performs the following functions. a. To carry on research on important economic financial monetary problems of the country. b. To prepare and maintain the statistics relating to balance of payments, trade, currency and coinage. c. To study and analyze foreign economic financial reports. 2. Revenue Department - Besides being a Revenue Department, it also functions as a Central Board of Revenue. It deals with the following subjects.

193 a. As a Revenue Department it advises Government on the financial policy matters, and b. As a board of Revenue it enforces the fiscal policy of the Government. 3. Expenditure Department - It deals with the administration of the following subjects: a. Financial Corporation - Control and delegation of financial powers. b. Financial sanction to all ministries and department, who do not have special sanction. c. To bring economy -Reconsideration on fresh appointment in the Government establishment. d. To advise ministers and public enterprise on all questions concerning cost accountancy. e. Plan Finance Division-I f. Plan Finance Division-II g. Comptroller General of Accounts. The Expenditure Department is divided into seven Divisions : (i) Establishment Division (ii) Finance Commission Division (iii) Cost Accountant Branch (iv) Staff Inspection Unit. (v) Plan Finance Division-I. (vi) Plan Finance Division-II (vii) Comptroller General of Accounts. 1. Establishment Division :

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It is responsible for the administration of financial rules and regulations,

delegation of financial powers to ministries, departments etc., financial scrutiny of proposals relating to conditions of service, i.e. pay, pension, leave and deputation of Government servants. 2.

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Plan Finance Division-I. It is the central point in the Ministry of Finance to estimate total budget resources and extra budget resources for the central			

as well as state plans. 3. Plan Finance Division-II. It settles all matters concerning the central plan. It also works as the secretariat of Public Investment Board.

194 4. Finance Commission Division. Recently, this Division has been placed under the Expenditure Department to come out following: a. To keep an eye on the implementation of the recommendation of Finance Commission. b. To study the state finance and to publish such research papers and data which relate to the state finance. This division presented an analysis of the interim report of the 5 th Finance Commission. 5. Cost Account Branch. It is an independent body for the fixation of prices in the market. As an expert of Cost Accounts and managerial accounts, the division provides professional assistance to different ministries, committees, industrial cost and price departments. 6. Comptroller General of Account. Established in 1976 it is the highest policy making institution in the Ministry of Finance. To exercise the powers of the President, under Article 150, this institution determines the forms of Central State Account to be maintained. 7. Staff Inspection Unit. It was established in 1967, to bring about administrative uniformity in the Government offices based on Government grants. It also suggests the ways and means to bring about economy in the number of personnel, and to prepare standard of work.

195 Module-IV ????? Unit 2 ????? Centre State Financial Relations in India Structure 2.1 Introduction 2.2 The Union Sources 2.3 The States Sources 2.4 Concurrent Sources 2.1 Finance Commission 2.1 ??? ??? ??? ??? ???Introduction In India, the source of revenue has been divided in the following ways. The three lists of power given in the Seventh Schedule of the Constitution, divide the sources of revenue between the Union and the States as follows 2.2 ??????????? The Union Sources: 1) Taxes

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on income other than agricultural income 2) Customs duties including export duties. 3) Duties of excise on tobaccos and other goods manufactured or procured in India except (a)			

alcoholic liquors for consumption, and (b) opium, Indian hemp, and other narcotic drugs and narcotics. 4) Corporate tax 5) Taxes on

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capital value of assets, exclusive of agricultural land, of individuals and companies taxes on capital of companies. 6) Estate duty in respect of property except agricultural land 7)			

Duties in respect of succession to property except agricultural land. 6) Terminal taxes in goods or passengers carried by

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railways, sea or air; taxes on railway fares and freights. 9) Taxes other than stamp duties on transaction in stock exchanges and future markets. 10) Rates of stamp duty in respect of bills of exchange, cheques, promissory notes, bills of lading, letters of credit, insurance policies, transfer of shares, debentures, proxies and receipts. 196 11) Taxes			

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sale or purchase of newspapers and advertisements published therein 12) Fees in respect of any of the matters in the Union List except fees taken in any court.

Three other sources of revenue for the Union Government may be mentioned. 1. Income from the business enterprise and government monopolies, e.g. railways, posts and telegraphs, salt manufacture, cultivation and manufacture of opium, etc. 2. Income arising from the sovereign rights and functions of the States, e.g., income from the sovereign rights and functions of States, the income on property accruing from lapse or escheat, etc., 3. Sums raised by the government. 2.3 ?????????? The States Sources : 1. Land revenue. 2. Taxed on agricultural income. 3. Duties on

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succession to agricultural land. 4. Estate duty in respect of agricultural land. 5. Taxes on land and buildings. 6. Taxes on mineral rights

subject to limitations imposed by law. 7. Excise duties on alcoholic liquors human consumption, and opium, hemp, and other narcotics drugs. 8. Taxes on the entry of goods into a local area for consumption, use, or sale therein. 9. Taxes on the sale or purchase of goods other than newspaper. 10. Taxes on consumption on sale of electricity. 11. Taxes on advertisement other than those published by newspapers 12. Taxes on goods carried by road or inland waterways. 13. Taxes on vehicles for use on roads. 14. Taxes on animals and boats. 15. Tolls 16. Taxes on professions, trades, callings, and betting and employments. 17. Capitalization taxes. 18. Taxes on luxuries, entertainment, betting and gambling. 19. Rates on stamp duty on documents other that those subject to Union stamp duty. 197 20.

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Fees in respect of any of the matters in the State list.

Other Sources There are four other sources of income for the States. 1. Business enterprise likes transport, fisheries, etc. 2. Royalty from mines, forest revenue, treasure trove, etc. 3. Grant in aid from the Union Government 4. Borrowings 2.4. ?????????? Concurrent Sources: 1. Stamp duties other than those collected by means of judicial stamps but excluding rates on stamp, and 2. Fees in respect of any of the matters in concurrent sources for the Union and the States. Thus the heads of taxes and the powers of the Union and the States with respect to raising money by taxes are set in the Indian Constitution. From the point of view of the actual allocation of their proceeds, the Union sources of taxes fall into five categories. 1. There are

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taxes which are levied and 'collected by the Union and

their proceeds also go entirely to the Union. All the taxes mentioned in the Union List belong to this class, except those about which some other specific provision is made in the Constitution. 2. There are taxes that are levied by the Central Government but are collected, by, assigned wholly to

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the States. Stamp duties and excise duties on medicinal and toilet preparations, as mentioned in the Union List,

fall in this category. 3. There are taxes and duties which are levied and collected by the Union but the net proceeds of which are assigned to the States. These include a.

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Duties in respect of succession to property other than agricultural land, b. Estate duty in respect of property other than agricultural land, c. Terminal taxes on goods or passengers carried by railways, sea or air, d. Taxes on railways fares and freights,			

e.

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Taxes other than stamp duties on transaction in stock exchanges and future markets:			

and f. Taxes on the sale or purchase of newspaper and on the advertisement published in them.
198 4. Taxes on income other than agricultural income

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shall 'be levied and collected by the Government of India and distributed between the Union and the States.			

Income tax is levied and collected by the Union Government, but its proceeds are distributed between the Union and the States. 5. There are surcharges (i.e. increased rate) which the Union Government can levy on any of the taxes and the duties mentioned in Articles 269 and 270. Even though the taxes subject to such surcharge are assigned or shared with the States, the proceeds of the surcharges go wholly to the Union. 6. There is also a provision for grant-in-aid from the Union to the States. States can also ask for loans from the Centre or they can borrow from the open market. 2.5 ??????????

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Finance Commission Article 280 (1) - The President shall within two years from the commencement of this Constitution and thereafter at the expiration of every fifth year or at such earlier time as the President considers necessary, by order constitute a Finance Commission which shall consist of a Chairman and four other members to be appointed by the President.			

The Finance Commission is "a quasi-arbitration body whose function is to do justice between the Centre and the States". It has also been described as "the most important body to regulate, coordinate and integrate and finances of the Government of India

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and the State Government". The Indian Constitution provides for the appointment of a Finance Commission for making proper financial adjustment between the Centre and the State Governments.			

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It shall be the duty of the Commission to make recommendations to the President as to : a) the distribution between the Union and the states of the net proceeds of taxes which are to be or may be, divided between them under this chapter (

distribution of revenues
between the Union and the States)

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and the allocation between the states of respective shares of such proceeds. b) the principles which should govern the grant-in-aids of the revenues of the States out of the Consolidated Fund of India; c) the

continuance modification of the terms of any agreement entered into by the Government of India with the Government of state specified in
199 Part B of the First Schedule under the clause (1) of Article 278 or under Article 306; and

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any other matter referred to the Commission by the President by the President in the interest of sound finance." The

Finance Commission is an advisory body whose recommendations may not be accepted. Political commitments or obligation arising out of the norms of parliamentary democracy, fear of opposition within and outside the parliament, vigilance of public opinion work as a strong force. According to these provisions of the Constitution, the First Finance Commission was appointed by the President on November 30,1951 and it submitted its report on December 31,1952 Shri Neogi was its chairperson. The First Finance Commission laid down the principles of revenue distribution. It propounded three principles concerning the Centre-state Revenue distribution. These principle are: a)

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The additional transfer of resources from the Centre must be such as the Centre could bear without undue strain on its resource, taking into account

the

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responsibility for such vital matters as the defense of the country and the stability of its economy. b) The principles for the distribution of grant-in-aid must be uniformly applied to all

A and B States (since the reorganization of the States, the distinction between A and B has ended.) 3)

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The scheme of distribution should attempt to lessen the inequities between the States. The Finance Commission

observed, "The prosperity of the States must rest on the solid foundation of a reasonably strong and financially stable Centre". The Commission recommended that the percentage of the net proceeds of income tax to be allocated to the States be raised from 50 per cent to 55 per cent. The Second Finance Commission has raised it from 55 percent to 60 percent. As between the various States, the First Finance Commission proposed that 20 per cent of the income-tax proceeds should be divided on the basis of relative collections of tax and 80 % on the basis of relative population according to the census of 1951. The basic approach in the recommendation of the Commission has been that 'the prosperity of the States must rest on the solid foundation of a reasonably strong and financially successive Finance Centre'. The net result of the recommendation of the successive Finance Commission has been a progressive increase in the amount of Union grants to the State under Article 275 of the Constitution.

200 Under the circumstances,

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the division of financial source between the Centre and the States in India is

quite satisfactory. Income tax is the largest single source of income. It is judiciously shared by both the Central and the State Governments as per the recommendations of the Finance Commission. The provision of review of financial sources by a Finance Commission is a favorable feature of the Indian federal system, if not politicised.

201 Module IV Unit 3 Planning and Financial Administration Structure 3.1 Introduction 3.2 Planning Commission 3.3 The National Development Council (NDC) 3.4 References 3.1 Introduction

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The Government of India has constituted a body known as the Planning Commission with the Prime Minister as its Chairman and members comprising eminent personalities from

the

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various fields of economics, agriculture, education, industry, social sciences and public administration. Socio-economic development planning attempted by the Commission covers the entire country including the States.

Nationwide coordination is obtained through the National Development Council represented by the Chief Ministers of all

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the States. The planning process takes into account. (i) the required growth rate of the Gross Domestic Product (GDP), (ii) the growth rates for various sectors of economy, (iii) the sources of funding, and (iv) the methodology of achieving the planned goals. The Planning Commission also examines and gives its expert advice on various projects and programmes.

The five year plans are formulated and are then de-segregated into annual plans. The annual plans are then prepared in respect of each sector. These are further demarcated between the Union Government and States. Thereafter, the process of entrustment to various ministries and departments takes place. The orientation of the budgets in India is largely determined by plan outlays, their composition and sources of funding.

1. Planning Machinery - In India, the responsibility of plan formulation lies with the Planning Commission. It consists of four steps : a. Preparation of Draft Plan: - The preparation of the draft plan is done in consultation with Central Ministries and State Government by the Planning Commission. The available resources are assessed and priorities are determined. Thereafter the draft is submitted to the

202 National Development Council, which after a long deliberation forwards the draft to the Central as well as State ministries with proposed modification. b. Self-preparation of Plans : - All Central as well as State Ministries prepare their own plan. At State level there are planning boards or planning departments. At State headquarters there are Interdepartmental Committees to coordinate departmental plans. Consisting of secretaries so different development departments. Its chairman is either the chief secretary or the secretary for planning. Besides, there is a separate committee, which formulates policies. In all districts there are district planning committees which bring about co-ordination among the proposals of village panchayat plans. ' The State Planning Committee takes the final decision. c. Comprehensive Draft of National Plan: -When all proposals of plans have been set to the Planning Commission by different Central and State Ministries, it prepares a comprehensive plan from the separate proposal. Whole finalizing the plan, the different political parties are invited for consultation. At last the proposed draft for the plan is published. The public opinion on the plan is assessed. Non -official economists, university professors, political parties, press, chambers of Commerce etc. freely express their views on the plan. d. Approval of Parliament: -After the public opinion on the plan finally formed and kiwn to the country, negotiations go on between the Centre and the States. When they come to an agreement, then plan outlay is presented before the Cabinet for consideration and approval. After the Cabinet approval, the plan goes to the National Development Council. With its recommendations, it again comes to the Planning Commission for giving it a final shape and submission to the parliament. After the Parliament's approval it is published as a government plan. 2. Plan Implementation. Plan implementation is the responsibility of the Central Ministries and State Government to execute the plan. The administrative departments of the Government undertake this responsibility. There are following shortcomings in the process of implementation. 1. Slow speed of implementation. 2. Undue waste of money

203 3. Lack of trained personnel 4. Lack of coordination between Central and State Government 5. Lack of proper support 6. Lack of coordination between different economic fields For successful and effective planning the removal of the above defects is essential. 3. Plan Evaluation. The plan evaluation is made through the following agencies: a. By Annual Reports of the Central and State Governments. b. By Programme Advisers. c. Committee on Plan Projects (COPP). d. Programme Evaluation Committee. Programme Evaluation Organization. Programme Advisers. In 1952, three posts of Programme Advisers were created, and the fourth was added thereafter. Senior administrative officials are appointed on their posts who tour different States and hold consultation and provide guidance to the State planning officers. Committee on Plan Project (COPP). It was formed in December 1956. Home Minister is its Chairman and Finance Minister vice Chairman. Its main functions are: a) Investigation of specific plan projects of the Central and State Government by specially appointed specialists. b) To advise the proper methods for the successful implementatidn of the projects. c) To provide suggestions to bring economy in projects. Programme Evaluation Organization. In October 1952, it was established as an autonomus body to look after Community Development Programmes. It keeps a close touch with Ministries of Agriculture and Community Development. It consists of a Director, two Deputy Directors, eight Research Officers and other personnel. Its duties are as follows: a) To evaluate the achievements of Community Development programmes. b) To provide information of the progress regarding achievement of aims of programmes. c) To indicate the effective and ineffective methods of extension. d) To disclose who approved methods were accepted or rejected by the village people.

204 e) To explain the impact of the Community Development Programme on the Indian economy and culture. 3.2 ??

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Planning Commission The Planning Commission was constituted by a resolution of the Government of India

on 15 th March 1950. The Commission with the Prime Minister as the Chairman has emerged as the authoritative organization devoting its attention to the whole field of development. The Planning Commission consists of the Chairman, the Deputy Chairman and another members, whose number has never remands fixed. The Deputy Chairman devotes whole time attention to the Commission's work. The Ministers of State for Planning and Programme Implementation is a member if the Commission and serves as a link between the Government and Parliament. The Finance Minister is invariably a member of the Commission. - The Planning Commission works through three major divisions- Programme Advisers, General Secretariat and Technical Divisions. The Planning Commission performs the following functions :

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Makes an assessment of the material, capital, and humane sources of the country including technical personnel and investigates the possibilities of augmenting such of these resources as are found to be deficient in relation to the nation's requirements. ? Formulates a Plan for the most effective and balanced utilitarian of the country's resources. ?

Determines priorities, from the implementation point of view, as between projects and programmes accepted in the Plan. ? Indicates the factors which are tending to retard economic development and determines the conditions which should be established

76%

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for the successful execution of the Plan. ? Determines the nature of the administrative machinery, which will be necessary for securing the implementation of each stage of the Plan in all its aspects. ? Appraises from time to time the progress achieved in the execution of each stage of the Plan and recommends the adjustments of policy and measures that such appraisal may show to be necessary, ?

Makes recommendations either for facilitating the discharge of its duties or for considerations of the prevailing economic conditions, current

205 policies, measures and development programmes or for an examination of problems referred to it for advice by central of state governments. The Commission is not a constitution of the Prime Minister and other important Union Ministers. It was expected to be a compact, technical body to workout the country's national planning and monitor result on the ground. In course of time, however, the Commission has grown into big bureaucracy, sometimes assigning the role if over lordship over the ministries and the departments. The Administrative Reforms Commission characterized the Planning Commission as a "super cabinet" thus complicating and adding to the levels of decision-making in the Government of India. The other criticism has been that when the Ministers are made members of the Commission, this takes a heavy toll of the Commission's independent functioning. The Commission's approach and analyses of the economy need to be autonomously developed; atleast that was the original purpose of this august body. The real danger now is posed the liberalization-globalization policy adopted by the government. There are pressures from international funding agencies that more and more space should be left for the market 'market forces' to operate and the government should withdraw form many, areas of operation and leave the private sector to take over many of the operation and leave the private sector to take many of the government activities of today. Although there is understandable reluctance to allow free play to the market forces because of widespread poverty and imperfection of the market, there is already a feeling emerging that the days of comprehensive economic planning are over. Today the need of the hour is to reorient planning to develop the economy from the view of both productivity and social justice, and at the same time the internationalization of the economy needs to be acknowledged. Planning nowadays is not only essential for Indian economics but must begin by keeping the process of 'liberalization' in balance. A far more imaginative strategy has to be evolved for coming to terms with the international economy and yet retaining the autonomy of decision making. Some of the elements of this strategy must be the following: ? radical land distribution, ? free and compulsory primary education and ? the provision of adequate health care for all, ? the provision of basic amenities in rural areas decentralization of decision-making and resources, an export thrust through an appropriate industrial policy,

206 ? a step- up in the investment ratio with public investment, especially in infrastructure and based on domestic resource mobilization, playing the leading role, and ? the putting into place of appropriate controls to ensure that 'enterprise' does not become 'the bubble on a whirlpool of speculation'. Obviously, the Planning Commission has to reorganize itself to face up to these new challenges today. 3.3 ?? The National development council (NDC) The NDC is the unique planning organization, representing the federal constitution of the county and symbolizing national consensus of the vital field of planning and development of the nation and its constituent units. From the very beginning, it was felt that in a vast country like ours where the states enjoy a degree of autonomy, there would be need for a coordinating body at the top of the planning pyramid. It was recognized that both at the beginning of the planning process and in course of plan implementation and evaluation would be as much technical as political. Accordingly, the NDC was set up in August 1952 under the proposal of the Cabinet Secretariat of the Government of India. Since its inception, the NDC has consisted of top-level representatives of the central as well as state governments along with the member of the Planning Commission. The Administrative Reforms Commission in 1967 reviewed the organization of the NDC. The recommendations of the ARC were accepted with some modifications. As reconstituted in October 1967, the NDC consists of the following members: ? The Prime Minister ? All Union Cabinet Ministers ? Chief Ministers of States ? Chief Ministers/Chief Executives of the Union Territories ? Member of the Planning Commission The NDC maintains detailed record of its discussions and functions, andtakes decision on the basis of consensus. The main functions of the NDC are as follows : ? To provide

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guidelines for the formulation of the national plan; 207 ? To consider the national plan as formulated by the Planning Commission. ?

To assess resources needed for plan implementation. ? To consider major issues relating to social and economic development policy; ? To review

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the working of the plan from time to time and to recommend appropriate measures for achieving the aims and targets

as set in the national plan. The NDC has evolved over the years a practice of consensual planning. There have been debates and discussion, points and counterpoints and clashes and conflicts over the objectives and processes of nktirming. But it is this forum that has facilitated both surfacing of differences and their cementing in /order that a national consensus could emerge on planning. The states Chief Ministers have used this forum to ventilate their grievances and points of view. Thus, the NDC has been able to federalize the planning process. Critics, however, point out that the NDC does not have the time or expertise to go deep into the intricacies of the planning process. At best, the NDC has been able to iron out major differences over the size of the plan, its main thrust, and distribution of plan fund among the states. Considering the vastness of the country and the diversities and complexities involved in planning, the NDC's role in "nationalizing" and "federalizing" the planning process needs a thorough scrutiny. Formulation of Plan - National Plan Planning in India's federal context is both a top-down and a bottom-up process. The national plan exercise starts with the laying down of broad long-term objectives, say for 15 to 20 years. Within down of broad long-range vision, a five-year plan is formulated. A number of working groups is constituted consisting of experts, administrators, and members of the Planning Commission. These groups work out targets for different sectors such as agriculture, power, health etc. Views and suggestions of States and Union Territories are also obtained in due course. An Approach Paper is prepared on the basis of the reports of the working groups. This placed before the NDC for review and approval. The next step is to prepare the draft five-year plan on the basis of the Approach Paper. The draft plan contains the plan objectives, resources assessment exercise, and indications about priorities and targets in different sectors.

208 Discussions take place on the draft plan in both government (central and state) and non-government circles. After ascertaining the responses of governments and other concerned parties, the final version of the plan is brought out with modifications in the light of the reactions and responses. The five-year plan is formally endorsed by the Union Cabinet and then placed before Parliament for general approval. Formulation of Plan - State and District Level At the State level, plan is the result of interactions between the Planning Commission and the State. Within the state, the district planning attempts to decentralize the planning process at the sub-state level. At the time of preparation of the Planning Commission's Approach Paper, the states send their suggestions from their points of views and requirements. Even before that, the states initiate advance action on plan formulation. Different departments of the state start working on their priorities and requirements for incorporation in the five years plan. In preparing their own approach paper, the states keep the national approach paper in view; but at the state level, attention is focused more on the state's own specific needs, priorities and resource positions. The State Planning Board plays a crucial role in conducting negotiations and discussions with the different departments and agencies at the state level, including the Zilla parisads at the district level. It is through the coordinating and technical role of the State Planning Board that a draft state five year plan is formulated. This is taken up for discussions at the level of central working groups and the Planning Commission. The plan proposal the states are reviewed and approved by the Planning Commission, keeping in view the national and state priorities and resources. With the passage of the 73 rd and 74 th constitutional Amendment Acts (1992), district planning and municipal and panchayat planning have become constitutional obligations. As the Amendment suggests, the planning process has now to start from the micro level-a gram panchayat or a municipality. These micro area plans are to be integrated at the level of the district planning.. So, the district plan has to take into account both local plans and the state departmental plans at the district level The draft district plan will then be forwarded to the State Planning Board for its integration with the overall plan of the state. This process of multi-level bottom-up planning has

209 just started, Preparations are going on and the ground is being made ready for institutional and financial changes in facilitation of micro-level planning. In the coming years, the planning process is going to be more participative and decentralized; and at the same time, because of popular pressures, more and more demands are likely to surface local-level planning more conflictual and complex and participative.

210 Module IV ?????????? Unit 4 ????? Local Level Planning Structure 4.1 Introduction 4.2 References 4.3 Exercises 4.1 ??????????Introduction Local Level has been made a constitutional obligation under Article 243ZD of the Constitution (Seventy Fourth Amendment) Act, 1992. To quote the constitutional provision: "There shall be constituted in every state at the district level a District Planning Committee (DPC) to consolidate the plans prepared by the Panchayats and the Municipalities in the district and to prepare a draft development plan for the district as a whole". The state legislature will have to make provision in respect of ? the composition of the District Planning Committee (DPC), ? the manner in which the seats in the DPC shall be filled, ? the functions that may be assigned to the DPC, and ? the manner in which the chairperson of a DPC shall be chosen. The constitutional direction is quite clear. In every state, a DPC must be constituted for each district. The DPC will be mainly an elected body, as it has been provided that not less than four-fifth of the total number of members of the DPC shall be elected by, and from amongst, the elected members of the panchayats at the district level and of the municipalities in the district, in proportion to the ratio between the population of the rural areas and of the urban areas in the district. In constituting the DPC, the Constitutional Amendment has taken care to see that ? the elective element predominates, ? the rural representatives are more numerous than urban representatives and ? a small percentage (one fifth) of membership may be filled by nomination.

211 AS regards "functions" of the DPC, the Constitutional Amendment has specified both the procedure and the substantive contents. The procedural aspect has to be inferred from two expressions in Article 243ZD : ? To consolidate the plans prepared by the Panchayats and the Municipalities in the district, and ? To prepare a draft development plan for the district as a whole. To consolidate means to unite or combine into one. A number of institutions will prepare the local area plans (a municipality in an urban area, and a specific tier of panchayati raj in a particular location). A gram panchayat will plan for its own area; a panchayat samiti will do planning for the samiti area; and a zilla parishad will plan for the entire district. Besides, municipalities and the panchayati raj institutions, there may be other organizations whose functioning will have important consequences for district planning. For instance, the cooperative institution plays important role in the provision of agricultural credit. Many government departments such as forest, agriculture, fisheries, irrigation etc. have their own development schemes in specific areas of the districts. In planning for the district as a whole, the DPC has to integrate these "plans" of different institutions and agencies. An overall unity of purpose has to be achieved through the district plan, and the DPC has to make sure that the institutions and agencies do not work at cross purposes. What the DPC will prepare out of this exercise in "consolidation" is a "draft development plan". It is expected that the district plans prepared by different districts in a state will be integrated at the state level by the State Planning Board. There has to be a "vision" of planned development of the state as a whole. The state's vision will be influenced by the micro visions of local level planning. In fact, the two visions-macro and micro-need to be blended together. The state will seek to issue directives to the local governments and the DPCs to ensure that the broader "vision" of the state and the local "visions" of individual units are suitably integrated and welded into a well-coordinated developmental outlook for the entire state. It is, therefore, logical that the DPCs major responsibility will be to "consolidate" the local plans and to "prepare a draft development plan" for the district as a whole. Article 243ZD (4) has clarified further the role of the DPC in the following manner: "Every District Planning Committee must take into notice the ? matters of common interest between the Panchayats and the

212 Municipalities including spatial planning, sharing of water and other physical and natural resources, the integrated development, of infrastructure and environmental conservation; ? the extent and type of available resources whether financial or otherwise: and ? consult such institutions and organizations as the Governor may, by order specify". The implications of the constitutional provision are clear. The DPC has to make a distinction between particular interests and common interests of each local body. For instance, there may be local road or a local primary school, which will be the exclusive interest of a panchayat or a municipality. A trunk road cutting across local areas or a higher secondary school admitting students a number of panchayats and municipalities. Similarly, municipality and a panchayats may be drawing water from one single source, and there may be a common drainage problem for both. In such cases, the DPC has to carefully integrate the particular needs of a local area and the common needs of neighboring areas. The common interest may include area planning where a number of localities have to be planned together in respect of open space (e.g. parks and recreation sites), roads, industrial estates and so on. Commonalties among different areas may also be found in the sharing of water (say, a river or a lake), and other physical and natural resources (say, a hospital or a forest). For infrastructural development like electricity distribution, road networking, irrigation expansion etc., the DPC has to have an integrated plan for the district. Environmental conservation is another important aspect of district planning. Environmental conservation is another important aspect of district planning. Forests, water resources, soil conservation and maintenance and improvement of environmental quality general should be the responsibility of the DPC and district planning should be oriented towards this major objective. The district plan, as framed by the DPC, will be forwarded to the state government by the chairperson of the DPC. The idea is that the draft plan will have the final approval of the state government, as resources have to be assured and the district plan has to be fitted into the overall framework of state plan. Decentralization of the planning process has long been under active consideration in view of the vastness of the country and the need for local participation and local resource mobilization. With the introduction of

213 Panchayati raj, an institutional framework was created to decentralize functions and responsibilities at levels below the state. In reality, panchayati could not strike roots in many states, and institutions were not allowed to grow in full strength for a variety of reasons. Decentralized planning, therefore, remained the district and the localities in central prescribed developmental functions. District planning was nothing but a summation of the discrete and separate activities of individual departments. There was a growing realization that planning, to be really decentralized, has to have its basis in empowerment of local government institutions and its active people's participation. In 1992, the two landmark Constitutional Amendments ushered in the much sought-after authentic decentralized planning. The panchayati raj institutions in rural areas and the municipalities in urban areas have for the first time accorded the constitutional status of "economic development and social justice". From now on, their local self-governing institutions would be formulating their own plans for local "economic development and social justice". These local plans will be consolidated by a specially constituted District Planning Committee in each district. The DPC will prepare a draft for the State Government for final approval. District Planning by the DPC, as constitutionally mandated, marks a revolutionary change in participativeness, comprehensiveness, integration and holistic vision, the district plan that will in future be formulated by the DPC in every district, is expected to be more authentic and realistic decentralized planning. It will obviously require both political will and technical skill to translate the constitutional scheme of decentralized planning into a reality. In this way Local Level Planning should be implemented. The 73rd and 74th Constitutional amendments of the Indian Constitution have opened up new opportunities for decentralized management and people's participation in the development process. West Bengal has worked well in this direction since the years when most of the states of India even could not design properly about how to operationalise the decentralization process. While, in principle, the Panchayati Raj Institutions (PRIs) in West Bengal can be the effective bodies for local level planning and implementation, they may not be so in practice because of a number of constraints, perhaps visible in other states also. First, all Panchayat members do not necessarily seek to achieve social goals and hence may not be sensitive to the needs of the people.

214 Second, diversion and misuse of resources have been reported even where the PRIs are involved in the implementation of programmes. It has also been found that the Gram Pradhans who are mostly elected from the main village (71 to 92% in different districts of the state) ignore the development of remote areas. Third, most of the members do not have the necessary background in planning and implementation of development programmes. Often they are found to be uninformed about the local problems, specially the needs of the minorities, therefore failing to prepare priority lists relating to development issues. Over politicization very often damages the initiative for decentralized management and people's participation in the development process. Fourth, for lack of coordination and often blurred functional link between the various tiers of the Panchayats in terms of administrative and financial control, people's participation in planning and implementation may not become effective. Panchayats need flexibilities in operational rules, authority and financial resources if they are to participate actively in planning and implementation of development programmes. To ensure that the PRIs act in the most effective manner, the involvement of people and facilitators in planning, prioritization and implementation of programmes and in monitoring of their activities is essential. To circumvent the problem of disparity in the allocation of available financial resources between the main village and remote areas, there is, perhaps, a need for developing appropriate principles of allocation of resources at the micro level. The training and retraining of the members of PRIs may be an effective mechanism to remove most of the constraints. While some states have already created institutions for the training of Panchayat members, others too need to follow. Experienced public administrators, managers of co-operatives, NGOs and social activists/leaders should be involved in designing training courses and managing training centres. The state should evolve appropriate mechanisms to ensure harmonious working of different tiers of the PRIs. Perhaps, legislative actions would be required. In the planning & programming stages & throughout the implementation of development projects, important information is provided by the participatory process, which ensures the congruence between objectives of development and community values. If the local people are more involved, any change brought by the administrators for development will be acceptable to the community. Further project cost is also likely to be reduced by the

215 utilization of work force. Participation is a two way learning process where both the administrator and the people become co-learners. Active participation helps rebuild community cohesion and installs a sense of dignity in the community. People's participation keeps the governance legitimate. In addition, people's respect of the laws of the land is strengthened by participatory process. 4.2 ?? References 1.

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Hit and source - focused comparison, Side by Side

Submitted text As student entered the text in the submitted document.

Matching text As the text appears in the source.

1/235	SUBMITTED TEXT	10 WORDS	100% MATCHING TEXT	10 WORDS
	passed by the legislature, and approved by the chief executive.		passed by the legislature, and approved by the chief executive-	
W	https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf			

2/235	SUBMITTED TEXT	10 WORDS	100% MATCHING TEXT	10 WORDS
	basic elements of a budget are the revenues and expenses.		basic elements of a Budget are the revenues and expenses.	
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3/235	SUBMITTED TEXT	21 WORDS	70% MATCHING TEXT	21 WORDS
<p>The real significance of the budget lies in providing for the orderly administration of the financial affairs of a government. Since the</p> <p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>				
4/235	SUBMITTED TEXT	52 WORDS	87% MATCHING TEXT	52 WORDS
<p>budgets have been mainly designed to ensure financial and legal accountability to the legislature and, within the executive, observance of similar accountability on the part of each subordinate agency. Budgets are generally prepared with emphasis on the subjects of expenditure constituting the primary units of appropriation such as salaries of officers, establishment charge, allowance honoraria, etc.</p> <p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>				
5/235	SUBMITTED TEXT	17 WORDS	100% MATCHING TEXT	17 WORDS
<p>more emphasis on the cost aspects 56 without any indication of the results. The traditional budget reveals</p> <p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>				
6/235	SUBMITTED TEXT	19 WORDS	95% MATCHING TEXT	19 WORDS
<p>what the government does. In short, traditional budgeting fails to provide an adequate link between financial outlays and physical targets.</p> <p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>				
7/235	SUBMITTED TEXT	34 WORDS	91% MATCHING TEXT	34 WORDS
<p>The four shortcomings in the conventional budget arise mainly from the existing systems of classification. Those are: (a) The classification does not serve as an adequate base for informed decision making at each level of management. It</p> <p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>				

8/235	SUBMITTED TEXT	14 WORDS	88% MATCHING TEXT	14 WORDS
<p>does not help management to control and appraise the performance and 1.2 ?? Preparation of</p>				
<p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>				

9/235	SUBMITTED TEXT	154 WORDS	91% MATCHING TEXT	154 WORDS
<p>and 58 (d) It is not helpful as a basis for judging the progress made towards the achievement of goals and objectives as envisaged in the development plans. In developing countries which are committed to bring about rapid socio- economic progress and development of their people, the bureaucracy has by trial and error become the major instrument of implementation of public policy. Developmental goals like improving the level of social services, health and education, building infrastructure like roads, communication facilities, electricity, and market centers or raising production in agriculture and industry incur much government expenditure. In the change-oriented milieu of development administration, a system so rigid checks and balances over financial administration may act as deterrent to increased government spending which is vitally necessary to lay the foundation of a social welfare state. Too much stress on economy and accountability may make the need of massive public investment and expenditure there is need for reforming the traditional concepts of accountability based budgeting. The budgetary system, especially in developing countries,</p>				
<p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>				

10/235	SUBMITTED TEXT	127 WORDS	87% MATCHING TEXT	127 WORDS
	<p>Finance Minister, assisted inter alia by the Budget Division of the Department of Economic Affairs of Ministry of Finance, has responsibility for producing the budget, in the form of the Annual Financial Statement and such supplementary budgets as may be needed during a year for the Government of India (other than for the railways). The Budget Division is responsible for issuing all instructions and guidelines for the preparation of budget estimates and for monitoring the timely receipt of the same from all the Ministries concerned. The railway budget is prepared separately and presented to the Parliament a few days in advance of the general budget. The railway budget figures (net) are, however, also incorporated in general budget to give an overall picture of the financial position. The Railway Budget is presented to Parliament by the Minister of Railways. India, the</p>		<p>Finance Minister, assisted inter alia by the Budget Division of the Department of Economic Affairs of the Ministry of Finance, the responsibility for producing the Budget, in the form of the Annual Financial Statement and such supplementary budgets as may be needed during a year for the Government of India (other than for the railways), as well as the other budget documents. The Budget Division in the DEA is responsible for issuing all instructions and guidelines for the preparation of budget estimates and for monitoring the timely receipt of the same from all the Ministries 18 concerned. The railway budget is prepared separately and presented to the Parliament a few days in advance of the general budget. The railway budget figures (net) are, however, also incorporated in the general budget to give an overall picture of the financial position of Government. The Railway Budget is presented to Parliament by the Minister of Railways. The</p>	
	<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>			
11/235	SUBMITTED TEXT	15 WORDS	68% MATCHING TEXT	15 WORDS
	<p>Several countries in Asia, Africa and Latin America have also incorporated the principle of performance budgeting,</p>			
	<p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>			
12/235	SUBMITTED TEXT	20 WORDS	92% MATCHING TEXT	20 WORDS
	<p>The budget of a government is a summary or plan of the intended revenues and expenditures of that government. In</p>		<p>The budget of a government is a summary or plan of the intended revenues and expenditures of that government. In</p>	
	<p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>			
13/235	SUBMITTED TEXT	14 WORDS	88% MATCHING TEXT	14 WORDS
	<p>In the event of a clash between the laws of the Union and</p>		<p>In the event of a clash between the laws of the central and</p>	
	<p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>			

14/235	SUBMITTED TEXT	14 WORDS	100% MATCHING TEXT	14 WORDS
<p>The Constitution allots separate legislative heads of taxation to the Union and the States.</p> <p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>		<p>The Constitution allots separate legislative heads of taxation to the Union and the states.</p>		
15/235	SUBMITTED TEXT	33 WORDS	73% MATCHING TEXT	33 WORDS
<p>The division of fields of taxation between the Union and the States is based on economic and administrative rationale. The power to levy taxes with an inter-state base, and where uniformity in rates is desirable,</p> <p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>		<p>The present division of fields of taxation between the Union and, the States is based on economic ;nd administrative rationale. Levying of taxes with inter-state base and where uniformity in rates is desirable,</p>		
16/235	SUBMITTED TEXT	16 WORDS	100% MATCHING TEXT	16 WORDS
<p>The audit of the accounts of the Union and of the States is a Union responsibility.</p> <p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>		<p>The audit of the accounts of the Union and of the States is a Union responsibility.</p>		
17/235	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
<p>States, and the relationship between them, are set out in the Constitution</p> <p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>		<p>states, and the relationship between them, are set out in the Constitution.</p>		
18/235	SUBMITTED TEXT	55 WORDS	90% MATCHING TEXT	55 WORDS
<p>matters of national interest such as foreign affairs, railways, posts and telegraphs, currency and coinage, and inter-state trade and commerce while the State list contains matters of regional interest such as law and order, health, agriculture, irrigation, power, rural and community development. Certain matters of common interest, such as economic and social planning, have been placed under the concurrent</p> <p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>		<p>Matters of national interest such as foreign affairs, defence, railways, posts and telegraphs, currency and coinage, and inter-state trade and commerce are contained in the union list. The state list contains matters of regional interest such as law and order, education, health, agriculture, irrigation, power, and rural and community development. Certain matters of common interest, such as economic and social planning have been placed under the concurrent</p>		

19/235	SUBMITTED TEXT	42 WORDS	85% MATCHING TEXT	42 WORDS
<p>of India (CAG). There is thus a unified system of auditing; and accounting, facilitated by Parliament enacting a law governing the duties, powers and conditions of service of the CAG known as the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971. The</p>		<p>of CAG. There is thus a unified system of auditing and accounting, facilitated by Parliament enacting a law governing the NOTES Self-Instructional Material 141 !■ iioncial Ailiniiii^invion of service of the CAG known the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971. The</p>		
<p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>				

20/235	SUBMITTED TEXT	53 WORDS	99% MATCHING TEXT	53 WORDS
<p>The executive authority of the Union is vested in the President of India who exercises this authority either directly or through officers in accordance with constitutional provisions. However the President has been placed under a firm constitutional obligation to act in accordance with the advice tendered by the Council of Ministers headed by the Prime Minister.</p>		<p>The executive authority of the Union Government is vested in the President of India who exercises this authority either directly or through officers in accordance with Constitutional provisions. However, the President has been placed under a firm Constitutional obligation to act in accordance with the advice tendered by the Council of Ministers headed by the Prime Minister,</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				

21/235	SUBMITTED TEXT	75 WORDS	94% MATCHING TEXT	75 WORDS
<p>The annual financial statement of receipts and expenditure of the Government is required^ to be placed before the Parliament/State Legislature which, in each case, confers specific authority for raising revenue through taxation and incurring expenditure. In this regard, no tax can be levied or collected except by authority of law while, similarly, no moneys can be appropriated from the Consolidated Fund except in accordance with law and for the purposes and in the manner provided in the Constitution. The Constitution of</p>		<p>The Annual Financial Statement of receipts and expenditure of the Government is required to be placed before the Parliament which, in each case, confers specific authority for raising revenue through taxation and incurring expenditure. In this regard, no tax can be levied or collected except by authority of law while, similarly, no moneys can be appropriated from the Consolidated Fund except in accordance with law and for the purposes and in the manner provided in the Constitution. The roles of</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				

22/235	SUBMITTED TEXT	41 WORDS	86% MATCHING TEXT	41 WORDS
<p>Consolidated Fund (Art. 266 and 283) : All revenues received by a Government, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans, form</p>		<p>Consolidated Fund of India", and all revenues received by the Government of a State, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				

23/235	SUBMITTED TEXT	18 WORDS	57% MATCHING TEXT	18 WORDS
<p>Contingency Fund is in the nature of an imprest, into which are paid from time to time such sums</p> <p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>		<p>Contingency Fund in the nature of an imprest to be entitled "the Contingency Fund of the State" into which shall be paid from time to time such sums</p>		
24/235	SUBMITTED TEXT	16 WORDS	78% MATCHING TEXT	16 WORDS
<p>as may be determined by law. The Fund is placed at the disposal of the President</p> <p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>		<p>as may be determined by such law, and the said Fund shall be placed at the disposal of the President</p>		
25/235	SUBMITTED TEXT	27 WORDS	58% MATCHING TEXT	27 WORDS
<p>the Governor of the State, as the case may be, to enable advances to be made for the purpose of meeting unforeseen expenditure pending authorisation of such expenditure by</p> <p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>		<p>the Governor of the State to enable advances to be made by him of such for the purposes of meeting unforeseen expenditure pending authorisation of such expenditure by</p>		
26/235	SUBMITTED TEXT	13 WORDS	100% MATCHING TEXT	13 WORDS
<p>the accounts of the Union and of the States are to be kept</p> <p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>				
27/235	SUBMITTED TEXT	25 WORDS	40% MATCHING TEXT	25 WORDS
<p>Moneys received by or on behalf of the Government where the Government acts as a trustee form part of the Public Account. The nature of the</p> <p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>		<p>moneys received by or on behalf of the Government of India or the Government of a State shall be credited to the public account of India or the public account of the</p>		

28/235	SUBMITTED TEXT	44 WORDS	87% MATCHING TEXT	44 WORDS
<p>Although the Indian Constitution does not mention the term 'Budget', it provides that the President she in respect of every financial year cause to be laid before both the Houses (The Houses are the House of People (Lok Sabha) and the Council of States (Rajya Sabha)</p>		<p>Although the Indian Constitution does not mention the term 'Budget', it provides that the President shall in respect of every financial year cause to be laid before both the Houses of Parliament, the House of People (Lok Sabha) and the Council of States (Rajya Sabha),</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
29/235	SUBMITTED TEXT	19 WORDS	92% MATCHING TEXT	19 WORDS
<p>for that year. This statement, known as the Ann Financial Statement, is the main fiscal or budgetary document of the Government.</p>		<p>for that year. This statement known as the 'Annual Financial Statement' is the main fiscal or budgetary document of the Government.</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
30/235	SUBMITTED TEXT	28 WORDS	82% MATCHING TEXT	28 WORDS
<p>separately: (i) Sums required to meet expenditure described under the Constitution as 'Charged' upon the Consolidated Fund of India. (ii) Sums required to meet other expenditure proposed to be made from</p>		<p>separately- (i) The sums required to meet expenditure described in the Constitution of India as expenditure charged upon the Consolidated Fund of India; and 9 (ii) The sums required to meet other expenditure proposed to be made from</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
31/235	SUBMITTED TEXT	11 WORDS	78% MATCHING TEXT	11 WORDS
<p>non-plan, i.e. expenditure which is part of normal governmental activities or maintenance expenditure.</p>		<p>Non Plan i.e. expenditure which is part of normal activities of the Government or maintenance expenditure,</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
32/235	SUBMITTED TEXT	16 WORDS	68% MATCHING TEXT	16 WORDS
<p>salaries and allowances, etc. of the Judges of the Supreme Court; Comptroller and Auditor General of</p>		<p>salaries and allowances of President, Judges of the Supreme Court, Speaker, Deputy Speaker, Comptroller & Auditor-General of</p>		
<p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>				

33/235	SUBMITTED TEXT	16 WORDS	76% MATCHING TEXT	16 WORDS
	<p>the Consolidated Fund, received by or on behalf of the Government, are credited to the Public Account.</p> <p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>			
34/235	SUBMITTED TEXT	37 WORDS	96% MATCHING TEXT	37 WORDS
	<p>show separately the revenue and capital, and the charged and voted expenditure. Similarly, estimates of receipts are classified in the tax and non-tax categories and also those which are on revenue account and others which are on capital account (</p> <p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>		<p>show separately the revenue and capital, and the charged and voted expenditure. Similarly, estimates of receipts are classified in the tax and non-tax receipts and also those which are on revenue account and others which are on capital account.</p>	
35/235	SUBMITTED TEXT	45 WORDS	92% MATCHING TEXT	45 WORDS
	<p>The Council of Ministers headed by the Prime Minister is collectively responsible to the Parliament. Each Minister holding a portfolio for formulating departmental policies is individually responsible, as well as collective responsibility to oversee the implementation and ensure the efficient working of the administrative machinery under his charge.</p> <p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>		<p>the Council of Ministers headed by the Prime Minister, is collectively responsible to the Parliament. Each Minister holding a portfolio for formulating departmental policies is individually responsible (as part of collective responsibility) to oversee the implementation and ensure the efficient working of the administrative machinery under his charge.</p>	
36/235	SUBMITTED TEXT	20 WORDS	100% MATCHING TEXT	20 WORDS
	<p>the Ministry of Finance. With the phenomenal growth and the complexity of Government activities, several powers have been delegated to Administrative</p> <p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>		<p>the Ministry of Finance. With the phenomenal growth and the complexity of Government activities, several powers have been delegated to Administrative</p>	

37/235	SUBMITTED TEXT	87 WORDS	88% MATCHING TEXT	87 WORDS
	<p>and control. For speedy and effective discharge of their functions in financial matters, which include planning, programming, budgeting, internal control, monitoring and evaluation, an 69 Integrated Financial Adviser is attached to each Administrative Ministry. The Integrated Financial Adviser acts both as internal and external financial adviser. He functions as internal financial adviser in the exercise of powers delegated to the Ministries under the Delegation of Financial Power Rules, and acts as an external financial adviser on behalf of the Ministry of Finance in respect of matters outside the delegated financial powers of the Administrative Ministry. The</p>		<p>and departments. For speedy and effective discharge of their functions in financial matters which include planning, programming, budgeting, internal control, monitoring and evaluation, an Integrated Financial Adviser is attached to each Administrative Ministry. The Integrated Financial Advisers as the representatives of Ministry of Finance, acts both as internal and external advisers in the Ministries/Departments. He functions as internal financial adviser in the exercise of powers delegated to the Ministries under the Delegation of Financial Power Rules, and acts as an external financial adviser on behalf of the Ministry of Finance in respect of matters outside the delegated financial powers of the Administrative Ministry. The</p>	
	<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>			

38/235	SUBMITTED TEXT	14 WORDS	78% MATCHING TEXT	14 WORDS
	<p>of accounts of the Union and of the States, on the advice of the</p>		<p>of accounts of the Union and of the States. The accounts of the</p>	
	<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>			

39/235	SUBMITTED TEXT	79 WORDS	91% MATCHING TEXT	79 WORDS
	<p>Administrative Ministries The basic responsibility for the administration of each department's activities is entrusted to the Head o the department concerned, who is guided and controlled by the Administrative Ministry. In financig matters each head of the department is thus responsible for the collection of revenue and control c expenditure pertaining to his department, the receipt and disbursement of which are usually effected i various places and through various persons. The Ministries also exercise financial control over publi enterprises set up under each of them. The</p>		<p>ADMINISTRATIVE MINISTRIES: The basic responsibility for the administration of each Department's activities is entrusted to the Head of the Department concerned, who is guided and controlled by the Administrative Ministry. In financial matters each Head of the Department is thus responsible for the collection of revenue and control of expenditure pertaining to his Department, the receipt and disbursement of which are usually effected at various places and through various persons/The Ministries also exercise financial control over Public Enterprises set up under each of them. The</p>	
	<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>			

40/235	SUBMITTED TEXT	22 WORDS	85% MATCHING TEXT	22 WORDS
<p>the Chief Accounting Authority for that Ministry, discharges this function through and with the assistance of the Controller of Accounts and the Financial Adviser.</p>		<p>the Chief Accounting Authority for that Ministry discharges this function through and with the assistance of the Chief Controller of Accounts and the Financial Adviser.</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
41/235	SUBMITTED TEXT	13 WORDS	96% MATCHING TEXT	13 WORDS
<p>distribute the funds, where necessary, among the controlling and disbursing officers subordinate to it.</p>		<p>distribute the sanctioned funds, where necessary, among the controlling and disbursing officers subordinate to it.</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
42/235	SUBMITTED TEXT	20 WORDS	73% MATCHING TEXT	20 WORDS
<p>responsible for the control of expenditure against the financial grants and appropriations placed at their disposal, control being exercised through the</p>		<p>responsible for the control of expenditure against the sanctioned grants and appropriations placed at their disposal. The control shall be exercised through the</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
43/235	SUBMITTED TEXT	36 WORDS	83% MATCHING TEXT	36 WORDS
<p>No expenditure can be incurred which may have the effect of exceeding a grant authorised by law for a financial year, except after obtaining a supplementary grant or an advance from the Contingency Fund. Since voted and charged portions-</p>		<p>No expenditure shall be incurred which may have the effect of exceeding the total grant or appropriation authorized by Parliament by law for a financial year, except after obtaining a supplementary grant or appropriation or an advance from the Contingency Fund. Since voted and charged portions</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
44/235	SUBMITTED TEXT	29 WORDS	82% MATCHING TEXT	29 WORDS
<p>the revenue and capital sections of individual grants are distinct and reappropriation inter se is not permissible, an excess in any one portion or section is treated as an excess in</p>		<p>the revenue and capital sections of a Grant / Appropriation are distinct and re-appropriation inter se is not permissible, an excess in any one portion or section is treated as an excess in</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				

45/235	SUBMITTED TEXT	32 WORDS	92% MATCHING TEXT	32 WORDS
<p>of funds from one primary unit of appropriation to another such unit within a grant may be sanctioned by a competent authority at any time before the close of the financial year, subject to</p>		<p>of funds from one primary unit of appropriation to another such unit within a grant or appropriation, may be sanctioned by a competent authority at any time before the close of the financial year to</p>		
<p>W https://mis.alagappauniversity.ac.in/siteAdmin/dde-admin/uploads/5/___UG_B.A._Public%20Administrat ...</p>				
46/235	SUBMITTED TEXT	16 WORDS	58% MATCHING TEXT	16 WORDS
<p>and the Planning Commission play an important role in public finances of the country. The Finance Commission</p>		<p>and programmes. Planning Commission plays an important role in the budgetary process and the public finances of the country. The Planning Commission,</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
47/235	SUBMITTED TEXT	16 WORDS	100% MATCHING TEXT	16 WORDS
<p>the 'payment of grants-in-aid of the revenues of the States out of the Consolidated Fund of India.</p>		<p>the payment of grants- in-aid of the revenues of the states out of the Consolidated Fund of India.</p>		
<p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>				
48/235	SUBMITTED TEXT	25 WORDS	78% MATCHING TEXT	25 WORDS
<p>The Planning Commission, besides formulating and monitoring development plans, advises the Union Government regarding the desirable transfer to the States of resources essential for developmental outlays.</p>		<p>The Planning besides formulating and monitoring development Plans, advises the Union Government regarding the desirable transfer of resources to the States, essential for development outlays.</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
49/235	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
<p>is the repository of all cash balances of the Government of India</p>		<p>is the repository of all cash balances of the Government of India.</p>		
<p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>				

50/235	SUBMITTED TEXT	46 WORDS	66% MATCHING TEXT	46 WORDS
<p>the case of two States. It plays a vital role in assisting the Government in the economic management of the country, particularly the monetary system. The Govt. of India borrows from the Reserve Bank against issue of treasury bills for replenishing its cash balance from time to time. The</p>		<p>the Government of India. It plays a vital role in assisting the Government in the economic management of the country, particularly the monetary system. The Central Government borrows through the issue of treasury bills for replenishing its cash balances from time to time. The</p>		
<p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>				
51/235	SUBMITTED TEXT	44 WORDS	57% MATCHING TEXT	44 WORDS
<p>The Reserve Bank has been entrusted with the responsibility of management of public debt raised by the Government of India and of the States including maintenance of detailed accounts of all the loans floated. The Bank has also been entrusted with the complete control of foreign exchange</p>		<p>The Reserve Bank has been entrusted with the responsibility of management of public debt raised by the Government of India including maintenance of detailed accounts of all the loans floated. The RBI has also been entrusted with the complete control of foreign exchange</p>		
<p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>				
52/235	SUBMITTED TEXT	23 WORDS	97% MATCHING TEXT	23 WORDS
<p>The General Financial Rules prescribe the broad guidelines, procedures and forms for the preparation of budget estimates of receipts and expenditure by the ministries.</p>		<p>The General Financial Rules also the broad guidelines, procedures and forms for the preparation of budget estimates of receipts and expenditure by the Ministries.</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
53/235	SUBMITTED TEXT	57 WORDS	92% MATCHING TEXT	57 WORDS
<p>for preparation of the Revised Estimates of the current financial year and the budget estimates of the ensuing financial year. This circular gives detailed instructions about the preparation of estimates of receipts and expenditure, the required format and the various statements that are to be appended to the estimates. It also specifies the processes to be followed and their scheduled dates. The</p>		<p>for preparation of the Revised Estimates of the current financial year and the budget estimates of the ensuing financial year. This circular gives detailed instructions about the preparation of estimates of receipts and expenditure, the required formats and the various statements that are to be appended to the estimates. It also specifies the processes to be followed and their scheduled dates. The</p>		
<p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>				

54/235	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>The detailed estimates of expenditure are prepared by the estimating authorities</p> <p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>		<p>The detailed estimates of expenditure are prepared by the estimating authorities</p>		
55/235	SUBMITTED TEXT	100 WORDS	97% MATCHING TEXT	100 WORDS
<p>The estimating authorities forward the budget proposals to their departmental heads for consideration and onward transmission to the ministries administratively concerned. These ministries scrutinise the estimates, make modifications where necessary, and transmit these revised estimates to the Financial Adviser for further examination and processing. The Financial Adviser ensures the correctness of accounts classification, makes modifications as may be called for in his judgement in the context of economy and other considerations, consolidates the estimates for each programme/organisation to present a complete picture of their financial costs, and obtains approval of the Secretary (Expenditure) in the Ministry of Finance, wherever necessary. Departmental budgets are then forwarded to the Budget Division.</p> <p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>		<p>The estimating authorities forward the budget proposals to their departmental heads for consideration and onward transmission to the ministries administratively concerned. These ministries scrutinize the estimates, make modifications where necessary, and transmit these revised estimates to the Financial Adviser for further examination and processing. The Financial Adviser ensures the correctness of accounts classification, makes modifications as may be called for in his in the context of economy and other considerations, consolidates the estimates for each programme/organisation to present a complete picture of their financial costs, and obtains approval of the Secretary (Expenditure) in the Ministry of Finance, wherever necessary. Departmental budgets are then forwarded to the Budget Division.</p>		
56/235	SUBMITTED TEXT	53 WORDS	98% MATCHING TEXT	53 WORDS
<p>While the prescribed date for receipt of the estimates of receipts by the 74 Budget Division is normally not later than the end of December, the date for estimates of expenditure is 31 October. The estimates of departmental receipts and expenditure received in the Budget Division are duly scrutinised and then accepted for incorporation in the Budget.</p> <p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>		<p>While the prescribed date for receipt of the estimates of receipts by the Budget Division is normally not later than the end of December, the date for estimates of expenditure is normally 31st October. The estimates of departmental receipts and expenditure received in the Budget Division are duly scrutinised and then accepted for incorporation in the Budget</p>		
57/235	SUBMITTED TEXT	13 WORDS	100% MATCHING TEXT	13 WORDS
<p>The budget proposals are placed before the Parliament by the end of February. The</p> <p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>		<p>The budget proposals are placed before the Parliament by the end of February. The</p>		

58/235	SUBMITTED TEXT	12 WORDS	87% MATCHING TEXT	12 WORDS
	<p>Role Of The Reserve Bank Of India The Reserve Bank of India,</p> <p>W http://documents1.worldbank.org/curated/en/163031468259136649/pdf/688970ESW0P0730Draft0April02700 ...</p>			<p>Role of the Reserve Bank of India 4 16. In terms of the Reserve Bank of India</p>
59/235	SUBMITTED TEXT	29 WORDS	82% MATCHING TEXT	29 WORDS
	<p>The traditional budget is generally an incremental line-item budget based on historical or empirical methods of estimating revenues and 80 expenditures. Soon after national independence, the Government launched comprehensive socio-economic development</p> <p>W https://mis.alagappauniversity.ac.in/siteAdmin/dde-admin/uploads/5/___UG_B.A._Public%20Administrat ...</p>			<p>The traditional budget is generally an incremental line-item budget based on historical or empirical methods of estimating revenues and expenditures. Soon after Independence, the Indian Government launched Five-Year Plans, ensure socio- economic development.</p>
60/235	SUBMITTED TEXT	44 WORDS	87% MATCHING TEXT	44 WORDS
	<p>Apart from a detailed planning process, these involved three major concerns: (i) raising and allocating additional resources-both internal and external; (ii) enlarging the responsibility functions of budgets, and (iii) strengthening the systems of expenditure control. Following national independence, there was a growing awareness by legislators, taxpayers and budget authorities</p> <p>W https://mis.alagappauniversity.ac.in/siteAdmin/dde-admin/uploads/5/___UG_B.A._Public%20Administrat ...</p>			<p>Apart from a detailed planning process, these involved three major concerns: (i) raising and allocating additional resources, both internal and external; (ii) enlarging the responsibility functions of budgets; and (iii) strengthening the systems of expenditure control. After Independence, there was a growing awareness among the legislators, the taxpayers and the budget authorities</p>

61/235	SUBMITTED TEXT	182 WORDS	99% MATCHING TEXT	182 WORDS
	<p>the need for a structural change in the budget so that additional budgetary input could be compared with additional output. In 1965 the United Nations published a Manual for Programme and Performance Budgeting and suggested that the developing countries could adopt this technique with view to obtaining a better return on resources. The Indian Government appointed a high-level Administrative Reforms Commission which recommended the introduction of a performance budget as an instrument for budgeting in terms of physical inputs and outputs, in addition to budgeting purely on financial terms. As a result of this recommendation performance budgets were developed taking into account international practices in conjunction with the national planning structure. The Planning Commission, which acts as the apex body of planning in India for all sectors, substantially performs the planning functions of the budget, in contrast to other countries where these are handled by the Ministry of Finance, the Treasury or other budgetary authorities. Performance budgets in India are prepared in addition to the budgetary documents required under constitutional or other legal provisions. Emphasis is placed on comparing the effects of financial inputs with physical outputs. These budgets provide various performance indicators in both financial and physical terms. 2.1.2</p>		<p>the need for a structural change in the budget so that additional budgetary input could be compared with additional output. In 1965, the United Nations published a Manual for Programme and Performance Budgeting and suggested that the developing countries could adopt this technique with the view to obtaining a better return on resources. The Indian Government appointed a high-level Administrative Reforms Commission which recommended the introduction of a performance budget as an instrument for budgeting in terms of physical inputs and outputs, in addition to budgeting purely on financial terms. As a result of this recommendation, performance budgets were developed, taking into account international practices in conjunction with the national planning structure. The Planning Commission, which acts as the apex body of planning in India for all sectors, substantially performs the planning functions of the budget, in contrast to other countries where these are handled by the Ministry of Finance, the Treasury or other budgetary authorities. Performance budgets in India are prepared in addition to the budgetary documents required under constitutional or other legal provisions. Emphasis is placed on comparing the effects of financial inputs with physical outputs. These budgets provide various performance indicators in both financial and physical terms.</p>	
	<p>W https://mis.alagappauniversity.ac.in/siteAdmin/dde-admin/uploads/5/___UG_B.A._Public%20Administrat ...</p>			

62/235	SUBMITTED TEXT	23 WORDS	75% MATCHING TEXT	23 WORDS
	<p>Performance budgeting comprises five essential elements : (a) programming, or the subdivision of the government budget for information purposes into programmes and activates representing identifiable</p>			
	<p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>			

63/235	SUBMITTED TEXT	138 WORDS	93% MATCHING TEXT	138 WORDS
<p>Principles There are three interrelated considerations or basic steps in the development of performances budgeting in an organization. They are: a) Evolving a meaningful classification structure in terms of programmes, projects and activities under each function entrusted to an organization in order to show precisely its objectives, the work done and the organizational responsibilities b) Bringing the system of accounts, reporting and the prevailing financial 81 management practices in general into accord with the now classification and requirement of performance budgeting, and c) Establishing suitable work units work for physical measurement of work done, or services rendered under each programme and activities and developing suitable norms, standards and other performance indicator for appraisal of performance. In fact, performance budgeting attempts to integrate the planning, budgeting, costing, reporting and control systems of the organization. In its ultimate application, this approach involves a sound budgetary operation, financial discipline, skilled and responsible manpower both for budget formulation and</p> <p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>				
64/235	SUBMITTED TEXT	30 WORDS	87% MATCHING TEXT	30 WORDS
<p>execution, a frequent and efficient system of recording and reporting financial and physical date, and close coordination between various governmental agencies and the centre budget agency. 3 Performance budgeting is very useful</p> <p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>				
65/235	SUBMITTED TEXT	13 WORDS	75% MATCHING TEXT	13 WORDS
<p>the Planning, Programming and Budgeting System (PPBS) has three components: planning, programming and budgeting.</p> <p>the planning, programming and budgeting system (PPBS) has been used. The planning, programming and budgeting</p> <p>W https://repository.up.ac.za/bitstream/handle/2263/24808/06chapter6.pdf?sequence=7&isAllowed=y</p>				

66/235	SUBMITTED TEXT	13 WORDS	95% MATCHING TEXT	13 WORDS
<p>The Pure Theory of Public Expenditure". Review of Economics and Statistics 36 (4): 387-389.</p> <p>W https://www.vincenzovignieri.com/old-public-administration-new-public-management-and-public-gover ...</p>		<p>The pure theory of public expenditure. The Review of Economics and Statistics, 36(4): 387-389. •</p>		
67/235	SUBMITTED TEXT	98 WORDS	90% MATCHING TEXT	98 WORDS
<p>developing countries. It facilitates better programming, decision-making, review and control for a more intelligible presentation of government activities to the public and the legislature. Broadly speaking, the main purposes sought to be served by performance budgeting are: a) To correlate the physical and financial aspect of every programme/ activity; b) To improve budget formulation, review and decision making at all level of management in the government machinery; c) To facilitate better appreciation and review by the legislature. d) To make possible more effective performance audit; e) To measure progress towards long-term objectives as envisaged in the plan; f) To bring annual budgets and development plans closely together through a common language. 2.1.3.</p> <p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>				
68/235	SUBMITTED TEXT	17 WORDS	93% MATCHING TEXT	17 WORDS
<p>general definition of an audit is an evaluation of a person, organization, system, process, project product.</p> <p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>		<p>general definition of an audit is an evaluation of a person, organization, system, process, enterprise, project or product.</p>		
69/235	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>Audits are performed to ascertain the validity and reliability of information,</p> <p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>		<p>Audits are performed to ascertain the validity and reliability of information;</p>		

70/235	SUBMITTED TEXT	35 WORDS	91% MATCHING TEXT	35 WORDS
	Traditionally audits were mainly associated with gaining information about financial systems and the financial records of a company or a business. However recently auditing has begun to include other information about the system, such as information about		Traditionally, audits were mainly associated with gaining information about financial systems and the financial records of a company or a business (see financial audit). However, recent auditing has begun to include other information about the System, such as information about	
	<p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>			

71/235	SUBMITTED TEXT	104 WORDS	86% MATCHING TEXT	104 WORDS
	Value for Money or 3E's Audit, so known as Performance audit is an independent assessment of the performance of an organization, programme, project or an activity in terms of its goals and objectives-how far expected results have been achieved from the use of available resources of money, men and material. An examination is made regarding economy, efficiency and effectiveness of public spending, known as 3E's audit. ? Economy minimizing the cost of resources used or required - spending less, ? Efticiency the relationship between the output of goods and services and the resources to produce them- spending well. 129 ? Effectiveness: the relationship between the intended and actual results of public spending - spending wisely.		Value for Money or 3E's Audit: also known as Performance audit is an independent assessment of the performance of an organisation, programme, project or an activity in terms of its goals and objectives- how far expected results have been achieved from the use of available resources of money, men and material. Put it differently an examination is made regarding economy, efficiency and effectiveness of public spending, which has come to be known as 3E's audit, viz. 216 • Economy: minimizing the cost of resources used or required - spending less; • Efficiency : the relationship between the output of goods and services and the resources to produce them- spending well; • Effectiveness: the relationship between the intended and actual results of public spending - spending wisely.	
	<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>			

72/235	SUBMITTED TEXT	72 WORDS	90% MATCHING TEXT	72 WORDS
	Performance budgeting as a tool is manageable or unwieldy depends largely on the skill of the tool-maker. How effectively it is applied depends on the skill, imagination, energy and strength of purpose of the user. All it can provide is a meaningful basis for administrative planning, executive coordination, legislative decisions and administrative accountability at all levels of government. It is by no means a substitute for responsible public administration. 2.2 ??			
	<p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>			

73/235	SUBMITTED TEXT	126 WORDS	97% MATCHING TEXT	126 WORDS
	<p>The concept and technique of audit has undergone a major change during the last fifty years. Before India became independent, the government audit was mostly confined to check against provision of funds, rules and orders and competence of authority concerned to sanction expenditure. With the launching of the Five Year plans for economic and social development there has been change in the pattern of government expenditure necessitating shift in the emphasis, concept and practice of audit as scrutiny of individual transactions became inadequate as it tended to mistake wood for the tree. The Parliament and the public are more interested to know whether various development and welfare programmes are being executed efficiently and whether they were producing the expected results. This lead Audit department to enter in the area oi Performance Evaluation and Value for Money Audit.</p>		<p>The concept and technique of audit has undergone a major change during the last fifty years. Before India became independent, the government audit was mostly confined to check against provision of funds, rules and orders and competence of authority concerned to sanction expenditure. With the launching of the Five Year plans for economic and social development there has been change in the pattern of government expenditure necessitating shift in the emphasis, concept and practice of audit as scrutiny of individual transactions became inadequate as it tended to mistake wood for the tree. The Parliament and the public are more interested to know whether various development and welfare programmes are being executed efficiently and whether they were producing the expected results. This led Audit department to enter in the area of Performance Evaluation and Value for Money Audit.</p>	
	<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>			

74/235	SUBMITTED TEXT	18 WORDS	92% MATCHING TEXT	18 WORDS
	<p>Audit department is now producing a iurg'. number of performance reviews every year covering almost every facet of government's working.</p>		<p>Audit department is now producing a large number of performance reviews every year covering almost every facet of Government's working.</p>	
	<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>			

75/235	SUBMITTED TEXT	22 WORDS	93% MATCHING TEXT	22 WORDS
	<p>In financial accounting., an audit is an independent assessment of the fairness by which a organization 's financial statements are presented by its</p>		<p>In financial accounting, an audit is an independent assessment of the fairness by which a company's financial statements are presented by its</p>	
	<p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>			

76/235	SUBMITTED TEXT	15 WORDS	66% MATCHING TEXT	15 WORDS
	<p>S 0 (2) — (5) S→C C →S M→C C →M S. (4) — (6) S→C S →C S →</p>		<p>s.2. 1980,c.10,s.2; 1983,c.1,s.6; 1986,c.5,s.2; 1993,c.29,s.4; 2010,c.31,s.3; 2012,c.17,s.2; 2015,c.28,s.3; 2021,c.18,s.2. 3.</p>	
	<p>W https://www.princeedwardisland.ca/sites/default/files/legislation/a-24-audit_act.pdf</p>			

77/235	SUBMITTED TEXT	20 WORDS	83% MATCHING TEXT	20 WORDS
<p>by management, it is performed by competent, independent and objective person or persons, known as auditors or accountants, who then issue</p> <p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>		<p>by its management. It is performed by competent, independent and objective person(s) known as auditors or accountants, who then issue</p>		
78/235	SUBMITTED TEXT	10 WORDS	100% MATCHING TEXT	10 WORDS
<p>The traditional audit conducted by the supreme audit institutions (SAI)</p> <p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>		<p>The traditional audit conducted by the supreme audit institutions (SAI)</p>		
79/235	SUBMITTED TEXT	107 WORDS	98% MATCHING TEXT	107 WORDS
<p>implies checking upon the legality of an action taken by a public official or a person using public funds and whether the decision or its implementation is according to the law, rules or regulations governing that activity Gradually its dimension was extended to Financial audit and now to Value for money audit. Financial Audit basically means audit of financial statement and whether they provide reasonable assurance that they present fairly the financial position, results of operations, and cash flows of an audited entity in accordance with generally accepted accounting principles. In Financial audit, State auditors do almost the same kind of job which the Chartered Accountants do while auditing a public limited company. 130 1.1 ?</p> <p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>		<p>implies checking upon the legality of an action taken by a public official or a person using public funds and whether the decision or its implementation is according to the law, rules or regulations governing that activity Gradually its dimension was extended to Financial audit and now to Value for Money audit. Financial Audit basically means audit of financial statement and whether they provide reasonable assurance that they present fairly the financial position, results of operations, and cash flows of an audited entity in accordance with generally accepted accounting principles. In Financial audit, State auditors do almost the same kind of job which the Chartered Accountants do while auditing a public limited company.</p>		
80/235	SUBMITTED TEXT	13 WORDS	95% MATCHING TEXT	13 WORDS
<p>when the East India Company administration was taken over by the</p> <p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>		<p>when the East India Company's administration was taken over-by the</p>		

81/235	SUBMITTED TEXT	15 WORDS	100% MATCHING TEXT	15 WORDS
	The Government of India Act 1935, gave further recognition to the importance and status of		The Government of India Act 1935 gave further recognition to the importance and status of	
	W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf			

82/235	SUBMITTED TEXT	36 WORDS	29% MATCHING TEXT	36 WORDS
	to audit all expenditure from and receipt into the consolidated fund of India and the State. Section 14, 15, and 20 of the Act authorizes C&AG to audit the receipts and expenditure of bodies or authorities substantially financed		to audit all expenditure and receipts of the Government of India, the State Governments and the Union Territories. He is also empowered to audit the expenditure and receipts of bodies or authorities substantially financed	
	W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf			

83/235**SUBMITTED TEXT**

313 WORDS

100% MATCHING TEXT

313 WORDS

The relevant administrative ministry has the main responsibility for ensuring that (i) expenditure is incurred for the approved purpose, (ii) it is within the sums allotted, (iii) it has been incurred under the authority competent to sanction it, and (iv) due prudence has been shown in its incurrence. As ministries have delegated their powers to lower functionaries, the basic responsibility is shifted to the particular functionary concerned, but overall responsibility remains with the administrative ministry. As per rules, no public authority can incur any expenditure or enter into any liability involving expenditure or transfer of moneys for investment or deposit from government account unless such expenditure or transfer, as the case may be has been sanctioned by general or special orders of the Government or by any authority to which power has been delegated in this regard. No expenditure can be incurred against a sanction unless funds are made available to meet the expenditure by valid appropriation or re- appropriation. The government authorities have to comply with rules prescribed in the General Financial Rules and the Delegation of Financial Power Rules in all financial matters. The designated controlling authorities have to ensure not only that the total expenditure is kept within the limits of the authorised grants but also that the funds allotted to spending units are expended in the public interest and on objects for which the money was provided. In order to maintain proper control, the controlling officer obtains information on not only what has actually been spent from the grants but also what commitments and liabilities have been and will be incurred against them. He must be in a position to assume, before the Government and Public Accounts Committee, complete responsibility for departmental expenditure and to explain or to justify any instance of excess expenditure or financial irregularity that may be brought to notice as a result of audit scrutiny or otherwise. In the discharge of his ultimate responsibility for the administration of a grant, or a part thereof, placed at his disposal, every controlling officer must satisfy himself

The relevant administrative ministry has the main responsibility for ensuring that (i) expenditure is incurred for the approved purpose, (ii) it is within the sums allotted, (iii) it has been incurred under the authority competent to sanction it, and (iv) due prudence has been shown in its incurrence. As ministries have delegated their powers to lower functionaries, the basic responsibility is shifted to the particular functionary concerned, but overall responsibility remains with the administrative ministry. As per rules, no public authority can incur any expenditure or enter into any liability involving expenditure or transfer of moneys for investment or deposit from government account unless such expenditure or transfer, as the case may be has been sanctioned by general or special orders of the Government or by any authority to which power has been delegated in this regard. No expenditure can be incurred against a sanction unless funds are made available to meet the expenditure by valid appropriation or re-appropriation. The government authorities have to comply with rules prescribed in the General Financial Rules and the Delegation of Financial Power Rules in all financial matters. The designated controlling authorities have to ensure not only that the total expenditure is kept within the limits of the authorised grants but also that the funds allotted to spending units are expended in the public interest and on objects for which the money was provided. In order to maintain proper control, the controlling officer obtains information on not only what has actually been spent from the grants but also what commitments and liabilities have been and will be incurred against them. He must be in a position to assume, before the Government and Public Accounts Committee, complete responsibility for departmental expenditure and to explain or to justify any instance of excess expenditure or financial irregularity that may be brought to notice as a result of audit scrutiny or otherwise. In the discharge of his ultimate responsibility for the administration of a grant, or a part thereof, placed at his disposal, every controlling officer must satisfy himself

W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf

84/235	SUBMITTED TEXT	105 WORDS	97% MATCHING TEXT	105 WORDS
<p>that adequate provisions exist within the departmental organisation for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of his subordinate officers and to guard against waste and loss 136 of public money and stores, but also that the prescribed checks are effectively applied. As regards receipts, it is the duty of the departments concerned to ensure that the dues of Government are correctly and promptly assessed and paid into the treasury/bank. All moneys received by or on behalf of Government either as dues of Government or for deposit, remittance or otherwise are required to be brought into Government Account without delay in accordance with the prescribed rules and regulations.</p>		<p>that adequate provisions exist within the departmental organisation for systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of his subordinate officers and to guard against waste and loss of public money and stores, to ensure that the prescribed checks are effectively applied. As regards receipts, it is the duty of the departments concerned to ensure that the dues of Government are correctly and promptly assessed and paid into the treasury/bank. All moneys received by or on behalf of Government either as dues of Government or for deposit, remittance or otherwise are required to be brought into Government Account without delay in accordance with the prescribed rules and regulations.</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
85/235	SUBMITTED TEXT	11 WORDS	87% MATCHING TEXT	11 WORDS
<p>provide 'reasonable assurance' that the financial statements are 'free from material misstatement',</p>		<p>provide reasonable assurance that the financial statements as a whole are free from material misstatement,</p>		
<p>W https://www2.ed.gov/about/offices/list/oig/nonfed/foreign-school-audit-guide.pdf</p>				
86/235	SUBMITTED TEXT	26 WORDS	100% MATCHING TEXT	26 WORDS
<p>In view of the volume of expenditure particularly in regard to large projects and programmes, the system of 'Financial Advisers' has been established at the Union level.</p>		<p>In view of the volume of expenditure particularly in regard to large projects and 22 programmes, the system of 'Financial Advisers' has been established at the Union level.</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
87/235	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
<p>This system ensures the availability of in-house expert advice to administrative ministries and departments.</p>		<p>This system ensures the availability of in-house expert advice to administrative ministries and departments.</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				

88/235	SUBMITTED TEXT	54 WORDS	90% MATCHING TEXT	54 WORDS
<p>It is recognised that the continuing examination of the accounting and financial records, of systems and procedures, and of compliance with stated management policies, are essential elements of internal audit and a positive help to public administration. Accordingly each ministry and department of the Union Government has a special unit under the direct control and supervision of Financial Advisers.</p>		<p>It is recognised that the continuing examination of the accounting and financial records, of systems and procedures, and of compliance with stated management policies, are essential elements of public policy and internal audit in this direction is a tool of positive help to public administration. Accordingly each ministry and department of the Union Government has a special unit under the direct control and supervision of Financial Advisers.</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
89/235	SUBMITTED TEXT	13 WORDS	100% MATCHING TEXT	13 WORDS
<p>the duties, powers and conditions of service of the Comptroller and Auditor General.</p>				
<p>SA 04_Chapter_3.pdf (D121265381)</p>				
90/235	SUBMITTED TEXT	49 WORDS	96% MATCHING TEXT	49 WORDS
<p>The Accounts Officers under the Financial Adviser of each Ministry also keep a watch over the progress of expenditure and report to the departmental head concerned immediately if there is the likelihood of any grant being exceeded. Such financial surveillance provides an additional control mechanism to enable timely action by the executive. 1.4.3</p>		<p>The Accounts offices/officers under the Financial Adviser of each Ministry also keep a watch over the progress of expenditure and report to the FA and the departmental head concerned immediately if there is the likelihood of any grant being exceeded. Such financial surveillance provides an additional control mechanism to enable timely action by the executive.</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
91/235	SUBMITTED TEXT	19 WORDS	88% MATCHING TEXT	19 WORDS
<p>The Legislature of a state may, by law, make provisions with respect to the ---- -- of accounts by the</p>		<p>the legislature of a State may, by law, make provisions with respect to the maintenance of accounts and the</p>		
<p>W https://mis.alagappauniversity.ac.in/siteAdmin/dde-admin/uploads/5/___UG_B.A._Public%20Administrat ...</p>				

92/235	SUBMITTED TEXT	72 WORDS	100% MATCHING TEXT	72 WORDS
<p>Audit Reports- (1) The reports of the Comptroller and Auditor General of India relating to the accounts of the Union shall be submitted to the President, who shall cause them to be laid before each House of Parliament. (2) The reports of the Comptroller and Auditor General of India relating to the accounts of a State shall be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State.</p>		<p>Audit reports.—(1) The reports of the Comptroller and Auditor-General of India relating to the accounts of the Union shall be submitted to the President, who shall cause them to be laid before each House of Parliament. (2) The reports of the Comptroller and Auditor-General of India relating to the accounts of a State shall be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. 141</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
93/235	SUBMITTED TEXT	19 WORDS	61% MATCHING TEXT	19 WORDS
<p>Unit 2 ????? Comptroller And Auditor General of India Structure 2.1 Introduction 2.2 Appointment of Comptroller and Auditor General 2.3 Accountability of</p>				
<p>SA DSE 2 (Block 1) Indian Administration.pdf (D165444929)</p>				
94/235	SUBMITTED TEXT	15 WORDS	70% MATCHING TEXT	15 WORDS
<p>department and is responsible for development of organisational objectives and policies, auditing standards and systems,</p>		<p>Department is responsible for development of organizational objectives and policies, audit standards and systems,</p>		
<p>W https://mis.alagappauniversity.ac.in/siteAdmin/dde-admin/uploads/5/___UG_B.A._Public%20Administrat ...</p>				
95/235	SUBMITTED TEXT	45 WORDS	100% MATCHING TEXT	45 WORDS
<p>There shall be a Comptroller and Auditor General of India who shall be appointed by the President by warrant under his hand and seal and shall only be removed from office in like manner and on the like grounds as a Judge of the Supreme Court. 2.2 ??</p>				
<p>SA Poornima Shukla (Administrative law Assignment 3 Sem).docx (D152039502)</p>				
96/235	SUBMITTED TEXT	13 WORDS	84% MATCHING TEXT	13 WORDS
<p>is the head of the Indian Audit and Accounts Department, The office of</p>				
<p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>				

97/235	SUBMITTED TEXT	25 WORDS	83% MATCHING TEXT	25 WORDS
	<p>an act to strengthen Parliamentary control and supervision of expenditure of public money by making new provision for appointment and status of C&AG and establishing a</p> <p>W https://www.legislation.gov.uk/ukpga/1983/44</p>			<p>An Act to strengthen Parliamentary control and supervision of expenditure of public money by making new provision for the appointment and status of the Comptroller and Auditor General, establishing a</p>
98/235	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
	<p>is appointed by the Governor General on the recommendation of the</p> <p>SA public Sector and Government Accounting.pdf (D67555908)</p>			
99/235	SUBMITTED TEXT	12 WORDS	87% MATCHING TEXT	12 WORDS
	<p>Leader of the Opposition of the Lok Sabha and Chairman of the</p> <p>W http://documents1.worldbank.org/curated/en/163031468259136649/pdf/688970ESW0P0730Draft0April02700 ...</p>			<p>leader of the opposition in the Lok Sabha and Chairman of the</p>

100/235	SUBMITTED TEXT	191 WORDS	94% MATCHING TEXT	191 WORDS
<p>With the advent of the planned era in India following national independence, there was a major growth of economic development and social welfare activities. This growth necessitated an attendant increase in both 147 revenue and capital expenditure, and in receipts and borrowings to match such expenditure. These new responsibilities of the government and the complex nature of its expanded activities called for a change in the nature and scope of audit. Consequently audit by the SAI has evolved from an accountancy and regularity check to evaluation of the end results of the operations of government, including considerations of economy, efficiency and effectiveness. The audit by the SAI is conducted under a Planned Programme covering the accounts, systems, procedures, projects and programmes on the basis of the documents and information submitted to the Indian Audit and Accounts Department. Field audits of the various organisations involved are an essential part of the overall programme. The initial audit findings are taken up with the appropriate authorities for remedial action through audit notes and inspection reports. Important audit findings, performance reviews of projects and programmes, and comprehensive appraisals of public enterprises and other bodies and authorities are processed for inclusion in the reports of the CAG which are laid before the Parliament</p> <p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>		<p>With the advent of the planned era in India following national independence, there was a major growth of economic development and social welfare activities. This growth necessitated an attendant increase in both revenue and capital expenditure, and in receipts and borrowings to match such expenditure. These new responsibilities of the government and the complex nature of its expanded activities called for a change in the nature and scope of audit. Consequently audit by the Comptroller & Auditor General of India has evolved from an accountancy and regularity check to evaluation of the end results of the operations of government, including considerations of economy, efficiency and effectiveness. The audit by the C&AG is conducted under a planned programme covering the accounts, systems, procedures, projects and programmes on the basis of the documents and information submitted to the Indian Audit and Accounts Department. Field audits of the various organisations involved are an essential part of the overall programme. The initial audit findings are taken up with the appropriate authorities for remedial action through audit notes and inspection reports. Important audit findings, performance reviews of projects and programmes, and comprehensive appraisals of public enterprises and other bodies and authorities are processed for inclusion in the reports of the C&AG which are laid before the Parliament.</p>		
101/235	SUBMITTED TEXT	24 WORDS	81% MATCHING TEXT	24 WORDS
<p>Apart from the certification of the Appropriation Accounts and Finance Accounts of the Union and of 25 States and submission of separate audit reports on</p> <p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>		<p>Apart from the certification of the Appropriation Accounts and Finance Accounts of the Union Government and submission of separate audit reports on</p>		
102/235	SUBMITTED TEXT	15 WORDS	83% MATCHING TEXT	15 WORDS
<p>is the sole auditor, the CAG brings out a large number of reports every year.</p> <p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>		<p>is the sole auditor, the C&AG brings out a large number of audit reports every year. (</p>		

103/235	SUBMITTED TEXT	19 WORDS	100% MATCHING TEXT	19 WORDS
<p>for consideration and appropriate recommendations to the executive for remedial action which is further followed up by the committees. 2.4.1</p> <p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>		<p>for consideration and appropriate recommendations to the executive for remedial action which is further followed up by the Committees.</p>		
104/235	SUBMITTED TEXT	41 WORDS	100% MATCHING TEXT	41 WORDS
<p>exercisable on an address presented by the House of Commons, and no motion shall be made for such an address except by the Prime Minister acting with the agreement of the chairman of the Committee of Public Accounts. (2) The Comptroller and Auditor General</p> <p>W https://erskinemay.parliament.uk/section/6426/the-comptroller-and-auditor-general/</p>		<p>exercisable on an Address presented by the House of Commons, and no motion shall be made for such an Address except by the Prime Minister¹ acting with the agreement of the Chairman of the Committee of Public Accounts.² The Comptroller and Auditor General'</p>		
105/235	SUBMITTED TEXT	47 WORDS	88% MATCHING TEXT	47 WORDS
<p>The Comptroller and Auditor General of India (CAG) plays a crucial role in parliamentary financial control. The Indian Constitution provides for a unitary and independent audit by the CAG. The audited Appropriation and Finance Accounts are submitted along with the audit reports of the CAG to the president of India</p> <p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>		<p>The Comptroller and Auditor General of India (AG) plays a crucial role in parliamentary financial control. The Indian Constitution provides for a unitary and independent audit by the C&AG. The audited Appropriation and Finance Accounts are submitted along with the audit reports of the C&AG to the 29 President of India.</p>		
106/235	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
<p>These accounts and reports are then caused to be laid before the</p> <p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>		<p>These accounts and reports are then caused to be laid before the</p>		

107/235	SUBMITTED TEXT	101 WORDS	96% MATCHING TEXT	101 WORDS
<p>The primary function of the audit of the CAG is to verify the accounts to ascertain (1) whether the moneys shown in the accounts as having been disbursed were legally available for and applicable to the service or purpose to which they have been applied or charged and whether the expenditure conforms to the authority which governs it and (2) whether the assessment, collection and allocation of revenue have been properly done. The Appropriation and Finance Accounts are accordingly examined under the directions of the CAG and certified as to their correctness subject to his observations in his Reports on the Accounts submitted under Article 151 of the Constitution. The</p>		<p>The primary function of the audit by the CAG is to verify the accounts NOTES ascertain — (I) whether the moneys shown in the accounts as having been disbursed were legally available for and applicable to the service or purpose to which they have been applied or charged and whether the expenditure conforms to the authority which governs it and (2) whether the assessment, collection and allocation of revenue have been properly done. The Appropriation and Finance Accounts are accordingly examined under the directions of the CAG and .certified as to their correctness subject to his observations in his Reports on the Accounts submitted under Article 151 of the Constitution. The</p>		
<p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>				

108/235	SUBMITTED TEXT	90 WORDS	82% MATCHING TEXT	90 WORDS
<p>extends to the audit of Government commercial enterprises, as well as to bodies and authorities substantially financed from Government revenues. The CAG also examines the accounts relating to grants and loans given by the Government to other bodies. There is also an enabling provision in the act passed by the Union Parliament in 1971 to take up the audit of any other bodies or authorities with the approval of, or at the request of, the President or the Governors as the case may be. The CAG has the authority to make regulations on the scope of audit.</p>		<p>extends to the audit of Government commercial enterprises, as well as to bodies and authorities substantially financed from Government revenues. C&AG also examines the accounts relating to grants and loans given by the Government to other bodies. There is also an enabling provision in the Act passed by the Union Parliament in 1971 to take up the audit of any other bodies or authorities with the approval of, or at the request of, the President. The C&AG the complete authority and discretion to make regulations on the scope of audit,</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				

109/235	SUBMITTED TEXT	82 WORDS	89% MATCHING TEXT	82 WORDS
<p>the CAG has complete discretion to regulate the scope of his audit. Apart from the traditional forms of audit, commonly known as the appropriation audit and regularity audit, the discretionary forms of audit (the propriety audit and the efficiency-cum-performance audit) developed by the CAG have assumed significance from the viewpoint of 'accountability' in a comprehensive sense. The audit looks beyond the mere regularity of expenditure to its prudence and economy and to a general examination of the efficiency and effectiveness with which an organisation is discharging its financial responsibilities.</p>		<p>The CAG has the authority to make regulations on the scope of audit. Apart from the traditional forms of audit, commonly known as the appropriation audit and regularity audit, the discretionary forms of audit (the propriety audit and the efficiency-cum-performance audit) developed by the CAG have assumed significance from the viewpoint of 'accountability' in a comprehensive sense. The audit looks beyond the mere regularity of expenditure to its prudence and economy and to a general examination of the efficiency and effectiveness with which an organization is discharging its financial responsibilities.</p>		
<p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>				
110/235	SUBMITTED TEXT	20 WORDS	100% MATCHING TEXT	20 WORDS
<p>to have access to documents and information in connection with audit of accounts have been enhanced under the Act of 1971.</p>		<p>to have access to documents and information in connection with audit of accounts have been enhanced under the Act of 1971,</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
111/235	SUBMITTED TEXT	43 WORDS	96% MATCHING TEXT	43 WORDS
<p>can call for any document as long as it is considered relevant to the transactions to which his auditing duties extend. Further, the Act specifically enjoins that the administration shall afford all facilities for his inspection and comply with his request for information in as complete</p>		<p>can call for any document as long as it is considered relevant to the transactions to which his auditing duties exist. Further, the Act specifically enjoins that the administration shall afford all facilities for his inspection and comply with his request for information in as complete</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
112/235	SUBMITTED TEXT	31 WORDS	86% MATCHING TEXT	31 WORDS
<p>The audit reports of the CAG, other than those relating to commercial enterprises, are considered by the Public Accounts Committees. The Committees on Public Undertakings consider the audit reports relating to commercial enterprises.</p>		<p>The audit reports of the CAG, other than those relating to commercial enterprises, are considered by the Public Accounts The Committee on Public Undertakings considers the audit reports relating to commercial enterprises.</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				

113/235	SUBMITTED TEXT	168 WORDS	95% MATCHING TEXT	168 WORDS
	<p>audit reports on a selective, basis, assisted by the CAG or his Principal Audit Officers as follows: ? Assistance in the selection of subjects. ? Supply of background information and memorandum of important points. ? Briefing of the working groups/sub-committees for a proper understanding of the subject. ? Briefing of the chairmen of the committees, as and when necessary. ? Attendance at the sittings of the committees to assist in their examination of witnesses. ? Investigating of written submissions of the witnesses for ensuring factual accuracy. ? Factual verification of the reports of the committees. ? Assistance at the sittings of the committees devoted to deliberation on and adoption of their reports. ? Going through of the notes of government on action taken on the committees' recommendations. 150 ? factual verification of the follow-up reports of the committees. ? Attendance to assist the committees at the sittings for consideration and adoption of their follow-up reports. Informal assistance is also given to the individual members and the secretariat of the committees so as to enable them to have a proper understanding of the issues dealt with in the relevant audit report.</p> <p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>		<p>audit reports on a selective basis, assisted by the C&AG or his Principal Audit Officers as follows: • Assistance in the selection of subjects; • Supply of background information and memorandum of important points; · Briefing of the working groups/sub- Committees for a proper understanding of the subject; • Briefing of the chairmen of the Committees, as and when necessary; • Attendance at the sittings of the Committees to assist in their examination of witnesses; • Vetting of written submissions of the witnesses for ensuring factual accuracy; • Factual verification of the reports of the Committees; • Assistance at the sittings of the Committees devoted to deliberation on and adoption of their reports; • Vetting of the notes of government on action taken on the Committees' recommendations; • Factual verification of the follow-up reports of the committees; and • Attendance to assist the Committees at the sittings for consideration and adoption of their follow-up reports. Informal assistance is also given to the individual members and the Secretariat of the Committees so as to enable them to have a proper understanding of the issues dealt with in the relevant audit report.</p>	
114/235	SUBMITTED TEXT	13 WORDS	100% MATCHING TEXT	13 WORDS
	<p>the audit reports as such are not generally discussed in the Parliament</p> <p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>		<p>The audit reports as such are not generally discussed in the Parliament,</p>	
115/235	SUBMITTED TEXT	15 WORDS	100% MATCHING TEXT	15 WORDS
	<p>the recommendations of the committees are by convention considered as the recommendations of the entire Parliament.</p> <p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>		<p>the recommendations of the Committees are by convention considered as the recommendations of the entire Parliament.</p>	

116/235	SUBMITTED TEXT	46 WORDS	96% MATCHING TEXT	46 WORDS
<p>the entire legislature. Even in regard to those issues dealt with in the audit reports which have not been taken up by the committees for detailed oral or other examination, notes on remedial action taken by individual departments of government are required to be submitted to the committees, after</p>		<p>the entire Parliament. Even in regard to those issues dealt with in the audit reports which have not been taken up by the Committees for detailed oral or other examination, notes on remedial action taken by individual departments of government are required to be submitted to the Committees, after</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
117/235	SUBMITTED TEXT	27 WORDS	100% MATCHING TEXT	27 WORDS
<p>by the Audit Department. The Public Undertakings Committee of Parliament, besides considering some of the reports of Comptroller and Auditor General, carries out its own examination of the working of</p>		<p>by the Audit Department. The Public Undertakings Committee of Parliament, besides considering some of the reports of Comptroller and Auditor General, carries out its own examination of the working of</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
118/235	SUBMITTED TEXT	77 WORDS	88% MATCHING TEXT	77 WORDS
<p>In the audit of the financial statements of commercial departments of the government or of the many public enterprises, Generally Accepted Auditing Standards (GAAS) as applicable to comparable enterprises in private sector are observed. The CAG has, however, the right to issue directions to the professional accountants who conduct the primary audit of public sector 151 companies, indicating to them the manner in which the audit of such enterprises is to be conducted. The CAG also reviews the performance of such auditors. 2.5 ??</p>		<p>In the audit of the financial statements of commercial departments of the Government or the public sector enterprises, Generally Accepted Auditing Standards (GAAS) as applicable to comparable enterprises in private sector are observed. The C&AG has, however, the right to issue directions to the professional accountants who 30 conduct the primary audit of public sector companies, indicating to them the manner in which the audit of such enterprises is to be conducted. The C&AG also review the performance of such auditors.</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
119/235	SUBMITTED TEXT	23 WORDS	47% MATCHING TEXT	23 WORDS
<p>it is the duty of audit: to ascertain that the money, which has been disbursed was legally available for the service or purpose</p>		<p>it is the duty of the Committee to satisfy itself— • that the money shown in the accounts as having been disbursed were legally available for and applicable to the service or purpose</p>		
<p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>				

120/235	SUBMITTED TEXT	15 WORDS	100% MATCHING TEXT	15 WORDS
<p>in each case to report on the expenditure, transaction or accounts so audited by him."</p> <p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>		<p>in each case to report on the expenditure, transactions or accounts so audited by him. (</p>		
121/235	SUBMITTED TEXT	14 WORDS	89% MATCHING TEXT	14 WORDS
<p>Constitutional provision be made, that all bodies which are publicly funded, fall within the</p> <p>W http://documents1.worldbank.org/curated/en/163031468259136649/pdf/688970ESW0P0730Draft0April02700 ...</p>		<p>constitutional provision be made that all bodies that are publicly funded fall within the</p>		
122/235	SUBMITTED TEXT	10 WORDS	100% MATCHING TEXT	10 WORDS
<p>by the drafting Committee, headed by Dr B R Ambedkar</p> <p>W http://documents1.worldbank.org/curated/en/163031468259136649/pdf/688970ESW0P0730Draft0April02700 ...</p>		<p>by the Drafting committee headed by Dr. B. R. Ambedkar</p>		
123/235	SUBMITTED TEXT	11 WORDS	83% MATCHING TEXT	11 WORDS
<p>automatically remitted to the Public Accounts Committee(PAC) / Committee on Public Undertakings(</p> <p>W http://documents1.worldbank.org/curated/en/163031468259136649/pdf/688970ESW0P0730Draft0April02700 ...</p>		<p>automatically remitted to the Public Accounts Committee and the Committee on Public Undertakings</p>		
124/235	SUBMITTED TEXT	18 WORDS	88% MATCHING TEXT	18 WORDS
<p>if any money has been spent on any service in excess of the amount granted for that service</p> <p>W http://documents1.worldbank.org/curated/en/163031468259136649/pdf/688970ESW0P0730Draft0April02700 ...</p>		<p>if any money has been spent on any service during a financial year in excess of the amount granted for that service</p>		

125/235

SUBMITTED TEXT

29 WORDS

37% MATCHING TEXT

29 WORDS

and its members to develop specialisation, the life of PAC be made five years co-extensive with the life of Parliament/ State legislature with one- third of members retiring every year.

and submit its recommendations? To develop expertise should the life of the PAC be made co-extensive with the term of the legislature, with one third of its members retiring every year?

W

<http://documents1.worldbank.org/curated/en/163031468259136649/pdf/688970ESWOP0730Draft0April02700>
...

126/235

SUBMITTED TEXT

247 WORDS

96% MATCHING TEXT

247 WORDS

One the most distinctive features of the system of Government Accounts in India is the minuv elaboration of the financial transactions of Government. Both receipts and payments, are differentiated and classified in detail. Further, the uniform classification of transactions enables financial comparisons between Union and State governments. The following three developments are worth mentioning in this context: 1. In view of major public investments by way of plan outlay, government accounts were required to reflect clearly the expenditures incurred on various schemes, programmes and projects, i.e. to conform with plan heads of expenditure. 2. The Parliament and State Legislatures in addition to the general public, became increasingly conscious about government accountability. 3. The government, as a policy maker and as a manager of national finances, became more conscious about the use of government accounts as a tool for obtaining adequate and timely inputs for the rmep'oses of evaluation, remedial action and future policy decisions. These developments resulted in the government accounting authorities making the following responses: (i) Preparation of aggregate accounts [Finance and Appropriation Accounts] 162 with not only adequate financial and accounting data but (a) with a critical analysis of the financial performance of the government, (b) highlighting deviations from the expenditure incurred in contravention of approved appropriations, and (c) verifying the veracity of explanations offered by the executing agencies; and (ii) Greater use of EDP methods for the purposes of accelerating the process of availability of final accounts and for quick retrieval of need-based information. The major information inputs provided by the accounting authorities to the government are in the form of:- (a) Monthly and Annual Accounts, (b) Finance Accounts, (c) Appropriation Accounts

One of the most distinctive features of the system of Government Accounts in India is the minute elaboration of the financial transactions of Government. Both receipts and payments are differentiated and classified in detail. Further, the uniform classification of transactions enables financial comparisons between Union and State Governments. The following three developments are worth mentioning in this context: 1. In view of major public investments by way of plan outlay, government accounts were required to reflect clearly the expenditures incurred on various schemes, programmes and projects, i.e. to conform with the plan heads of expenditure. 2. The Parliament and State Legislatures in addition to the general public, became increasingly conscious about Government accountability. 33 3. The Government, as a policy maker and as the manager of national finances, is more conscious about the use of government accounts as a tool for obtaining adequate and timely inputs for the purposes of evaluation, remedial action and future policy decisions. These developments resulted in the government accounting authorities making the following responses: i. Preparation of aggregate accounts [Finance and Appropriation Accounts] with not only adequate financial and accounting data but (a) with a critical analysis of the financial performance of the Government, (b) highlighting deviations from the expenditure incurred in contravention of approved appropriations, and (c) verifying the veracity of explanations offered by the executing agencies; and ii. Greater use of EDP methods for the purposes of accelerating the process of availability of final accounts and for quick retrieval of need-based information. The major information inputs provided by the accounting authorities to the Government are in the form of:- (a) Monthly and Annual Accounts, (b) Finance Accounts, and (c) Appropriation Accounts.

W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf

127/235	SUBMITTED TEXT	109 WORDS	93% MATCHING TEXT	109 WORDS
	Accounting System The government accounts in India are kept on a cash basis. Therefore, only actual receipts and payments during the financial year are taken into account with no outstanding liabilities or accrued income included. All cash appropriations lapse at the close of the financial year. Although the government accounts are maintained on cash basis, a need has been felt for maintaining the relevant accounts on a commercial basis (reflecting accrual accounting) in the case of those government departments where functions are purely or largely of a commercial nature. For this purpose draft accounts are kept on commercial accounting principles for those commercial units under a ministry or department. For the major government commercial departments-such as Railways, and Posts		ACCOUNTING SYSTEM: The government accounts in India are kept on a cash basis. Therefore, only actual receipts and payments during the financial year are taken into account with no outstanding liabilities or accrued income included. All cash appropriations lapse at the close of the financial year. Although the government accounts are maintained on cash basis, a need has been felt for maintaining the relevant accounts on commercial basis (on modified accrual accounting principles) in the case of those Government Departments where functions are purely or largely of a commercial nature. For this purpose Performa accounts are kept on commercial accounting principles for those commercial units under a Ministry or Department. For the major government commercial departments-such as Railways, and Posts &	
	W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf			

128/235	SUBMITTED TEXT	29 WORDS	98% MATCHING TEXT	29 WORDS
	and Telecommunications-detailed capital and revenue accounts are prepared and presented separately. This enables the public to see the complete picture inter alia about cost of services rendered and the return from investments.		and Posts & Telecommunications- detailed capital and revenue accounts are prepared and presented separately. This enables the public to see the complete picture inter alia about cost of services rendered and the return from investments.	
	W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf			

129/235	SUBMITTED TEXT	19 WORDS	78% MATCHING TEXT	19 WORDS
	be removed from office in the manner and like grounds as a judge of the High Court of the			
	SA BPAE 143 Unit 10 Budgeting and Auditing System (2).doc (D110244095)			

130/235**SUBMITTED TEXT**

265 WORDS

95% MATCHING TEXT

265 WORDS

Classification Of Transactions The conventional pattern of classification followed organizational lines, consisting mainly of the listing of receipts by various types of taxes, and expenditures by reference to the spending department rather than to its objects or purposes. With the phenomenal growth and diversity in the functions of governments involving huge outlays, accounts acquired a new dimension. Accordingly, the necessity for a more meaningful classification of transactions for presentation of government operations in terms of functions, programmes and activities became increasingly apparent. A study team subsequently established by the Government of India, with the Deputy Comptroller and Auditor General as convenor investigated the feasibility of devising a uniform classification for the budget, accounts and plan, and of presenting the objectives and purposes of government expenditure clearly in terms of functions, programmes and activities. Following the recommendations, the classification of transactions on a function-cum-programme basis was introduced from 1 April 1974. While the functional approach to classification is now well established, the divergence between plan programmes and accounting classification increased over the years. To bring about a closer correlation between plan schemes and Accounts Heads, the government constituted a committee which included a representative of CAG to review the existing classification and rationalise the Account Heads where required. As a result of this review in consultation with the CAG, the new accounting classification came into force from 1 April 1987. While the basic principles and broad structure of accounts were retained, certain new sub-sectors were introduced, a new coding pattern was devised and other changes initiated so that expenditure on plan programmes could be extracted directly from the accounts. The list of Major and Minor Heads of Accounts of Union and States published by the Government of India gives the relevant details. 3.4 ??

CLASSIFICATION OF TRANSACTIONS: The conventional pattern of classification followed organisational lines, consisting mainly of the listing of receipts by various types of taxes, and expenditures by reference to the spending department rather than to its objects or purposes. With the phenomenal growth and diversity in the functions of governments involving huge outlays, accounts acquired a new dimension. Accordingly the necessity for a more meaningful classification of transactions for presentation of government operations in terms of functions, programmes and activities became increasingly apparent. A study team subsequently established by the Government of India, with the Deputy Comptroller and Auditor General as investigated the feasibility of devising a uniform classification for the budget, accounts and plan, and of presenting the objectives and purposes of government expenditure clearly in terms of functions, programmes and activities. Following the recommendations of the team, the classification of transactions on a function-cum-programme basis was introduced from 1st April, 1974. While the functional approach to classification is now well established, the divergence between plan programmes and accounting classification increased over the years. To bring about a closer correlation between plan schemes and Accounts Heads, the Government constituted a committee which included a representative of CAG to review the existing classification and rationalise the Account Heads where required. As a result of this review in consultation with the CAG, the new accounting classification came into force from 1 April 1987. While the basic principles and broad structure of accounts were retained, certain new sub-sectors were introduced, a new coding pattern was devised and other changes initiated so that expenditure on plan programmes could be extracted directly from the accounts. The list of Major and Minor Heads of Accounts of Union and States published by the Government of India gives the relevant details. 34

W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf

131/235	SUBMITTED TEXT	14 WORDS	100% MATCHING TEXT	14 WORDS
<p>constitutional requirements government accounts are maintained in the following three categories: ? Part 1—Consolidated Fund (</p>		<p>Constitutional requirements Government accounts are maintained in the following three categories: Part I Consolidated Fund</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
132/235	SUBMITTED TEXT	14 WORDS	90% MATCHING TEXT	14 WORDS
<p>Revenue Account)' dealing with the proceeds of taxation and other receipts classed as revenue and</p>		<p>Revenue Account deals with the proceeds of taxation and other receipts classed as Revenue and</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
133/235	SUBMITTED TEXT	11 WORDS	95% MATCHING TEXT	11 WORDS
<p>comprises the following sections : (a) The section 'Receipt heads (Capital Account)'</p>		<p>comprises of the following sections: a. The section 'Receipt heads (Capital Account)'</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
134/235	SUBMITTED TEXT	26 WORDS	94% MATCHING TEXT	26 WORDS
<p>deals with receipts of a Capital nature which cannot be applied as a set off to Capital Expenditure; (b) The section 'Expenditure heads (Capital Account)' which deals with expenditure</p>		<p>deals with receipts of a Capital nature which cannot be applied as a set off to Capital Expenditure; b. The section 'Expenditure heads (Capital Account)' deals with expenditure</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
135/235	SUBMITTED TEXT	57 WORDS	91% MATCHING TEXT	57 WORDS
<p>with the object either of increasing concrete assets of a material and permanent character or of reducing recurring liabilities. It also includes receipts of a Capital nature intended to be applied as set off to Capital expenditure; and (c) The sections 'Public Debt' and 'Loans and Advances', which comprise loans raised and their repayments such as internal debt, external debt and their recoveries.</p>		<p>with the object either of increasing concrete assets of a material and permanent character or of reducing recurring liabilities. It also includes receipts of a Capital nature intended to be applied as set off to Capital expenditure; and c. The sections 'Public Debt' and 'Loans and Advances', comprise of loans raised and their repayments such as internal debt, external debt and their recoveries.</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				

136/235	SUBMITTED TEXT	16 WORDS	62% MATCHING TEXT	16 WORDS
<p>the transactions connected with the Contingency Fund set up by the Government of India or of</p>		<p>the transactions connected with Contingency Fund set by the Government of India under Article 267 of</p>		
<p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>				
137/235	SUBMITTED TEXT	21 WORDS	100% MATCHING TEXT	21 WORDS
<p>To complete the classification, Part III shows transactions relating to Debt (other than those included in Part I), 'Deposits', 'Advances', 'Remittances' and 'Suspense'.</p>		<p>To complete the classification, Part III shows transactions relating to Debt (other than those included in Part I), 'Deposits', 'Advances', 'Remittances' and 'Suspense'.</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
138/235	SUBMITTED TEXT	11 WORDS	90% MATCHING TEXT	11 WORDS
<p>single Major Head to accommodate all transactions of the Contingency Fund.</p>		<p>single Major Head to accommodate all transactions of the fund. The Contingency Fund</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
139/235	SUBMITTED TEXT	23 WORDS	82% MATCHING TEXT	23 WORDS
<p>the case of Part III (Public Account), transactions are grouped according to sectors and sub-sectors which are further sub-divided into Major Heads of Account. 3.5 ??</p>		<p>the expenditure of Government. The Public Account transactions are grouped according to sectors and sub-sectors which are further sub-divided into Major Heads of Account</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
140/235	SUBMITTED TEXT	88 WORDS	84% MATCHING TEXT	88 WORDS
<p>The Constitution envisages that the accounts of the Union and the States are to be kept in such a form as the President may on the advice of the CAG prescribe. The word 'form' has a comprehensive meaning that includes the prescription not only of the broad form in which the accounts are to be kept 165 but also the appropriate heads under which certain transactions or classes of transactions have to be entered, Accordingly accounting standards have been established in rules and regulations mandated by the Union Govt. on the advice of the</p>		<p>The Constitution of India the accounts of the Union and the States to be kept in such a form as the President may on the advice of the C&prescribe. The word 'Form' has a comprehensive meaning so as to include the prescription not only of the broad form in which the accounts are to be kept but also the appropriate heads under which certain transactions or classes of transactions have to be entered. Accordingly accounting principles and policies/procedures have been established in rules and regulations mandated by the Union Government on the advice of the</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				

141/235	SUBMITTED TEXT	18 WORDS	91% MATCHING TEXT	18 WORDS
Initially the CAG had the responsibility of compiling and maintaining the accounts of the Union and th States.		Initially the CAG had the responsibility of compiling and maintaining the accounts of the Union and the States.		
<p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>				
142/235	SUBMITTED TEXT	5 WORDS	92% MATCHING TEXT	5 WORDS
by Government and their repayments Loans and advances paid by Government and their recoveries		by Government and their repayments and loans and advances paid by the Government and their recoveries.		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
143/235	SUBMITTED TEXT	16 WORDS	62% MATCHING TEXT	16 WORDS
of India. The Appropriation Accounts of the remaining departments and the Finance Accounts of the Government		of India relating to the appropriation accounts of the Central Government, the Finance accounts of the Central Government		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
144/235	SUBMITTED TEXT	90 WORDS	95% MATCHING TEXT	90 WORDS
Steps in the accounting process In view of the vast size of the country and widespread activities of the government, both at the Union and the State levels, the task of maintaining Government Accounts is indeed a formidable one. The proces involves: (a) initial recording of accounting transactions, their classification with reference to a function o activity, their correlation with the administrative ministry/department, i.e. the appropriate control centre and their consolidation; (b) their matching with legally approved appropriations (to enable legislatural scrutiny); and (c) the analysis and presentation of this data to serve as a management tool to the two governments.		STEPS IN THE ACCOUNTING PROCESS: In view of the vast size of the country and widespread activities of the Government, both at the Union and the State levels, the task of maintaining Government Accounts is indeed a formidable one. The process involves: a. initial recording of accounting transactions, their classification with reference to a function or activity, their correlation with the administrative ministry/department, i.e. the appropriate control centre, and their consolidation; b. their matching with legally approved appropriations (to enable legislatorial scrutiny); and c. the analysis and presentation of this data to serve as a management tool to the two Governments.		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				

145/235	SUBMITTED TEXT	20 WORDS	92% MATCHING TEXT	20 WORDS
	<p>Accounts, as elsewhere, are a systematic record of various activities and functions expressed in financial terms and maintained by activity centres.</p> <p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>			<p>Accounts, as elsewhere, are a systematic record of various activities and functions expressed in financial terms and maintained by activity Centres.</p>
146/235	SUBMITTED TEXT	83 WORDS	100% MATCHING TEXT	83 WORDS
	<p>The Government Accounts have necessarily to comply with the budgetary structure of the country. Since budgets in India are on an annual basis, governmental transactions are also finalised in the accounts on an annual basis. However, the government Accounts of each financial year are kept open for a certain period in the following year for adjusting transactions which took place in the previous financial year. This is considered necessary in order to allow certain inter-departmental adjustments, corrections of misclassifications, clearance of certain transitory heads (Suspense Heads), and other relevant adjustments. 3.6.2</p> <p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>			<p>The Government Accounts have necessarily to comply with the budgetary structure of the country. Since budgets in India are on an annual basis, governmental transactions are also finalised in the accounts on an annual basis. However, the Government Accounts of each financial year are kept open for a certain period in the following year for adjusting transactions which took place in the previous financial year. This is considered necessary in order to allow certain inter-departmental adjustments, corrections of misclassifications, clearance of certain transitory heads (Suspense Heads), and other relevant adjustments.</p>
147/235	SUBMITTED TEXT	38 WORDS	93% MATCHING TEXT	38 WORDS
	<p>accounts show the receipts and outgoings of the government for the year, together with the financial results disclosed by the revenue and capital accounts, the accounts relating to public debt, and liability and assets of the government. The Finance Accounts are</p> <p>W http://documents1.worldbank.org/curated/en/163031468259136649/pdf/688970ESW0P0730Draft0April02700...</p>			<p>Accounts show the receipts and outgoings of the Government for the current year, together with the financial results disclosed by the revenue and capital accounts, the accounts relating to public debt, and liability and assets of the Government. c) The accounts are</p>

148/235	SUBMITTED TEXT	57 WORDS	100% MATCHING TEXT	57 WORDS
<p>APPROPRIATION ACCOUNTS : These are accounts of the expenditure, voted and charged, of the government for each financial year compared with the amounts of the voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These accounts are complementary to the above accounts of the annual receipts and disbursements of government (Finance Accounts). 169 ??</p>		<p>APPROPRIATION ACCOUNTS: These are accounts of the expenditure, voted and charged, of the Government for each financial year compared with the amounts of the voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These accounts are complementary to the above accounts of the annual receipts and disbursements of Government (Finance Accounts).</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
149/235	SUBMITTED TEXT	22 WORDS	93% MATCHING TEXT	22 WORDS
<p>to an important organ of the democratic polity, engaged in sophisticated performance evaluation of public financial operations in a planned economy, is a</p>		<p>to an important organ of the democratic polity, engaged in sophisticated performance evaluation of public financial `operation in a planned economy is a</p>		
<p>W http://repository.library.du.ac.bd:8080/bitstream/handle/123456789/1356/Shahad%20Chowdhury.pdf?se ...</p>				
150/235	SUBMITTED TEXT	46 WORDS	66% MATCHING TEXT	46 WORDS
<p>Should the appointment of C&AG be taken out of the exclusive purview of Executive and a high level independent committee consisting of Prime Minister, Finance Minister, Leader of Opposition in Lok Sabha and Chairman of Public Accounts Committee be constituted to select him? b) Should</p>		<p>Should the appointment of the CAG be taken out of the exclusive jurisdiction of the executive and a high level independent committee consisting of the Prime Minister, leader of the opposition in the Lok Sabha and Chairman of the PAC be constituted to select him? (ii) Should</p>		
<p>W http://documents1.worldbank.org/curated/en/163031468259136649/pdf/688970ESW0P0730Draft0April02700 ...</p>				
151/235	SUBMITTED TEXT	28 WORDS	98% MATCHING TEXT	28 WORDS
<p>and constitutional status and autonomy be given to the State Accountant General and his status made equivalent to a High Court Judge so that he can effectively discharge his</p>		<p>and constitutional status and autonomy be given to the State Accountant General and his status be made equivalent to a High Court Judge so that he can effectively discharge his</p>		
<p>W http://documents1.worldbank.org/curated/en/163031468259136649/pdf/688970ESW0P0730Draft0April02700 ...</p>				

152/235	SUBMITTED TEXT	43 WORDS	89% MATCHING TEXT	43 WORDS
<p>Should the office of CA&G be restructured and broad based by creating an Audit Commission which should have existing Dy CAG's enjoying the status of High Court Judge as members and function on the principle of collegiate decision for all policy matters relating to audit and accounts? 4.</p>		<p>Should the office of the CAG be restructured and broad-based by creating an Audit Commission which should have existing Dy. CAG's enjoying the status of High Court Judge as members and function on the principle of collegiate decisions for all policy matters relating to audit and accounts? (</p>		
<p>W http://documents1.worldbank.org/curated/en/163031468259136649/pdf/688970ESW0P0730Draft0April02700 ...</p>				
153/235	SUBMITTED TEXT	59 WORDS	86% MATCHING TEXT	59 WORDS
<p>Should quasi- judicial powers as available under Commission of Enquiry Act be given to senior officers of the Audit department who should have authority to summon public officials to give evidence on oath, surcharge them if they find that he has caused 171 loss of State money and property through fraud, negligence and improper use and if that is not possible advise the Department where</p>		<p>Should quasi-judicial powers as available under the Commission of Enquiry Act be given to senior members of the Audit Department who should have the authority to summon public officials to give evidence on oath, surcharge if they find that an official has caused loss of State money and property through fraud, negligence and improper use and if that is not possible to advise the department where</p>		
<p>W http://documents1.worldbank.org/curated/en/163031468259136649/pdf/688970ESW0P0730Draft0April02700 ...</p>				
154/235	SUBMITTED TEXT	19 WORDS	64% MATCHING TEXT	19 WORDS
<p>What should be the audii arrangement for Public Enterprises which should fulfill requirements of public accountability without impairing their commercial autonomy? 6.</p>		<p>What should be the audit arrangement for audit of PSU's, which should fulfil the requirements of public accountability without impairing their commercial autonomy? (</p>		
<p>W http://documents1.worldbank.org/curated/en/163031468259136649/pdf/688970ESW0P0730Draft0April02700 ...</p>				
155/235	SUBMITTED TEXT	11 WORDS	95% MATCHING TEXT	11 WORDS
<p>What should be the accounting and audit arrangement of Panchayats and Municipalities</p>		<p>What should be the accounting and audit arrangements of the Panchayats and Municipalities? (</p>		
<p>W http://documents1.worldbank.org/curated/en/163031468259136649/pdf/688970ESW0P0730Draft0April02700 ...</p>				

156/235	SUBMITTED TEXT	50 WORDS	81% MATCHING TEXT	50 WORDS
<p>should a time-limit, of say 18 months be prescribed, for it to examine the reports of C&AG and submit its recommendations? To develop expertise should the life of PAC be made five years, co-extensive with the term of legislature, with one-third of its members retiring every year. Should Constitutional status be given to</p>		<p>Should a time limit, of say 18 months, be prescribed for the PAC to examine the report of the CAG and submit its recommendations? To develop expertise should the life of the PAC be made co-extensive with the term of the legislature, with one third of its members retiring every year? Should Constitutional status be given to</p>		
<p>W http://documents1.worldbank.org/curated/en/163031468259136649/pdf/688970ESW0P0730Draft0April02700 ...</p>				
157/235	SUBMITTED TEXT	12 WORDS	91% MATCHING TEXT	12 WORDS
<p>What should be the arrangement for audit of the office of the</p>		<p>What should be the audit arrangements for the audit of the office of the</p>		
<p>W http://documents1.worldbank.org/curated/en/163031468259136649/pdf/688970ESW0P0730Draft0April02700 ...</p>				
158/235	SUBMITTED TEXT	15 WORDS	75% MATCHING TEXT	15 WORDS
<p>and functions of CAG in India. 12. Write a note on the role of the</p>				
<p>SA DSE 2 (Block 1) Indian Administration.pdf (D165444929)</p>				
159/235	SUBMITTED TEXT	18 WORDS	97% MATCHING TEXT	18 WORDS
<p>The term 'Budget' has been derived from a French word, 'Bougette' which means a leather bag or wallet.</p>				
<p>SA DSE 2 (Block 1) Indian Administration.pdf (D165444929)</p>				
160/235	SUBMITTED TEXT	19 WORDS	97% MATCHING TEXT	19 WORDS
<p>The term was used in its present sense for the first time in 1873, in a satire directed against Walpole'</p>				
<p>SA 5.docx (D40607909)</p>				

161/235	SUBMITTED TEXT	27 WORDS	89% MATCHING TEXT	27 WORDS
<p>financial plan for the year. Since then, the term has been used for a financial scheme or statement of annual income and expenditure of the government. Traditional budget</p> <p>SA 5.docx (D40607909)</p>				
162/235	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>a budget is "a series of goals with price tags attached."</p> <p>SA 5.docx (D40607909)</p>				
163/235	SUBMITTED TEXT	16 WORDS	90% MATCHING TEXT	16 WORDS
<p>the Political Executive decides the overall financial policy, on the basis if which estimates are prepared.</p> <p>SA 5.docx (D40607909)</p>				
164/235	SUBMITTED TEXT	36 WORDS	88% MATCHING TEXT	36 WORDS
<p>On the basis of instructions form top nodal agency, various administrative agencies prepare their estimates. These sectional estimates are then examined and scrutinised by Departmental Heads and then passe on to officers of the Treasury or the Finance Department.</p> <p>SA 5.docx (D40607909)</p>				
165/235	SUBMITTED TEXT	78 WORDS	92% MATCHING TEXT	78 WORDS
<p>It is discussed in the Legislature in two parts. First, the expenditure side is disclosed and then the revenues are discussed. All legislatures make extensive use of Committees for the examination of estimates. In the legislature, two separate Bills are passed, one is the Appropriation Bill which is a legal document seeking permission to spend money, the second, Revenue bill which gives authority to impose and collect taxes. After these two bills are passed by the Legislature, the Political Executive seeks to implement it.</p> <p>SA 5.docx (D40607909)</p>				

166/235	SUBMITTED TEXT	25 WORDS	77% MATCHING TEXT	25 WORDS
<p>Legislature, as the fund-raising and fund-forming authority has the power to levy, abolish, increases or wave tax. It has the final authority to sanction money for expenditure.</p> <p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>				
167/235	SUBMITTED TEXT	26 WORDS	57% MATCHING TEXT	26 WORDS
<p>the Pubic Accounts Committee examines the Appropriation accounts in the light of the audit report of the Comptroller and Auditor General, and draws the attention of the</p> <p>The Public Accounts Committee examines the Appropriation Accounts of the Government of India and the Report of the Comptroller and Auditor General thereon and the annual finance accounts of the</p> <p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>				
168/235	SUBMITTED TEXT	12 WORDS	83% MATCHING TEXT	12 WORDS
<p>The budget is the most important medium of legislative control over the</p> <p>The budget is also the most important tool of legislative control over the</p> <p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>				
169/235	SUBMITTED TEXT	13 WORDS	88% MATCHING TEXT	13 WORDS
<p>No tax can be levied or collected and no expenditure can be incurred</p> <p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>				
170/235	SUBMITTED TEXT	12 WORDS	83% MATCHING TEXT	12 WORDS
<p>and report on the fidelity, legality and efficiency of al financial transactions.</p> <p>SA 5.docx (D40607909)</p>				
171/235	SUBMITTED TEXT	21 WORDS	85% MATCHING TEXT	21 WORDS
<p>may propose the abolition or the reduction of any new tax nor an increases in the rate of any existing tax.</p> <p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>				

172/235	SUBMITTED TEXT	159 WORDS	83% MATCHING TEXT	159 WORDS
	<p>with one or more of the following matters: 1. a) the imposition, abolition, remission, alteration, or regulation of any tax; b) the regulation of the borrowing of money or the giving of any guarantee by the Government of India, or the amendment of the law with respect 180 to any financial obligation undertaken or to be undertaken or to be the Government of India. c) The custody of the consolidated Fund or the Contingency Fund of India, the payment of money into or the withdrawal of any money from such Fund; d) The appropriation of money to of the Consolidated Fund of India. e) The declaring of any expenditure to be expenditure charged on the Consolidated Find of India; f) The receipt of money on account of the Consolidated fund of India or the public account of India or the custody or issue of such money or the audit of the account of the union or of a state; or g) Any matter incidental to any of then matters specified in (a) to (</p>		<p>with all or any of the following matters, (a) the imposition, abolition, remission, alteration or regulation of any tax; (b) the regulation of the borrowing of money or the giving of any guarantee by the Government of India, or the amendment of the law with respect to any financial obligations undertaken or to be undertaken by the Government of India; (c) the custody of the Consolidated Fund or the Contingency Fund of India, the payment of moneys into or the withdrawal of moneys any such Fund; (d) the appropriation of moneys out of the Consolidated Fund of India; (e) the declaring of any expenditure to be expenditure charged on the Consolidated Fund of India or the increasing of the amount of any such expenditure; (f) the receipt of money on account of the Consolidated Fund of India or the public account of India or the custody or issue of such money or the audit of the accounts of the Union or of a State; or (g) any matter incidental to any of the matters specified in sub- clauses (a) to (</p>	
	<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>			

173/235	SUBMITTED TEXT	22 WORDS	73% MATCHING TEXT	22 WORDS
	<p>and after consideration by the Rajya Sabha it goes to the President for his signature on receipt of which it becomes an Act.</p>			
	<p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>			

174/235	SUBMITTED TEXT	19 WORDS	100% MATCHING TEXT	19 WORDS
	<p>has the prerogative to exercise control over taxation, to grant supplies for public expenditure and control appropriations, and public expenditure.</p>			
	<p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>			

175/235	SUBMITTED TEXT	34 WORDS	83% MATCHING TEXT	34 WORDS
<p>control over revenue, expenditure, borrowing and accounts. Legislative sanction is required for the levy of new taxes, for the withdrawal of money from the Consolidated Fund of for public expenditure, and for the raising of loans. The</p>				
<p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>				

176/235	SUBMITTED TEXT	33 WORDS	100% MATCHING TEXT	33 WORDS
<p>finance. It determines the pay allowance, leave, traveling allowance to each of the administrative authorities. The cabinet is assisted by an Economic Committee which decides on the financial matters to be referred to the cabinet</p>				
<p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>				

177/235	SUBMITTED TEXT	27 WORDS	62% MATCHING TEXT	27 WORDS		
<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border: none;"> <p>Economic and Functional Classification of the Central Government Budget'. This gives an appreciation of the impact of Government receipts and expenditure on the other sectors of the economy</p> </td> <td style="width: 50%; border: none;"> <p>Economic and Functional Classification of the Central Government Budget is brought out by the Ministry of Finance separately. This contains of the impact of governmental receipts and expenditure on the other sectors of the economy.</p> </td> </tr> </table>					<p>Economic and Functional Classification of the Central Government Budget'. This gives an appreciation of the impact of Government receipts and expenditure on the other sectors of the economy</p>	<p>Economic and Functional Classification of the Central Government Budget is brought out by the Ministry of Finance separately. This contains of the impact of governmental receipts and expenditure on the other sectors of the economy.</p>
<p>Economic and Functional Classification of the Central Government Budget'. This gives an appreciation of the impact of Government receipts and expenditure on the other sectors of the economy</p>	<p>Economic and Functional Classification of the Central Government Budget is brought out by the Ministry of Finance separately. This contains of the impact of governmental receipts and expenditure on the other sectors of the economy.</p>					
<p>W http://documents1.worldbank.org/curated/en/163031468259136649/pdf/688970ESW0P0730Draft0April02700 ...</p>						

178/235	SUBMITTED TEXT	68 WORDS	56% MATCHING TEXT	68 WORDS
<p>decides on the financial matters to be referred to the cabinet for decision. Its secretary reviews with each ministry its financial proposals in the light of the funds available. It coordinates the activities of the government in the government in the economic sphere, determines the priorities of the development schemes in the central and the state spheres sand distributes the available resources among the competing schemes. Its orders on the estimates are final. The</p>				
<p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>				

179/235	SUBMITTED TEXT	15 WORDS	76% MATCHING TEXT	15 WORDS
<p>charged on the Consolidated Fund of India and the money required to meet other expenditures.</p> <p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>		<p>charged upon the Consolidated Fund of India; and 9 (ii) The sums required to meet other expenditure</p>		
180/235	SUBMITTED TEXT	37 WORDS	61% MATCHING TEXT	37 WORDS
<p>the Consolidated Fund are: (i) salaries and allowances of the president and expenditure on his office; (ii) the salaries of the chairman and then deputy chairman of the Rajya Sabha and the speaker and the deputy speaker of the</p> <p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>		<p>the Consolidated Fund of India— (a) the emoluments and allowances of the President and other expenditure relating to his office; (b) the salaries and allowances of the Chairman and the Deputy Chairman of the Council of States and the Speaker and the Deputy Speaker of the</p>		
181/235	SUBMITTED TEXT	59 WORDS	70% MATCHING TEXT	59 WORDS
<p>economy in expenditure. It has to ensure that the administrative departments get adequate, funds, that they deep within their grants, that they surrender their saving will before the close of the year and that the spending departments send progress reports regularly, and on time. It coordinates the activities of 182 the different ministries, reviews the results and monitors the general trends of government expenditure. ?</p> <p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>				
182/235	SUBMITTED TEXT	31 WORDS	72% MATCHING TEXT	31 WORDS
<p>payable to or in respect to the Comptroller and auditor-general of India; (vi) any sums required to satisfy any judgement-decre of any court or arbitrary tribunal; (vii) any other expenditure declared by</p> <p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>		<p>payable to or in respect of the Comptroller and Auditor-General of India; (f) any sums required to satisfy any judgment, decree or award of any court or tribunal; (g) any other expenditure declared by</p>		
183/235	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
<p>No tax shall be levied or collected except by authority of law, (</p> <p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>				

184/235	SUBMITTED TEXT	18 WORDS	94% MATCHING TEXT	18 WORDS
<p>agricultural and industrial production, money supply, imports and exports and other relevant factors which have a bearing on the</p> <p>W http://documents1.worldbank.org/curated/en/163031468259136649/pdf/688970ESW0P0730Draft0April02700 ...</p>		<p>agricultural and industrial production, money supply, prices, imports and exports and other relevant economic factors which have a bearing on the</p>		
185/235	SUBMITTED TEXT	14 WORDS	89% MATCHING TEXT	14 WORDS
<p>the reports of the Comptroller and Auditor General of India on the operation of</p> <p>W http://documents1.worldbank.org/curated/en/163031468259136649/pdf/688970ESW0P0730Draft0April02700 ...</p>		<p>the Reports of the Comptroller and Auditor General of India on the accounts of</p>		
186/235	SUBMITTED TEXT	34 WORDS	78% MATCHING TEXT	34 WORDS
<p>Receipts Budget' : Estimates of receipts included in the Annual Financial Statement are further analysed in this document. The document also gives details of revenue and capital receipts, the trend of receipts over the years and,</p> <p>W http://documents1.worldbank.org/curated/en/163031468259136649/pdf/688970ESW0P0730Draft0April02700 ...</p>		<p>Receipts Budget 36. Estimates of receipts included in the "Annual Financial Statement" are further analyzed in the document "Receipts Budget". The document gives details of revenue receipts and capital receipts and explains the estimates. Trend of receipts over the years and</p>		
187/235	SUBMITTED TEXT	25 WORDS	50% MATCHING TEXT	25 WORDS
<p>on the programmes and performances of each public sector undertaking under the respective administrative ministry, indicating the installed and utilised capacity, physical targets and achievements, results of</p> <p>W http://documents1.worldbank.org/curated/en/163031468259136649/pdf/688970ESW0P0730Draft0April02700 ...</p>		<p>on the programs and performance of the various public sector undertakings under the Ministry/ Department indicating, among other things, the capacity installed and utilized, physical targets and achievements, results of</p>		

188/235	SUBMITTED TEXT	32 WORDS	61% MATCHING TEXT	32 WORDS
<p>To facilitate understanding of the taxation proposals contained in the Finance Bill, the provisions of the Bills are explained in simple language in a separate document called 'Memorandum Explaining the Provisions of the Finance Bill'.</p> <p>W http://documents1.worldbank.org/curated/en/163031468259136649/pdf/688970ESW0P0730Draft0April02700 ...</p>		<p>To facilitate understanding of the taxation proposals contained in the Finance Bill, the provisions and their implications are explained in the document titled Memorandum explaining the provisions of the Finance Bill.</p>		
189/235	SUBMITTED TEXT	17 WORDS	80% MATCHING TEXT	17 WORDS
<p>the principle of proportional representation by means of single transferable vote. Its chairman is appointed by the speaker.</p> <p>SA Unit 10 formatted.doc (D135147553)</p>				
190/235	SUBMITTED TEXT	58 WORDS	80% MATCHING TEXT	58 WORDS
<p>the functions of the committee are to satisfy: That all monies, shown in the accounts as having been disbursed, were legally available to the activity or purpose to which they have been charged, That the expenditure to the authority which governs it, and That every re-appropriation has been made in accordance with the provision made in this behalf under rules framed by competent authority.</p> <p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>		<p>the duty of the Committee to satisfy itself— • that the shown in the accounts as having been disbursed were legally available for and applicable to service or purpose to which they have been applied charged; • that the expenditure conforms to the authority which governs it; and • that every re-appropriation has been made in accordance with the provisions made in this behalf under rules framed by competent authority.</p>		
191/235	SUBMITTED TEXT	34 WORDS	83% MATCHING TEXT	34 WORDS
<p>control over revenue, expenditure, borrowing and accounts. Legislative sanction is required for the levy of new taxes, for the withdrawal of money from the Consolidated Fund of for public expenditure, and for the raising of loans.</p> <p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>				

192/235	SUBMITTED TEXT	40 WORDS	40% MATCHING TEXT	40 WORDS
<p>the report of the Comptroller and Auditor General, the statement of accounts showing the incomes and expenditure of State Corporations (i. e, Air Corporation, Damodar Valley Corporation), trading and manufacturing schemes, projects etc. together with the balance-sheet and statements of profit and loss</p>		<p>the duty of the Committee: (a) To the Statement of Accounts showing the income and expenditure of State Corporations, trading and manufacturing schemes, concerns projects together with the balance sheets and statements of profit and loss</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
193/235	SUBMITTED TEXT	27 WORDS	94% MATCHING TEXT	27 WORDS
<p>examine the statement of accounts showing the income and expenditure of autonomous bodies, the audit of which may be conducted by the Comptroller and Auditor General of India. 3.</p>		<p>examine the statement of accounts showing the income and expenditure of autonomous and semi autonomous bodies, the audit of which may be conducted by the Comptroller and Auditor General of India</p>		
<p>W https://mis.alagappauniversity.ac.in/siteAdmin/dde-admin/uploads/5/___UG_B.A._Public%20Administrat ...</p>				
194/235	SUBMITTED TEXT	34 WORDS	94% MATCHING TEXT	34 WORDS
<p>To consider the report of the Comptroller and Auditor General in cases where the president may have required him to conduct an audit of any receipts, to examine the accounts of stores and stocks. For the</p>		<p>to consider the report of the Comptroller and Auditor General in cases where the President may have required him to conduct an audit of any receipts or to examine the accounts of stores and stocks. ? The</p>		
<p>W https://mis.alagappauniversity.ac.in/siteAdmin/dde-admin/uploads/5/___UG_B.A._Public%20Administrat ...</p>				
195/235	SUBMITTED TEXT	17 WORDS	80% MATCHING TEXT	17 WORDS
<p>the principle of proportional representation by means of single transferable vote. Its chairman is appointed by the speaker.</p>				
<p>SA Unit 10 formatted.doc (D135147553)</p>				
196/235	SUBMITTED TEXT	15 WORDS	80% MATCHING TEXT	15 WORDS
<p>has set up three financial committees, viz. Public Accounts Committee (PAC), Committee on Public Undertakings (</p>		<p>has set up three financial Committees viz. Public Accounts Committee, Estimates Committee and the Committee on Public Undertakings,</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				

197/235	SUBMITTED TEXT	37 WORDS	89% MATCHING TEXT	37 WORDS
<p>accounts showing the appropriation of sums granted by the House for the expenditure of the Government of India, the annual finance accounts of the Government and such other accounts laid before the House as the Committee may think fit.</p>		<p>accounts showing the appropriation of sums granted by the House for expenditure of the Government of India, the Annual Finance Accounts of the Government of India and such other accounts laid before the House as the Committee may think fit. (2)</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
198/235	SUBMITTED TEXT	85 WORDS	85% MATCHING TEXT	85 WORDS
<p>In scrutinizing the Appropriation Accounts of the Government of India and the Report of the Comptroller and Auditor General thereon, it is the duty of the Committee to satisfy itself that : a. the moneys shown in the accounts as having been disbursed were legally available for, and applicable to, the service or purpose to which they have been applied or charged; b. expenditure conforms to the authority which governs it; and c. every reappropriation has been made in accordance with the provisions made in this regard under rules established by competent authority.</p>		<p>In scrutinizing the Appropriation Accounts of the Government of India and the report of the Comptroller & Auditor General thereon, it shall be the duty of the Committee to satisfy itself: (a) the moneys shown in the accounts as having been disbursed were legally available for, and applicable to, the service or purpose to which they have been applied or charged; (b) That the expenditure conforms to the authority which governs it; and (c) That every re-appropriation has been made in accordance with the provisions made in this behalf under rules framed by competent authority. (3)</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
199/235	SUBMITTED TEXT	43 WORDS	51% MATCHING TEXT	43 WORDS
<p>COPU examines the reports and accounts of the public undertakings, including the audit reports of the CAG thereon. It is the function of this Committee to see whether the affairs of the public undertaking are being managed in accordance with sound business principles and prudent commercial practices.</p>		<p>COPU examines the reports and accounts of the public sector undertakings and the reports, if any, of the CAG, on these undertakings. It also examines, in the context of the autonomy and efficiency of the public whether the affairs of the undertakings are being managed in accordance with sound business principles and prudent commercial practices. 8.</p>		
<p>W http://documents1.worldbank.org/curated/en/163031468259136649/pdf/688970ESW0P0730Draft0April02700 ...</p>				
200/235	SUBMITTED TEXT	27 WORDS	73% MATCHING TEXT	27 WORDS
<p>the rate of dividend which is payable by the railway undertaking to the general revenues in addition to other ancillary matters in connection with railway finances vis-a-vis general</p>		<p>the rate of dividend which is payable by the railway undertaking to the general revenues as well as other ancillary matters in connection with the Railway Finance vis a vis General</p>		
<p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				

201/235	SUBMITTED TEXT	38 WORDS	62% MATCHING TEXT	38 WORDS		
<p>The main work of the Committee is to examine the report of the Comptroller and Auditor General, in order to ascertain that the money granted by then Parliament has been legally spent by the Government within the scope of the</p> <p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>						
202/235	SUBMITTED TEXT	40 WORDS	42% MATCHING TEXT	40 WORDS		
<table border="0" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> <p>Committee can appoint one or more sub-committees each having the same power as those of Principle Committee, to examine any matter that may be referred to them. The report of such subcommittee is deemed to be the report of the whole Committee</p> <p>W http://documents1.worldbank.org/curated/en/163031468259136649/pdf/688970ESW0P0730Draft0April02700...</p> </td> <td style="width: 50%; vertical-align: top;"> <p>Committee may appoint one or more sub-Committees, each having the powers of the undivided Committee, to examine any matters that may be referred to them, and the reports of the sub-Committee(s) shall be deemed to be the reports of the whole Committee,</p> </td> </tr> </table>					<p>Committee can appoint one or more sub-committees each having the same power as those of Principle Committee, to examine any matter that may be referred to them. The report of such subcommittee is deemed to be the report of the whole Committee</p> <p>W http://documents1.worldbank.org/curated/en/163031468259136649/pdf/688970ESW0P0730Draft0April02700...</p>	<p>Committee may appoint one or more sub-Committees, each having the powers of the undivided Committee, to examine any matters that may be referred to them, and the reports of the sub-Committee(s) shall be deemed to be the reports of the whole Committee,</p>
<p>Committee can appoint one or more sub-committees each having the same power as those of Principle Committee, to examine any matter that may be referred to them. The report of such subcommittee is deemed to be the report of the whole Committee</p> <p>W http://documents1.worldbank.org/curated/en/163031468259136649/pdf/688970ESW0P0730Draft0April02700...</p>	<p>Committee may appoint one or more sub-Committees, each having the powers of the undivided Committee, to examine any matters that may be referred to them, and the reports of the sub-Committee(s) shall be deemed to be the reports of the whole Committee,</p>					
203/235	SUBMITTED TEXT	10 WORDS	100% MATCHING TEXT	10 WORDS		
<p>Public Accounts Committee and the Committee on Public Undertakings, the</p> <p>SA 04_Chapter_3.pdf (D121265381)</p>						
204/235	SUBMITTED TEXT	62 WORDS	77% MATCHING TEXT	62 WORDS		
<p>of the Estimates Committee 1. To report what economics, improvements in organization, efficiency or administrative reform, consistent with the policies underlying the estimate may be effected. 2. To suggest alternative policies in order to bring about efficiency and economy in administration. 3. To examine whether money is well laid within the limit of policy employed in the estimates. 4. To suggest the form in which estimates can presented to the Parliament.</p> <p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>						

205/235	SUBMITTED TEXT	11 WORDS	95% MATCHING TEXT	11 WORDS
<p>It is responsible for the administration of financial rules and regulations,</p> <p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>				

206/235	SUBMITTED TEXT	24 WORDS	50% MATCHING TEXT	24 WORDS
<p>Plan Finance Division-I. It is the central point in the Ministry of Finance to estimate total budget resources and extra budget resources for the central</p> <p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>				

207/235	SUBMITTED TEXT	32 WORDS	76% MATCHING TEXT	32 WORDS
<p>on income other than agricultural income 2) Customs duties including export duties. 3) Duties of excise on tobaccos and other goods manufactured or procured in India except (a)</p> <p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>				

208/235	SUBMITTED TEXT	26 WORDS	80% MATCHING TEXT	26 WORDS
<p>capital value of assets, exclusive of agricultural land, of individuals and companies taxes on capital of companies. 6) Estate duty in respect of property except agricultural land 7)</p> <p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>				

209/235	SUBMITTED TEXT	50 WORDS	78% MATCHING TEXT	50 WORDS
<p>railways, sea or air; taxes on railway fares and freights. 9) Taxes other than stamp duties on transaction in stock exchanges and future markets. 10) Rates of stamp duty in respect of bills of exchange, cheques, promissory notes, bills of lading, letters of credit, insurance policies, transfer of shares, debentures, proxies and receipts. 196 11) Taxes</p> <p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>				

210/235	SUBMITTED TEXT	25 WORDS	87% MATCHING TEXT	25 WORDS
<p>sale or purchase of newspapers and advertisements published therein 12) Fees in respect of any of the matters in the Union List except fees taken in any court.</p> <p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>				
211/235	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>taxes which are levied and 'collected by the Union and Taxes which are levied and collected by the Union and</p> <p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
212/235	SUBMITTED TEXT	21 WORDS	57% MATCHING TEXT	21 WORDS
<p>succession to agricultural land. 4. Estate duty in respect of agricultural land. 5. Taxes on land and buildings. 6. Taxes on mineral rights</p> <p>SA 9. The Budget edited.doc (D111215596)</p>				
213/235	SUBMITTED TEXT	17 WORDS	80% MATCHING TEXT	17 WORDS
<p>the States. Stamp duties and excise duties on medicinal and toilet preparations, as mentioned in the Union List, the States.— (1) Such duties and such duties of on medicinal and toilet preparations as are mentioned in the Union List</p> <p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
214/235	SUBMITTED TEXT	13 WORDS	87% MATCHING TEXT	13 WORDS
<p>Fees in respect of any of the matters in the State list.</p> <p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>				
215/235	SUBMITTED TEXT	17 WORDS	94% MATCHING TEXT	17 WORDS
<p>shall 'be levied and collected by the Government of India and distributed between the Union and the States. shall be levied and collected by the Government of India and be distributed between the Union and the States</p> <p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				

216/235	SUBMITTED TEXT	39 WORDS	71% MATCHING TEXT	39 WORDS
	Duties in respect of succession to property other than agricultural land, b. Estate duty in respect o property other than agricultural land, c. Terminal taxes on goods or passengers carried by railways, sea or air, d. Taxes on railways fares and freights,			
SA	118E2320-Public Financial Administration.pdf (D165201936)			
217/235	SUBMITTED TEXT	54 WORDS	97% MATCHING TEXT	54 WORDS
	Finance Commission Article 280 (1) - The President shall within two years from the commencement of this Constitution and thereafter at the expiration of every fifth year or at such earlier time as the President considers necessary, by order constitute a Finance Commission which shall consist of a Chairman and four other members to be appointed by the President.		Finance Commission.—(1) The President shall, within two years from the commencement of this Constitution and thereafter at the expiration of every fifth year or at such earlier time as the President considers necessary, by order constitute a Finance Commission which shall consist of a Chairman and four other members to be appointed by the President. (2)	
W	https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf			
218/235	SUBMITTED TEXT	25 WORDS	37% MATCHING TEXT	25 WORDS
	and the State Government". The Indian Constitution provides for the appointment of a Finance Commission for making proper financial adjustment between the Centre and the State Governments.		and the Union Budget. The Constitution of India provides for the establishment of a Finance Commission for the purpose of allocation of certain resources of revenue between the Union and the State Governments.	
W	https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf			
219/235	SUBMITTED TEXT	42 WORDS	100% MATCHING TEXT	42 WORDS
	It shall be the duty of the Commission to make recommendations to the President as to : a) the distribution between the Union and the states of the net proceeds of taxes which are to be or may be, divided between them under this chapter (It shall be the duty of the Commission to make recommendations to the President as to— (a) the distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them under this Chapter	
W	http://documents1.worldbank.org/curated/en/163031468259136649/pdf/688970ESW0P0730Draft0April02700 ...			

220/235	SUBMITTED TEXT	13 WORDS	100% MATCHING TEXT	13 WORDS
<p>Taxes other than stamp duties on transaction in stock exchanges and future markets:</p> <p>SA 118E2320-Public Financial Administration.pdf (D165201936)</p>				
221/235	SUBMITTED TEXT	32 WORDS	82% MATCHING TEXT	32 WORDS
<p>and the allocation between the states of respective shares of such proceeds. b) the principles which should govern the grant-in-aids of the revenues of the States out of the Consolidated Fund of India; c) the</p> <p>and the allocation between the States of the respective shares of such proceeds; (b) the principles which should govern the grants-aid of the revenues of the States out of the Consolidated Fund of India; (bb) the</p> <p>W http://documents1.worldbank.org/curated/en/163031468259136649/pdf/688970ESW0P0730Draft0April02700 ...</p>				
222/235	SUBMITTED TEXT	19 WORDS	62% MATCHING TEXT	19 WORDS
<p>any other matter referred to the Commission by the President by the President in the interest of sound finance." The</p> <p>any other matter referred to the Commission by the President in the interests of sound finance. The</p> <p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>				
223/235	SUBMITTED TEXT	24 WORDS	88% MATCHING TEXT	24 WORDS
<p>The additional transfer of resources from the Centre must be such as the Centre could bear without undue strain on its resource, taking into account</p> <p>the additional transfer of resources from the centre must be such as the centre should bear without undue strain on its resources taking into account</p> <p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>				
224/235	SUBMITTED TEXT	29 WORDS	62% MATCHING TEXT	29 WORDS
<p>responsibility for such vital matters as the defense of the country and the stability of its economy. b) The principles for the distribution of grant-in-aid must be uniformly applied to all</p> <p>responsibility for such vital matters as the defence of the country and the stability of the economy, • Secondly, the principles of distribution of resources between the states and the determination of grants-in-aid must be uniformly applied to all. •</p> <p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>				

225/235	SUBMITTED TEXT	16 WORDS	81% MATCHING TEXT	16 WORDS
<p>The scheme of distribution should attempt to lessen the inequities between the States. The Finance Commission</p> <p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>		<p>the scheme of distribution should attempt to lessen the inequalities between the states (First Finance Commission</p>		
226/235	SUBMITTED TEXT	14 WORDS	78% MATCHING TEXT	14 WORDS
<p>the division of financial source between the Centre and the States in India is</p> <p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>		<p>the allocation of financial resources between the centre and the states in India is</p>		
227/235	SUBMITTED TEXT	25 WORDS	98% MATCHING TEXT	25 WORDS
<p>The Government of India has constituted a body known as the Planning Commission with the Prime Minister as its Chairman and members comprising eminent personalities from</p> <p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>		<p>The Government of India has constituted a body known as the Planning Commission with the Prime Minister as its Chairman and other Members comprising eminent personalities from</p>		
228/235	SUBMITTED TEXT	24 WORDS	100% MATCHING TEXT	24 WORDS
<p>various fields of economics, agriculture, education, industry, social sciences and public administration. Socio-economic development planning attempted by the Commission covers the entire country including the States.</p> <p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>		<p>various fields of economics, agriculture, education, industry, social sciences and public administration. Socio-economic development planning attempted by the Commission covers the entire country including the States.</p>		
229/235	SUBMITTED TEXT	51 WORDS	92% MATCHING TEXT	51 WORDS
<p>the States. The planning process takes into account. (i) the required growth rate of the Gross Domestic Product (GDP), (ii) the growth rates for various sectors of economy, (iii) the sources of funding, and (iv) the methodology of achieving the planned goals. The Planning Commission also examines and gives its expert advice on various projects and programmes.</p> <p>W https://dea.gov.in/sites/default/files/Budget_Manual_1.pdf</p>		<p>the States. The planning process takes into account- the required growth rate of the Gross Domestic Product (GDP); the growth rates for various sectors of economy; the sources of funding; and the methodology of achieving the planned goals. The Planning Commission also examines and gives its expert advice on various projects and programmes.</p>		

230/235	SUBMITTED TEXT	14 WORDS	86% MATCHING TEXT	14 WORDS
	<p>Planning Commission The Planning Commission was constituted by a resolution of the Government of India</p> <p>W http://documents1.worldbank.org/curated/en/163031468259136649/pdf/688970ESW0P0730Draft0April02700 ...</p>			<p>Planning Commission: The Planning Commission was set up by a Resolution of the Government of India</p>
231/235	SUBMITTED TEXT	49 WORDS	88% MATCHING TEXT	49 WORDS
	<p>Makes an assessment of the material, capital, and humane sources of the country including technical personnel and investigates the possibilities of augmenting such of these resources as are found to be deficient in relation to the nation's requirements. ? Formulates a Plan for the most effective and balanced utilitarian of the country's resources. ?</p> <p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>			<p>makes an assessment of the material, capital and human resources of the country, including technical personnel and investigate the possibilities of augnienting such of these resources as are found to be deficient in relation to the nation's requirements; (2) it formulates a plan tor the most effective and balanced utilisation of the country's resources; (3)</p>
232/235	SUBMITTED TEXT	61 WORDS	76% MATCHING TEXT	61 WORDS
	<p>for the successful execution of the Plan. ? Determines the nature of the administrative machinery, which will be necessary for securing the implementation of each stage of the Plan in all its aspects. ? Appraises from time to time the progress achieved in the execution of each stage of the Plan and recommends the adjustments of policy and measures that such appraisal may show to be necessary, ?</p> <p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>			<p>for the successful execution of the plan; (5) It also determines the nature of machinery which would be necessary for securing the successful implementation of each stage of the plan in all its aspects; (6) It appraises from time to time the progress achieved in the execution of each stage of the plan and to recommend the adjustment of policy and measures that such appraisal might show to be necessary; (7)</p>
233/235	SUBMITTED TEXT	20 WORDS	55% MATCHING TEXT	20 WORDS
	<p>guidelines for the formulation of the national plan; 207 ? To consider the national plan as formulated by the Planning Commission. ?</p> <p>W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf</p>			<p>guidelines for the formulation of National Plan including the assessment of resources the Plan. (NDC considers the National Plan as formulated by the Planning Commission. 160</p>











234/235	SUBMITTED TEXT	20 WORDS	62% MATCHING TEXT	20 WORDS
	the working of the plan from time to time and to recommend appropriate measures for achieving the aims and targets		the work of the Plan from time to time and recommends such measures as are necessary for achieving the aims and targets	
	W https://dde-ac.in/wp-content/uploads/2019/04/FINANCIAL-ADMINISTRATION-MH-405.pdf			









235/235	SUBMITTED TEXT	16 WORDS	62% MATCHING TEXT	16 WORDS
	Goel. S. L.. Panchayati Raj in India: Theory nad Practice, New Delhi, Deep And Deep Publications		Goel, S. L. and Shalini, Rajneesh.: Panchayati Raj in India - Theory and Practice, Deep and Deep Publications 55.	
	W http://documents1.worldbank.org/curated/en/163031468259136649/pdf/688970ESW0P0730Draft0April02700 ...			

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[1] PREFACE In the curricular structure introduced by this University for students of Post Graduate degree programme, the opportunity to pursue Post Graduate course in Subject introduced by this University is equally available to all learners. Instead of being guided by any presumption about ability level, it would perhaps stand to reason if receptivity of a learner is judged in the course of the learning process. That would be entirely in keeping with the objectives of open education which does not believe in artificial differentiation. Keeping this in view, study materials of the Post Graduate level in different subjects are being prepared on the basis of a well laid-out syllabus. The course structure combines the best elements in the approved syllabi of Central and State Universities in respective subjects. It has been so designed as to be upgradable with the addition of new information as well as results of fresh thinking and analyses. The accepted methodology of distance education has been followed in the preparation of these study materials. Co-operation in every form of experienced scholars is indispensable for a work of this kind. We, therefore, owe an enormous debt of gratitude to everyone whose tireless efforts went into the writing, editing and devising of a proper lay-out of the materials. Practically speaking, their role amounts to an involvement in invisible teaching. For, whoever makes use of these study materials would virtually derive the benefit of learning under their collective care without each being seen by the other. The more a learner would seriously pursue these study materials the easier it will be for him or her to reach out to larger horizons of a subject. Care has also been taken to make the language lucid and presentation attractive so that they may be rated as quality self-learning materials. If anything remains still obscure or difficult to follow, arrangements are there to come to terms with them through the counselling sessions regularly available at the network of study centres set up by the University. Needless to add, a great deal of this efforts is still experimental—in fact, pioneering in certain areas. Naturally, there is every possibility of some lapse or deficiency here and there. However, these do admit of rectification and further improvement in due course. On the whole, therefore, these study materials are expected to evoke wider appreciation the more they receive serious attention of all concerned. Professor (Dr.) Manimala Das Vice-Chancellor

[2] Printed in accordance with the regulations and financial assistance of the Distance Education Council, Government of India. Second Reprint : December, 2010

[3] POST GRADUATE : PUBLIC ADMINISTRATION [P.G/P.A.] Paper : PGPA - V Modules : I - IV Course Writing Editing Prof. Soma Ghosh Prof. Asok Kumar Mukhopadhyay Notification

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[4] NETAJI SUBHAS OPEN UNIVERSITY Module – 1 Unit 1 ? Nature and Significance of Public Policy 1–13 Unit 2 ? Evolution of Policy Analysis 14–32 Unit 3 ? The Policy Cycle 33–41 PGPA - V Module – 2 Unit 4 ? Rational Models of Policy Process 42–49 Unit 5 ? Incrementalism : Charles Edward Lindblom (Born 1917) 50–56 Unit 6 ? Public Choice Theory/Political Economy 57–63 Unit 7 ? Other Approaches to the Models of Policy Process 64–72

[5] Module – 3 Unit 8 ? The Policy Process—a Broader Concept 73–77 Unit 9 ? Architect of Public Policy Making 78–91 Unit 10 ? Indian Perspective of Policy Questions 92–99 Module – 4 Unit 11 ? Policy Implementation 100–107 Unit 12 ? Policy Monitoring 108–112 Unit 13 ? Evaluation 113–115 Unit 14 ? Policy Impact and Public Response 116–119

1 UNIT 1 ????? NATURE AND SIGNIFICANCE OF PUBLIC POLICY Structure 1.0 Introduction 1.1 Objective 1.2 Definitions of Policy 1.3 Definitions of Public Policy 1.4 Policy Typology 1.5 Public Policy and Decision-Making 1.0 Introduction Public policy is a sub-field within the discipline of Political Science. Public policy is studied for the attainment of scientific understanding, professional advice, and policy recommendation. Policy studies can be undertaken not only for scientific and professional purposes but also to initiate political discussion,

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advance the level of political awareness, and improve the quality of public policy. In

addition to the government, researchers, and analysts, today, the average citizens need to understand how a societal problem evolves into a public policy so that her/ his interests are protected. Every day national, state, and local newspapers carry stories that raise important public policy issues. Some examples are how government schools should be financed; are current welfare programs encouraging, are current environmental initiatives adequate, like the friction occurred regarding Book Fair at Maidan in 2006 in West Bengal; and, are current domestic security measures protecting us or chiseling away at fundamental freedom. Citizens need to understand that our public policies have a direct impact on the quality of our freedom. Thus, every person, not just social scientists and analysts, need to be even knowledgeable about public policy issues so that one may influence public policy if one so desires through formation of public opinion. Decision of the West Bengal government to shift the installation of Chemical Hub from Nandigram may be due to the pressure of such public opinion. Public Administration is seen as a part of the Public Policy process. As specific fields within the social sciences they share several concepts and topics of study. Module : I

2 Generally, public administration refers to the implementation aspects of policy process. Public administration is seen as the mechanism through which policy goals/decisions are translated into action. Public Policy is an interdisciplinary study that offers more comprehensive options and alternatives as a guide to policy making, which is not generally found in the mere study of public administration. The study of public policy is a sub-field within the discipline of Political Science. The module has been organized into three units: Unit 1, provides an overview of public policy, its definition, nature and significance of public policy, difference between policy making and decision making. Through Unit 2 students will learn about the evolution of Policy Analysis and in Unit 3, students will learn about policy cycle. Each unit provides highlights and a nexus of the text materials. There has been an attempt to connect the dots as students read the breadth of public policy making. However, students need to read the assigned pages so that they can obtain the details. Different aspects of the political systems that affect public policy, the actors in the policy making process, and a discussion of civil rights that helps encapsulate the policy cycle have been analysed in details. 1.1 Objectives Public Policy is a study of how our society is/can be organized and how it operates. Public Policy is the study of how we solve problems (or don't solve them). It is the study of the approach to define a problem, outlining a range of alternative solutions, designing specific programs to implement a given strategy, and last but not least, evaluate outcomes. Policy studies are interdisciplinary at their core; Public Policy draws from economics, politics, philosophy, government, anthropology, engineering, environment and sociology. Understanding societal change and public information is essential to public and private decision-making. This is reflected in the range of activities that comprise Public Policy, which includes subjects as varied as the assessment of local economic development, planning national investments, poverty alleviation, health and sanitation, social equity and justice, 'engendering' development, managing information technology for public agencies and balancing economic growth with the needs of ecological systems. Knowledge in Public Policy is the first practical step in the advocacy of a better society.

3 Reasons to study Public Policy: Public Policy affects all of our lives, everyday. For example ? Education policy ? Health policy ? Infrastructure policy ? Development policies Public Policy helps us analyze and understand the controversial issues that affect our lives. For example ? Should public funds be used to support students that attend private schools? ? Should public money be used for nationalistic propaganda campaigns? ? Should the amount of agricultural lands be reduced to give way to industrial sector? Public Policy helps us to solve problems. For example ? How can we provide basic amenities like water, electricity, safety and food to every one? ? How can we best motivate and provide required skills for the unemployed to find gainful self-employment? ? How Self- help Groups can provide meaningful avenues for Women's Empowerment in India? Public Policy widens career horizons and develops a number of necessary job related skills. For example ? Analyze a situation ? Offer alternative solutions ? Implement the best strategies and measure outcomes ? Conceptualize and design projects ? Carry out monitoring and evaluation ? Program management ? Carry out Public Policy audits ? Analyze Information to disseminate through media etc

4 ? Apply Interdisciplinary skills to solve problems ? A major challenge for the next generation of students of human development is to help shape the paradigms by which we analyze and evaluate public policies. ? This module suggests how traditional approaches to policy inquiry can be reconsidered in light of new research enquiries and communicative skills needed by all policy researchers. ? The module intends to suggest ways to conduct policy studies within a communicative framework. ? The module intends to provide the students with optimal understanding of few basic areas of policy science: decision making and policymaking behavior, normative policy theory, and institutional change. The achievement of status and recognition of policy analysis as a profession in academic and public arenas depends upon critically examining its distinctive outlook. Such critical examination of policy analysis, its distinctive problem orientation and social process (or contextuality) frame of reference requires continuous search for parallels between disciplines. The module focuses on the following: 1. Defining and understanding public policy 2. Typologies 3. Policy analysis 4. Approaches to policy analysis 5. The policy cycle Policy is a plan of action to guide decisions and actions. The term may apply to government, private sector organizations and groups, and individuals. The policy process includes

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the identification of different alternatives, such as programs or spending priorities, and choosing among them on the basis of the impact they will have. Policies can be understood as political, management, financial, and administrative mechanisms arranged to reach explicit goals.

Law as a guiding and controlling force in public-sector operations covers application of legal processes to administrative practices and situations, and administrative determination of private rights and obligations and this determines the nature of policy, specially public policy in a given environment. The goals of policy may

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vary widely according to the organization and the context in which they are made. Broadly, policies are typically instituted

in order

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to avoid some negative effect that has been noticed in the organization, or to seek some positive benefit. 5

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Corporate purchasing policies provide an example of how organizations attempt to avoid negative effects. Many large companies have policies that all purchases above a certain value must be performed through a purchasing process. By requiring this standard purchasing process through policy, the organization can limit waste and standardize the way purchasing is done.

Public policy is a course of action or inaction chosen by public authorities to address a problem. Public policy is expressed in the body of laws, regulations, decisions and actions of government. For example, health policy involves the plans and actions of government and other organizations designed to maintain and improve public health, health care provision, and health care access. Policy analysis may be used to formulate public policy and to evaluate its effectiveness. Civil Society has a role in policy formulation: They are to ? ensure that priority needs that are identified are addressed in policies and interventions ? assess sectoral submissions for their focus on definite issues and problems ? ensure that adequate public investments are allocated to community priorities and concerns ? determine benchmarks for policy monitoring. Civil Society can contribute through: ? participation ? preparation of reports ? independent and credible policy research ? micro-level, non-policy oriented participatory research which presents issues from the point of view of common people. ? to create public awareness of results to stimulate citizen interest in keeping track of progress and changes in addressing priority issues. The process may be designed to offer policy makers insights that are relevant to policy formulation and implementation of poverty reduction policy. 1.2 Definitions of Policy 1 Policy has been defined as : ? "

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what governments do, why they do it, and what difference it makes." –

Thomas R. Dye ? "a projected program of goals, values, and practices." – Harold Lasswell ? "the impacts of government activity." – David Easton

6 ? "a selected line of action or a declaration of intent." – Austin Ranney

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When the term policy is used, it may also refer to: ? Official government policy (legislation or guidelines that govern how laws should be put into operation) ? Broad ideas and goals in political manifestos and pamphlets ? A company or organization's policy on a particular topic. For example, the equal opportunity policy of a company shows that the company aims to treat all its staff equally. 1.3

Definitions of Public Policy 1 Different authors' definitions are given to describe public policy : ? Thomas R. Dye defines

84% MATCHING BLOCK 8/48

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public policy as the description and explanation of the causes and consequences of government activity (Dye, 2002:3). ?????

Harold Lasswell defines public policy as "a projected program of goals, values, and practices." ????? David Easton sees it as "the impacts of government activity." ????? Austin Ranney sees public policy as "a selected line of action or a declaration of intent." ????? James Anderson defines the term

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as "a purposive course of action followed by an actor or set of actors in dealing with a problem or matter of concern." ????? "

The term public policy always refers to the actions of government and the intentions that determine those actions". Clarke E. Cochran, et al. ? Clarke E. Cochran, et al.: "Public policy is the outcome of the struggle in government over who gets what". ?

96% MATCHING BLOCK 11/48

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Thomas Dye: Public policy is "Whatever governments choose to do or not do". ?

Charles L. Cochran and Eloise F. Malone: "Public policy consists of political decisions for implementing programs to achieve societal goals". ? B. Guy Peters: "Stated most simply,

100% MATCHING BLOCK 12/48

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public policy is the sum of government activities, whether acting directly or through agents, as it has an influence on the life of citizens".

According to William Jenkins in Policy Analysis: A Political and Organizational Perspective (1978), a Public Policy is 'a set of interrelated decisions taken by a political actor or group of actors concerning the selection of goals and the means of achieving them within a specified situation where those decisions should, in principle, be within the power of those actors to achieve'. Thus, Jenkins understands Public Policy making to be a process, and not simply a choice. The elements common to all definitions of public policy are as follows: ? The public policy is made in the name of the "public". ? Public Policy is generally made or initiated by government. ? Public

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Policy is interpreted and implemented by public and private actors. ?

Public Policy is what the government intends to do. ? Public Policy is what the government chooses not to do. All these various definitions are talking about a process or

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a series or pattern of governmental activities or decisions that are designed to remedy some

public problem, either real or imagined. Perhaps, the simplest way to define public policy is to say that when the government chooses to solve a problem in society then that particular problem and designed measure to solve it, becomes a public policy. For example, the Indian government knows that poverty can cause great turmoil in the country. In fact, a very high level of poverty over an extended period of years or decades can lead to civil unrest which could lead to civil war. Therefore, the government seeks to solve the problem of poverty through welfare policy. Indira Gandhi's government adopted a policy towards poverty eradication, named 'Garibi Hatao'. It was so designed as to generate employment and to initiate such other measures to this end. However, the government is not able to solve all problems in the country. Thus, some problems will not become a public policy, but rather the problem will remain a private issue to be solved by individuals or private groups or NGOs. It is important to know that public policy is created at the national, state and local levels. The public policies that affect citizens the most directly are those implemented at the state and local levels. Public policies at the state and local levels range from such issues as the designing of school curriculum to issues that determine the amount a citizen pays when he/she registers her vehicle for license plates. Public policy is the body of fundamental principles that underpin the operation of legal systems in each nation. This addresses the social, moral and economic values that tie a society together, values that vary in different cultures and change over time. Law regulates behaviour either to reinforce existing social expectations or to encourage constructive change, and laws are most likely to be effective when they are consistent with the most generally accepted societal norms and reflect the collective morality of society. Any legal system includes impartiality, neutrality, certainty, equality, openness, flexibility, and growth. This assumes that the true purpose of dispute resolution systems is to discourage self-help and the violence that often accompanies it, i.e citizens have to be encouraged to use the court system. But this certainty must be 8 subject to the needs of individual justice, hence the development of equity. A judge should always consider the underlying policies to determine whether a rule should be applied to a specific factual dispute. If laws are applied too strictly and mechanically, the law cannot keep pace with social innovation. Similarly, if there is an entirely new situation, a return to the policies forming the basic assumptions underpinning potentially relevant rules of law, identifies the best guidelines for resolving the immediate dispute. Over time, these policies evolve, becoming more clearly defined and more deeply embedded in the legal system. Thus in almost every country, whether in USA or in India or it is in United Kingdom, public policy is indebted to judicial interpretation. The most fundamental policy in the operation of any legal system is that *ignorantia juris non excusat*, the Latin for ignorance of the law is no excuse. All the main legislatures publish their laws freely whether in hard copy or on the internet, while others offer them for sale to the public at affordable prices. In India the government publishes the legislations in its Gazettes, available in government sales counters. Because everyone is entitled to access the laws as they affect their personal lives, all adults are assumed responsible enough to go through the law before they act. If they fail to do so, they can hardly complain if their acts prove unlawful, no matter how transiently they may be within the jurisdiction. The only exception to this rule excuses those of reduced capacity, whether as infants or through mental illness.

1.4 Policy Typology

Typologies are sometimes used to analyze public policy. It is a way of organizing phenomena into discrete categories for systematic analysis. For example, in 1964, Theodore Lowi proposed a typology that he thought could categorized public policy into three types: regulatory, distributive, and redistributive. There has been many other scholars who have developed more typologies that classify public policies. Many types of public policies exist. For example, some policies seek to distribute benefits to everyone, such as highway policies that would help ease the traffic congestion. Other policies seek to redistribute benefits from the "haves" to the "have-nots." Policies such as welfare for the poor would fit this category and work toward solving the policy problem of poverty. Distributive— distributive policy is designed to assist economic development with incentives in the form of tax reductions, cash payments etc. Thus, such a policy aims at promoting, usually through subsidies, private activities that are judged to be socially desirable. Accordingly, this type of public policy does not have winners or losers; there is no direct confrontation and everybody benefits equally.

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Examples include government policies that impact spending for welfare, public education, 9 highways, and public safety.

In India, policies relating to the actions and operations of NABARD or policies like SEWA fall in this category, meant to generate self employment and capacity building of women, specially in rural and semi-rural sectors. Redistributive—this policy type seeks to redistribute benefits from the “haves” to the “have-nots” such as land ceiling policies. Therefore, redistributive policy tends to be characterized by ideological concerns and often involves class stratification. Regulatory—this policy type seeks to regulate behavior, such as labor policy, crime policies, or environmental protection policies. For example, Labour law and regulations imposed upon business to ensure maximum working hours and minimum wages for labourer in the conduct of business. These policies are generally thought to be best applied in situations where

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good behavior can be easily defined and bad behavior can be easily regulated and punished through fines or sanctions. An example of a fairly successful public regulatory policy is that of a speed limit

to a vehicle or sound limit to 65 decible.

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Regulatory policies, or mandates, limit the discretion of individuals and agencies, or otherwise compel certain types of behavior. Constituent policies

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Constituent policies create executive power entities, or deal with laws. Miscellaneous policies

1. Liberal—this policy type is used extensively to bring about social change, usually in the direction of ensuring greater levels of social equality, e.g. Bank Nationalization policies in the 1970s in India. 2. Conservative—this policy type generally opposes the use of government to bring about social change but may approve government action to preserve the status quo or to promote favored interests, e.g. U.S. Supreme Court’s policy that defeated New Deal Policy (Liberal policy)of President Roosevelt designed to combat economic depression of 1930s. In India Privy Purse abolition policy or Bank Nationalisation policies were combated in the national courts of law respectively in the late 1960s and in early 1970s. 3. Substantive—this policy type is concerned with governmental actions to deal with substantive (considerable) problems, such as highway construction, environmental protection, or payment of welfare benefits, or policies like Jawahar Rojgar Yojna. 4. Procedural—this policy type relates to

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how something is going to be done or who is going to take action.

An example would be the Industrial policies of 1948 and 1956, which describe the rulemaking procedures to be used for economic development. 5. Material—this policy type either provides concrete

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resources or substantive power to their beneficiaries or impose real disadvantages on those adversely affected.

For example, welfare payments, housing subsidies, and tax credits are material.

10. 6. Symbolic—this policy type appeals more to cherished values than to tangible benefits. Some examples of these policies are national holidays that honor patriots, policies concerning the flag, and religion in schools. 7. Collective—this policy type is concerned with collective goods and how such benefits cannot be given to some but denied to others. Some examples would be national defense and public safety. 8. Public Goods—this type of policy is referring to those goods that are available to everyone, and no one may be excluded from their use. 9. Private—this policy type is concerned with private goods and how such goods may be divided into units, and for which consumers can be charged. For example, food is, for the most part, a private good in the United States. Thus, private goods are divisible, in the sense that others may be kept from benefiting from their use or be charged for benefiting from their use. 10. Areal—that type of policy affects the total population of a geographical area by a single policy. 11. Segmental—this is a policy that affects different people at different times in separate areas of a population. 12. Adaptive—are policies that are designed to meet the needs of a group. 13. Control—are those that attempt to direct the environment.

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Policy addresses the intent of the organization, whether government, business, professional, or voluntary. Policy is intended to affect the 'real' world, by guiding the decisions that are made. Whether they are formally written or not, most organizations have identified policies. Policies may be classified in many different ways. The following is a sample of several different types of policies. ?

Crime

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policy ? Domestic policy ? Education policy ? Energy policy ? Environmental Policy ? Foreign policy ? Healthcare policy ? National defense policy ? Public policy (law) ? Sex policy 11 ? Social policy ? Social welfare policy

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Policies are dynamic; they are not just static lists of goals or laws. Policy blueprints have to be implemented, often with unexpected results. Social policies are what happens 'on the ground' when they are implemented, as well as what happens at the decision making or legislative stage.

There is often a gulf between actions the organization intends to take and

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the actions the organization actually takes. This difference is sometimes caused by political compromise over policy, while in other situations it is caused by lack of policy implementation and enforcement. Implementing policy may have unexpected results, stemming from a policy whose reach extends further than the problem it was originally crafted to address. Additionally, unpredictable results may arise from selective or idiosyncratic enforcement of policy. 1.5

Public Policy and Decision Making A classic view of politics is who gets what, when, and how (Lasswell, 1958). Public policy is the result of the political process. Therefore, state policy is the result of the state political process. Public policy helps us understand who gets what, when, and how in terms of area specific needs and resources. One model to explain this is a political systems approach as per Thomas R. Dye, (1972) 2 and David Easton, (1965) 3 . In the most simplified version of this model, to understand policy one must consider inputs such as demands on the political system and environmental support for policy, the political system itself, and the outputs of the political system in terms of decisions and actions (Dye, 1972; Easton 1979). Added to this is the societal outcomes of policy, which are to be distinguished from outputs. Easton describes two kinds of policy outputs: authoritative outputs (which include binding decisions and actions, such as laws, orders, and mandates) and nonauthoritative or associated outputs (which take the form of policies, rationales, benefits, favors, and incentives). Authoritative outputs often take the form of mandates. Associated outputs might take the form of competitive state grant programs for professional development. Feedback on the impact of outputs is important for policymakers in determining future support. Easton notes that heterogeneous outputs tend to produce heterogeneous responses. Conversely, homogenous outputs produce homogenous responses. A complicating factor in determining the value of policy outputs is the time lag between policy output, implementation, and feedback concerning the impact of policy. A further complexity in the policy process is that policy output does not have equal outcomes. Also, policymakers need to have a time frame in mind for when the intended results will be measurable. These issues and questions provide a framework for consideration of policy options.

12 Decision making refers to actions taken within governmental settings to formulate, adopt, implement, evaluate, or change environmental policies. These decisions may occur at any level of government. For example, at the most general level, environmental policies reflect society's collective decision to pursue certain environmental goals and objectives and to use particular means to achieve them. Public sector decision making incorporates a diversity of perspectives on environmental problems, from those of industry to the views of activist environmental organizations. Ultimately, policies reflect the inevitable compromises over which environmental goals are to be pursued and how best these may be achieved. Environmental policy is complex. Beyond the laws, regulations, and court rulings on the subject, it is strongly affected by bureaucratic officials who are charged with implementing and enforcing environmental law. Their decisions, in turn, are influenced by a range of political and economic forces, including the policy beliefs of elected leaders, the health of the economy, anticipated costs and benefits of laws and regulations, centre–state relations, public opinion, media coverage of environmental issues, and efforts by corporations, environmental groups, and scientists to influence public policy. Increasingly, these actions are linked to decision making in many related areas that also affect environmental quality and human health. These include such desperate concerns as energy use, transportation, population growth, and agriculture and food production. Scientists and scholars use the concepts of sustainability and sustainable development to link these varied human influences on the natural environment. Reports from the 1992 Earth Summit and the President's Council on Sustainable Development firmly endorsed this more comprehensive and integrated view of environmental challenges. At an even more fundamental level, environmental policy concerns the protection of vital global ecological, chemical, and geophysical systems that scientists increasingly believe to be put at risk through certain human activities. Climate change and loss of biological diversity are examples of such threats. Thus, environmental policy decision making addresses both long-term and global as well as short-term and local risks to health and the environment. For all these reasons, it has become one of the most important functions of government in both industrialized and developing nations on these policy lines. The public policies adopted by states have to take into consideration a number of issues. Some are aspects of the concept of sovereignty and reflect the essence of territoriality. Other policies are aspects of the social contract, and they define and regulate the relationship between a state and those citizens who owe it allegiance. To that extent, these policies interact with (and sometimes overlap) civil rights and human rights. A number of these rights are defined at a supranational level and it will

13 necessary for states to consider the extent to which international principles of law are to be allowed to influence the operation of law within their own territories. Independently of the work of the international community to produce harmonised principles, the courts in one country may sometimes be faced with lawsuits which either seek to evade the operation of foreign laws or seek the enforcement of international laws. This is becoming increasingly common as people now move with reasonable freedom between countries for education, international trade, services and markets. Such lawsuits will not be troublesome if the “foreign” law is the same as the domestic law. But serious difficulties will arise if the application of the “foreign” law would produce a different result considering the peculiarities of socio-political, economic and cultural environment. The general rule is that all higher courts have an “inherent jurisdiction” or “residual discretion” to apply the public policies of their state to clarify or more properly interpret the letter of their domestic laws and procedural rules. In conflict cases, no court will apply a “foreign” law if the result of its application would be contrary to public policy. Thus, for the most part, courts while giving decisions in such cases are slower to invoke public policy in cases involving a foreign element than when a domestic legal issue is involved. In those countries that have adopted Treaty and Convention obligations involving human rights, (e.g., in the UK the Human Rights Act 1998 is now in operation) broader concepts of public policy may now be applied while making decisions. International resolutions and agreements call for women to be at all policy making tables. This is an international working conference on the shaping of peacemaking, peacekeeping, and peace building policies when women are more engaged. Experts will present signs of influence on policy direction as women and men work jointly on peace and human security issues. Challenges to women’s inclusion in, and within, decision-making bodies in multiple spheres of power are exposed within Indian decision making system. Delegates and speakers explore positive outcomes, as well as inherent roadblocks, in efforts to hold governments, political parties, armed forces, corporations, religious institutions and civil society accountable for progress in incorporating women as essential and equal partners and the hesitations are quite visible among male dominated decision making bodies while creating new provisions. Thus again a conflict arises between public policy and decision making. Peace building in the twenty-first century is a complex process. It is essential to understand how gender-inclusive decision making in four key sectors can affect and influence peace processes. Therefore the conflict should be resolved soon by incorporating internationally recognized policy into the decision of a country.

14 UNIT 2 ????? EVOLUTION OF POLICY ANALYSIS Structure 2.1 Introduction 2.2 Harold Dwight Lasswell (February 13, 1902—December 18, 1978) 2.3 Yehezkel Dror 2.4 Herbert Simon 2.5 A Synthesis 2.6 An alternative view— Structured Interaction Model 2.7 Discourse Framework 2.1 Introduction The study of policy (either in review or in planning new policy initiatives) is probably as ancient as the study of humankind; certainly a good case can be made that the Gita, Koran or Bible (especially the Old Testament) are at least partially an exercise in policy analysis (with, of course, one very major exogenous actor); Barbara Tuchman’s *The March of Folly* (1984) uses the Trojan War and the American War for Independence as illustrations of policy activities from which she gleans contemporary lessons. Machiavelli’s *The Prince* is a glaring example of policy analysis in his attempt to show path for creating a unified Italy. While the study of politics has a long history, the systematic study of public policy, on the other hand, can be said to be a twentieth century creation. It dates, according to Daniel McCool, to 1922, when political scientist Charles Merriam sought to connect the theory and practices of politics to understanding the actual activities of government, that is public policy 4 . But the systematic study of public policy with the intention of applying its lessons to become instrumental in policy change and learning is a distinctly 20th century and largely American phenomenon. Many scholars of policy history have identified Harold D. Lasswell and his colleagues (such as Daniel Lerner, Myres McDougal, and Abraham Kaplan) as the progenitors of the policy sciences in the early 1950s, a movement that was strengthened by the 1970s with the founding of several public policy schools. As complicated and multi-dimensional as the study of public policy is, it has been formed by a singular progression of ideas and practices. The foundation of the

15 study of policy is, in fact, the same as the basis for nearly all American social and political science pragmatism. Recent developments in the public policy discipline are rooted in the work of Harold Lasswell and based on the theories of William James, Charles Pierce, and particularly John Dewey. For the American mind, to know is to do. The pragmatic tendency which predominates in America simply does not intellectually distinguish between knowing and doing. All knowledge must be useful for the pragmatist thinking. An academic expression of this intellectual leaning is the present orientation of public policy research, which is to utilize thought to provide solutions to political problems, presupposing that such solutions are possible. Working from the preponderant view that thinking must serve a practical purpose, current policy analysis aspires to solve, as well as define, public problems. The fact that this approach to the academic study of public policy has largely been a failure (no significant public problem has been solved by policy science) has not, thus far, been a deterrent. The underlying philosophy of pragmatism unifies a field of study which is otherwise amorphous and fragmented. The academic study of public policy is animated by the desire to solve public problems, as there is a modest consensus that social research can and should be relevant to immediate policy concerns. In other words, policy concerns, which are, by definition, public, are proposals for government and social action. In this way, the emphasis is placed directly upon practical solutions of public problems. Pragmatism offers a theoretical justification for the policy scientist to prescribe a synthesis of ideas and action. The attempt to unite theory and practice is the unifying characteristic of approaches to policy as superficially different as Easton's 'post-behavioralism,' Lindblom's 'disjointed incrementalism,' and Dror's 'prescriptive-preferable policymaking.' The current orientation of policy study is part of an ongoing effort to make thought relevant, and to use it to solve practical problems, related to real world socio- economic and political cross currents and developments.

2.2 Harold Dwight Lasswell (February 13, 1902—December 18, 1978)
According to Harold Lasswell (1936), politics is the decision-making process of who gets what, when, and how. If the institution of religion is ultimately responsible for meaning, the political institution is ultimately responsible for managing power.

5 Harold Dwight Lasswell was a leading American political scientist and communications theorist. He was a member of the Chicago school of sociology. Lasswell studied at the University of Chicago in the 1920s, and was highly influenced by the pragmatism taught there, especially as propounded by John Dewey and George Herbert Mead. More influential, however, was Freudian philosophy, which informed much of his analysis of propaganda and communication in general. During World

16 War II, Lasswell held the position of Chief of the Experimental Division for the Study of War Time Communications at the Library of Congress. Always forward- looking, late in his life, Lasswell experimented with questions concerning astropolitics, the political consequences of colonization of other planets, and the "machinehood of humanity." Lasswell's work was important in the post-World War II development of behavioralism. Lasswell rested the foundation of policy study on the pragmatism of John Dewey and his colleagues. Pragmatism is a uniquely American attempt to combine theory and practice, a synthesis central to Lasswell's development of what he termed the policy sciences. The policy sciences were to be concerned with knowledge of and in the decision process, and directed toward the development of a dependable theory and practice of 'problem solving' in the public interest. This approach to the study of public policy was grounded in the attempt to bridge the distance between theory and practice, knowledge and power, contemplation and action. Along with other influential liberals of the period, such as Walter Lippmann, Lasswell argued that democracies needed propaganda to keep the uninformed citizenry aware about the policies made by the predominant class in their best interests. As he wrote in his entry on propaganda for the Encyclopaedia of the Social Sciences, we must put aside "democratic dogmatism about men being the best judges of their own interests" since "men are often poor judges of their own interests, flitting from one alternative to the next without solid reason". He is well known for his comment on communications: Who (says) What (to) Whom (in) What Channel (with) What Effect and on politics : Politics is who gets what, when, where, and how. Lasswell's model of communications is significantly different from those of engineers, including Claude Shannon, and his notion of channel is also different, since it includes different types of media. For example, newspapers, magazines, journals and books are all text media, but are assumed to have different distribution and readership, and hence different effects. All are however guided to channelise the demands of the society and politics and to communicate decisions to the common people, though upholding the predominant views of the ruling community. Lasswell 6 suggested a "conceptual map [that] must provide a guide to obtaining a generalistic image of the major stages of any collective act," one Lasswell (1956) 7 articulated as the "decision process": — Intelligence 6. Lasswell, H. D., Propaganda Technique in the World War, 1971. p. 28.

17 — Promotion — Prescription — Invocation — Application — Termination — Appraisal. These “stages” became the seedling for what was later known as “the policy process” approach (Charles Jones’ An Introduction to the Study of Public Policy [1970, 1977, 1984 editions], James Anderson’s Public Policy Making, and Garry Brewer and Peter deLeon’s The Foundations of Policy Analysis [1983]), are generally characterized by a series of policy “stages”. These were derived from the Lasswellian list. The following components for the policy stages (or phases) as proposed by Brewer and deLeon (1983) represent the approach of the Lasswell regarding policy analysis: Policy Initiation: the recognition of a problem and the preparation of policy recommendations. Policy Estimation: an estimation of the policy proposals to be or not to be successful. Selection: a stage of selection of policies from among the policy alternatives by an authoritative policymaker. Policy Implementation: that stage in which the selected policy option will be carried out. Policy Evaluation: that stage in which the policy option chosen during Selection and Implementation is assessed in terms of minimum efficiency and results. Policy Termination: that stage during which a poorly performing or unnecessary option is discontinued. In one way or another, occasionally using slightly different terminologies, numerous authors have adopted this basic version of the “policy process” framework as a means of suggesting to their students and clients that different stages of the policy process have different requirements and skill sets. For instance, policy estimators engaged in cost-benefit analyses could operate in relative isolation, where policy implementers would (almost by necessity) be forced to engage the actual recipients of the intended policy. It is important to recognize that Lasswell and his successors did not refer to the policy process as if it were a formal “model” or “theory” of the policy process, one conducive to the generation of specific “testable” hypotheses; rather, he spoke of the

18 policy process as an “approach.” Lasswell (and, subsequently, Brewer and de Leon. 1983) 8 never framed the policy process as a “model,” rather an approach, a means of viewing and categorizing an individual’s observations. 2.3 Yehezkel Dror “New professional role of analyst; systems plus political science, psychology, maturity, idealistic realism to make somewhat better decisions in public policy making”(Dror,1967) Yehezkel Dror’s life work serves the cause for humanity. Dror - as a result of his research, publications, teachings and personal leadership over the past thirty years - has become widely regarded as the world’s foremost pioneer of modern public policy studies. His Capacity to Govern work has been in development for years, been published to date in German, Spanish, Portuguese and English and is endorsed and sponsored, in the Foreword to the book by the President of The Club of Rome, which has been known as “The Conscience of Humankind”. Yehezkel Dror has international respect for being one of the few founders of the Policy Sciences academic discipline and being the catalyst, since the 1960s, for the establishment of policy departments in universities and the creation of professional societies devoted to policy, such as the Policy Studies Organization (PSO) where he served as President. So, when Dror published it is taken very seriously. Dror’s Capacity to Govern 9 : A Report to the Club of Rome is his latest work - which reads: “While human capacities to shape the environment, society, and human beings are rapidly increasing, policymaking capabilities to use those capacities remain the same (Dror’s Capacity to Govern p. 2).” 10 Capacity to Govern, drawing research covering centuries of data, provides the problem as being unprepared societies and obsolete governance (Dror’s Capacity to Govern Ch 3), the requirements for redesigning governance (Dror’s Capacity to Govern Chs. 6,7); and the resolution (Dror’s Capacity to Govern Part Three). The work describes the imperative and the future steps to radically improve and redesign the capacity to govern of states, supra-state structures, and global governance. The overall goal is to increase the capacity to influence, or weave, the future for humanity’s benefit (Dror’s Capacity to Govern p. 215). In Capacity to Govern Dror summerised that the ‘We are living through an historically unprecedented age of radical global non-linear transformations in demography, science, technology, consciousness, culture, communications, geo- economic and geo-strategic configurations in regimes and in values. Those transformations are sure to accelerate in the 21st Century. Without improved capacity to govern the negative outcomes for society from those transformations have a real

19 probability for catastrophic impacts. Governance must acquire the capacity to prevent the use science and technology for mass killing initiated by actors beyond the control of presently available policy structures and tools (Dror's Capacity to Govern p.208). As long as the United Nations is unable to cope with major crises of global significance, the USA and the European Union, together with other willing states, should take appropriate action. But no single country should do so on its own and such action should be explained and justified before United Nations forums and limited to the minimum necessary to prevent human catastrophes (Dror's Capacity to Govern p.209). Dror's notion is well applied by the said countries of the world as evident in the events like Gulf war, Afghanistan War etc., though question of humanitarianism or survival of human race as a whole is still unanswered. The extent to which Dror's prescriptions match the intention of domination by the Western powerful nations is to be judged on the basis of following conclusions drawn by Dror: 1) "Countries in serious transformation crises should be helped to avoid extreme breakdowns, with special attention to states having continental and global significance. But care must be taken not to give one-dimensional and dogmatic advice likely to cause serious social harm" (Dror's Capacity to Govern, p.208); 2) "Regarding international interventions to prevent evil rulers from acquiring and using mass killing weapons my own tendency is to prefer the risks of global over-intervention to those of under-intervention; but global systems are not yet ripe for coping with the issue" (Dror's Capacity to Govern, p.208). That issue related to Iraq's Saddam Hussein is getting global attention since September 2002; 3) "One cannot rely ... on a rapid improvement in the quality of candidates entering politics and reaching top positions. Intense efforts to enhance the quality of the politicians produced by existing selection and promotion processes are therefore required as a 'second best' approach" (Dror's Capacity to Govern p.122); 4) Moral democratic rule is preferred. But, "... the maximum advisable scope for direct democracy is quite limited in the foreseeable future (Dror's Capacity to Govern p.111); 5) "The qualities demanded of senior politicians and governance elites should be radically revised, with emphasis on virtues and character. These requirements should become a basic canon of democratic theory and political culture (Dror's Capacity to Govern , p.101). Some proposals are crash programs while others are long range notions, requiring considerable longer times and implementation cycles. They may be selected according to their importance in terms of impact and feasibility, but inevitably also reflect the personal interests, biases and limitations of the policy maker/s. Above proposals suggest that there is still hope in dealing with global dangers

20 such as terrorism. Dror calls the governing elites to stop "a world of the war of all against all" as envisaged by Thomas Hobbes. Dror presents his argument in Ventures in Policy Sciences: Concepts and Applications in three parts: (1) case studies drawn from Israel and Netherlands; (2) a general systems approach to using behavioral science in policy-making; and, (3) the role of the behavioral sciences in meta-megapolicies. First, with respect to case studies, the author notes that such studies are an important research method of policy science, essential for understanding the policy-making reality. For reliable findings and to permit inductive conclusions a large number of such studies, to permit inductive conclusions, are necessary. From the case studies presented the author draws four conclusions: (1) Contributions of Sociologists to Policy-making: Three contributions are identified: (a) a general educational contribution, by sensitizing policy-makers to the social aspects of their operations; (b) policy contributions by assisting in the choice of major guidelines for operations; and, (c) tactical contributions, by providing specific intelligence and ideas applicable to concrete and detailed issues. (2) Conditions for Contribution: Four conditions are identified: (a) the availability of sociological knowledge directly applicable to substantive activities of the organization; (b) close communication between the social scientist and the chief executive; (c) the capacity of the social scientist to operate in a non-academic organization; and, (d) the active involvement and interest of the major executives. (3) Role Conflicts: The social scientist is involved in a conflict between organizational identification, and, the professional norms of his discipline. (4) Conflicts with Administrators: Four conflicts with administrators are identified: (a) conflict due to differences in the time perspectives of the administrator (short-term) and the social scientist (long-term); (b) conflict due to differences in tolerance for ambiguity of the administrator who requires clarity and certainty, and, the social scientist who recognizes the relativity of research results; (c) conflict due to differences in the professional self-image and norms of the administrator and social scientist; and, (d) conflict due to differences in organizational location of the line administrator and the staff social scientist. Second, with respect to a general systems approach to policy and behavioral sciences, the author notes that while the behavioral science contributes some relevant facts, and, sensitize policy-makers, they also increase subjective uncertainty and feed a multiplicity of interests. Using a simple version of general systems theory, the author views public policy as an output of the public policy-making system and an input into various "target" systems such as health, education, transportation public order and the international system. Similarly, the author considers the behavioral

21 sciences as a system, the components of which include personnel, organizational structures, information storage, rules of behavior and patterns of adjustive dynamics. With respect to improvements of the Policy- making and Behavioral Sciences Systems the author makes the following recommendations: (1) Redesign of the Policy-making System : The author makes five recommendations: (a) behavioral science advisors should be installed throughout the system, particularly near organizational decision centers in order to insure close integration with analysis and planning units; (b) budgeting should permit multi-year funding of policy-oriented behavioral research; (c) special programs to initiate junior and senior behavioral scientists with the problems and realities of policy- making; (d) realities of policy problems should, with suitable safeguards, be open to behavioral examination; and, (e) basic understanding of behavioral research should be disseminated throughout the executive and legislative branches through new management training courses. (2) Redesign of the Behavioral Sciences System : The author makes three major recommendations: (a) new graduate programs, including interdisciplinary studies, emphasis on decision theory and internships, should be established; (b) a new professional concept of 'behavioral sciences policy advisor' should be developed; and, (c) changes in research orientation, methods and subjects so as to focus on the history of social problems, social experimentation, time-compressing research, identification of leverage points in target systems, and, prognostic technique. (3) Redesign of Intertransport between Systems : The author makes two recommendations: (a) policy-relevant behavioral research must be presented in a language intelligible to policy-makers; and, (b) the social distance between policy- makers and social scientists reduced. Third, by behavioral sciences meta-megapolicies, the author uses the terms meta- megapolicies to embrace both metapolicy, to define policies on making policies, and, megapolicies, to define master policies regarding goals, basic assumptions, conceptual frameworks, policy instruments, implementation strategies and similar interpolicy directives. With respect to behavioral sciences meta-megapolicies, the author makes the following suggestions: (1) an explicit behavioral approach to policy-making is required, in order to advance efforts in policy sciences; (2) such explicit behavioral approach to policy-making will require both new and special organizations, both permanent and ad hoc, and, as well, interdisciplinary personnel (3) information is needed concerning persons able and willing to participate in 22 such a behavioral approach/ science oriented policy-making process; (4) sequential decision-making on an international scale seems a preferable method; (5) the goals of policy sciences are mainly instrumental- normative policy-making, within the bounds of morally acceptable values; (6) an initial operational goal is establishment of a policy sciences infra-structure including research organizations, teaching, professional communications, and recruitment of financial supportfor developing behavioral approach/ science oriented policy science; (7) policy science directed behavioral science should be very innovative, with a significant propensity to take risks, and, with the presumption of designing a scientific revolution; and (8) policy science directed behavioral science should show a preference for the intermediate future, five or more years ahead, with main results anticipated in the longer term.

2.4 Herbert Simon

Herbert Alexander Simon was born in Milwaukee, Wisconsin, on June 15, 1916. He studied in the University of Chicago and received a Ph.D. in 1943. He stayed on at Chicago for two years as a research assistant before becoming a staff member of the International City Managers Association and assistant editor of the Public Management and Municipal Year Book (1938-1939). In the following year he joined the University of California as director of administrative measurement studies. Simon was a consultant to the International City Managers Association (1942-1949), the U.S. Bureau of the Budget (1946-1949), the U.S. Census Bureau (1947). After a teaching post at the Illinois Institute of Technology (1942-1949), Simon joined the teaching staff of the Carnegie-Mellon University, first as professor of administration and psychology (1949-1955) and later as professor of computer science and psychology (1956 to the mid-1980s). Simon was a consultant to the Cowles Commission for Research in Economics (1947-1960); chairman of the board of directors of the Social Science Research Council (1961-1965); member of the President's Scientific Advisory Committee (1969-1971); chairman of the Committee on Air Quality Control of the National Academy of Sciences (1974); chairman of the Committee on Behavioral Sciences of the National Science Foundation; winner of the Award for Distinguished Scientific Contributions of the American Psychological Association (1969), and Distinguished Fellow of the American Economic Association (1976). He lectured extensively around the world and received nine honorary degrees. Simon died on February 9, 2001, in Pittsburgh, Pennsylvania, of complications following surgery in January at the age of 84.

23 Simon's notion of "bounded rationality" is explained by analogy to the search for a needle in the haystack. The neoclassical approach would be to search for the sharpest needle in the stack (a maximization process). Simon's approach is to find the first needle which is sharp enough to handle the contemplated sewing tasks (a "satisficing" process). In another example, he considered a chess game: every move involves potentially millions of calculations about alternative actions. Since it is impossible for players to examine all the possibilities, they Herbert Simon is famous for his study of decision-making behavior, especially in large organizations, which pioneered the development of new theories in economics, psychology, business administration, and other fields. He was awarded the Alfred Nobel Memorial Prize in Economics in 1978. He was also the first social scientist elected to the National Academy of Sciences. In his work Simon provided us with a more realistic approach to neo-classical economic models, The idealized vision of the "rational" consumer, businessperson, or worker, to him, makes all of these participants "satisficers.". Instead of maximizing their welfare, profits, or wages on the marketplace, Simon laid more stress on dissemination of proper information about alternatives and providing them with more opportunities for foreseeing the future. Their rational behavior is "bounded" by the cost of obtaining information and uncertainty; hence Simon proposed the concept of "bounded rationality." Simon argues that individuals would be acting rationally by "satisficing," given real learn to follow promising lines of play and to utilize "rules of thumb" in decision-making. Over time these rules of thumb change as outcomes are evaluated. In 1957 Simon released a second edition of Administrative Behavior. In the new edition, Simon built on his original contention that because of the complexity of the economy, business decision-makers are unable to obtain all of the information they need in order to maximize profits. As a result, he had argued, most companies try to set goals that are acceptable but less than ideal—a behavior he termed "satisficing." In the second edition, Simon pointed out that his findings undermined a basic assumption of classical economic theory that the decision maker in an organization has access to all of the information needed to make decisions and will always make rational decisions that maximize profits. Simon's conclusions met with resistance from many economists, although those specializing in business operations were more accepting. Decision-making, as Simon saw it, is purposeful, yet not rational, because rational decision-making would involve a complete specification of all possible outcomes conditional on possible actions in order to choose the single best among alternative possible actions. In challenging neoclassical economics, Simon found that such complex calculation is not possible. As a result, Simon wanted to replace the economic

24 assumption of global rationality with an assumption about actual decision-making process, which was more in correspondence with how humans actually make decisions, their computational limitations, and how they access information in a current environment, thereby introducing the concepts of bounded rationality and satisficing. Satisficing is the idea that decision makers interpret outcomes as either satisfactory or unsatisfactory, with an aspiration level constituting the boundary between the two. In neoclassical rational choice theory decision makers would list all possible outcomes evaluated in terms of their expected utilities, and then chose the one that is rational and maximizes utility. According to Simon's model, decision makers face only two possible outcomes, and look for a satisfying solution, continuing to search only until they have found a solution that is good enough. The ideas of bounded rationality and satisficing became important for subsequent developments in economics. Any decision involves a choice selected from a number of alternatives, directed toward an organizational goal or sub-goal. Realistic options will have real consequences consisting of personnel actions or non-actions modified by environmental facts and values. In actual practice, some of the alternatives may be conscious or unconscious; some of the consequences may be unintended as well as intended; and some of the means and ends may be imperfectly differentiated, incompletely related, or poorly detailed. The task of rational decision making is to select the alternative that results in the more preferred set of all the possible consequences. This task can be divided into three required steps: (1) the identification and

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listing of all the alternatives; (2) the determination of all the consequences resulting from each of the alternatives; and (3) the comparison of the accuracy and efficiency of each of these sets of consequences. 11

Any given individual or organization attempting to implement this model in a real situation would be unable to comply with the three requirements. It is highly improbable that one could know all the alternatives, or all the consequences that follow each alternative. According to Simon "

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The human being striving for rationality and restricted within the limits of his knowledge has developed some working procedures that partially overcome these difficulties. These procedures

consist in assuming

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that he can isolate from the rest of the world a closed system containing a limited number of variables and a limited range of consequences" 12

to achieve approximately the best result. Administrative Behavior, as a text, addresses a wide range of human behaviors, cognitive abilities, management techniques, personnel policies, training goals and procedures, specialized roles, criteria for evaluation of

25 accuracy and efficiency, and all of the ramifications of communication processes. Simon is particularly interested in how these factors directly and indirectly influence the making of decisions (Chapter VII—The Role of Authority⁶, and in Chapter X— Loyalties, and Organizational Identification. 13). Authority is a well studied, primary mark of organizational behavior, and is straightforwardly defined in the organizational context as the ability and right of an individual of higher rank to determine the decision of an individual of lower rank. The actions, attitudes, and relationships of the dominant and subordinate individuals constitute components of role behavior that can vary widely in form, style, and content, but do not vary in the expectation of obedience by the one of superior status, and willingness to obey from the subordinate. Authority is highly influential on the formal structure of the organization, including patterns of communication, sanctions, and rewards, as well as on the establishment of goals, objectives, and values of the organization. Decisions can be complex admixtures of facts and values. Information about facts, especially empirically proven facts or facts derived from specialized experience, is more easily transmitted in the exercise of authority than are the expressions of values. Simon is primarily interested in seeking identification of the individual employee with the organizational goals and values. Following Lasswell he states that "a person identifies himself with a group when, in making a decision, he evaluates the several alternatives of choice in terms of their consequences for the specified group" 14 . A person may identify himself with any number of social, geographic, economic, racial, religious, familial, educational, gender, political, and sports groups. Indeed, the number and variety are unlimited. The fundamental problem for organizations is to recognize that personal and group identifications can either facilitate or obstruct correct decision making for the organization. A specific organization has to deliberately determine and specify in appropriate detail and clear language its own goals, objectives, means, ends, and values. Chester Barnard pointed out that "the decisions that an individual makes as a member of an organization are quite distinct from his personal decisions" 15 . Personal choices may determine whether an individual joins a particular organization, and continue to be made in his or her extra-organizational private life. But, as a member of an organization, that individual makes decisions not in relationship to personal needs and results, but in an impersonal sense as part of the organizational intent, purpose, and effect. Organizational inducements, rewards, and sanctions are all designed to form, strengthen, and maintain this identification. The correctness of decisions is measured by two major criteria: (1) adequacy of achieving the desired objective; and (2) the efficiency with which the result was obtained. Many members of the organization may focus on adequacy, but the overall

26 administrative management must pay particular attention to the efficiency with which the desired result was obtained. March and Simon pointed out that the basic features of organization structure and function are derived from the characteristics of rational human choice. Because of the limits of human intellectual capacities in comparison with the complexities of the problems that individuals and organizations face, rational behavior calls for simplified models that capture the main features of a problem without capturing all its complexities." 16 . The book is now considered a classic and pioneering work in organization theory. 2.5 A Synthesis Dye defined public policy as "Anything a government chooses to do or not do" 17 "Public policy is, at its most simple, a choice made by a government to undertake some course of action" 18 . Public policy is primarily an output of the political process, the responsibility for which rests with governments. Advocates of the classical definition readily acknowledge that: policies usually involve a series of interrelated decisions, not merely a single decision-maker, many different people at different levels and scattered throughout government organisations make public policy decisions; policies are shaped by earlier policy decisions and environmental factors; policies are mediated through their implementation; policies involve both actions and inactions; policies cannot be analysed apart from the policy- making process; policies have outcomes that may or may not have been foreseen; policies are subjectively defined, and may be defined retrospectively; policies extend beyond the formal records of decisions; and policies need resources and action to be differentiated from political rhetoric. 2.6 An alternative view— Structured Interaction Model In addition to the classical view of policy, Colebatch 19 argues that there is fundamentally different conception that he labels as the structured interaction model: "The structured interaction perspective does not assume a single decision-maker, addressing a clear policy problem: it focuses on the range of participants in the game, the diversity of their understandings of the situation and the problem, the ways in which they interact with one another, and the outcomes of this interaction. It does not assume that this pattern of activity is a collective effort to achieve known and shared goals." 20 The interactional view recognizes that policy is an ongoing process with many participants, most of whom do not have a formal or recognized role in policy- making. They include ministers of state, their advisers, politicians, public servants, party members, street level delivery staff, peak bodies, interested members of the public, media and academics. The policy of West Bengal government to reduce the burden of Calcutta university by establishing other universities in the district level has been formally approved in the WB legislative Assembly, as well as has been accepted by the civil society in the surrounding areas. The most recent attempt to establish a state university in Barasat, 24, Parganas(N) has been endorsed by the ruling party in the assembly, by the academicians of the district, by the people of the concerned district. Involvement at all levels can make a policy to become a successfully implemented decision. According to this view, policy is not about the promulgation of formal statements but the processes of negotiation and influence; indeed, "much policy work is only distantly connected to authorized statements about goals: it is concerned with relating the activities of different bodies to one another, with stabilizing practice and expectations across organizations, and with responding to challenge, contest and uncertainty". 21 Policy is the continuing work done by groups of policy actors who use available public institutions to articulate and express the things they value. It is the interplay of deals, alliances and attempts at finding solutions involving individuals and groups including elected officials, bureaucrats, political parties, the media, interest groups and social movements. Behind every policy issue there is a contest over conflicting, though equally plausible conceptions of the same abstract goal. Similarly, behind every policy issue there is also conflict about how the problem should be defined. And completing the picture, policy solutions are little more than temporary resolutions of conflict. Colebatch, argues for a synthesis between the classical and interactional views of policy, seeing them as the vertical and horizontal dimensions of policy 22 . In the vertical dimension the focus is on authorities making decisions in the context of problem identification, identifying and comparing possible solutions, and checking that policies have been implemented correctly and that they are achieving the desired results. In the horizontal dimension the focus is on the range of participants, the diversity of their agendas, and the activities of negotiation, coalition building, and the ratification of agreed outcomes. The essence of Colebatch's synthesis is that the rational model has considerable symbolic importance. The role of the rational myth is that it frames the appropriate behaviour of the actors - from ministers to bureaucrats, from academics to interest groups and from service providers to service users. In this context, Colebatch explores what people are trying to achieve when they label something as policy. He says, "to describe something as 'policy' is to give it special significance" 23 . Use of the term, policy, implies organised activity that is coherent (all the bits of the action fit together), hierarchical (a course of action that is officially endorsed), and instrumental (a course of action that is deliberately in

28 pursuit of particular purposes, rather than erratic or random. Policy statements imply authority; they have the endorsement of some authorised decision-maker, be it Cabinet, the Minister or senior public servants); expertise (they invariably draw on a body of experts - policy requires knowledge); and order (policy responses create order - they define how something should be done). Drawing on Foucault's motifs of power/knowledge, bio-power and governmentality, one can make similar observations. The label of 'official policy' objectifies decision-making and conceals the decision-makers. It legitimises the arguable and irrational; and by aligning them with 'experts' and collective, universalised objectives (for example, family values, democracy, respect for tradition or individual free choice) it makes disagreement impotent. Thus, policies work as instruments of governance, as ideological vehicles, and as agents for constructing subjectivities and organising people within systems of power and authority.

2.7 Discourse Framework

Discourse concepts can be used by evaluators and policy analysts for evaluation and policy analysis to enhance their profession's accomplishment of three tasks: (a) considering what gets defined and who does the defining, (b) contributing to qualitative insights, and (c) articulating variable interpretations of policy contexts and outcomes. Policy researchers may find that the concepts are useful in day to day work on a variety of projects. For example, as individuals involved in a particular project begin to work with each other, they begin constituting events in the formulation, design, and conduct of a policy study. While some may consider such events as simply routine, discourse research provides insight into the resources individuals rely upon to define the situation and establish their work within participant structures, as well as insights into the social and cognitive processes embedded in the enactment of routines. The following concepts are used in discourse studies to identify and explain variation in functions, forms, and features of communication across home, community, business, school and other institutional settings.

Functions of language

The question of how individuals communicate information and persuade others in actual situations is still far from being resolved. Some have observed that it is not words which mean things but individuals who, by words, mean things; that a statement does not represent a fact but that individuals, by a statement, mean facts. Yet discourse researchers argue that finding answers to questions about how information and persuasion are used to create certain rhetorical effects and how they can be analyzed requires paying attention to how ordinary forms of communication are empty by themselves. As in architecture, form is function, and is meaning as well. They attempt to persuade human service professionals that it is possible to develop

29 understanding of how day to day talk and writing is a composite of all these aspects. Functionally the choice of a word or phrase may have one meaning, its repetition another and its location in structure yet another. More specifically, there is a professional development benefit which is derived from awareness of the functions and formats of special languages or codes across participant structures; it is an appreciation of the multiple resources which results from the variations possible in both oral and written discourse forms, and the resources we can use to meet the myriad demands made on participants' communicative competence. Language per se is ambiguous. Discourse researchers have presented some interesting examples of miscommunication that can be traced to the ambiguity of language. For example, a study at the Center for Distance Education may illustrate how educational policy analysts can create opportunities to analyze a large number of different reform policies aimed at inducing change by targeting major components of the instructional methods that are at the core of distance education (i.e., assignments, tests, grades, distribution criteria). Among the choices identified to date are: (a) begin by summarizing an event and then giving details, or (b) build up details and then present the summary at the end. These discourse forms—or arrangements of sentences—are just another way of demonstrating and illustrating compilation of findings across ethnographic studies of language use: first, that language forms are necessarily incomplete in specifying the full intentions of writers and speakers and so individuals choose schemas to help guide their selection for an answer; and, second, that language per se is ambiguous and so to comprehend an oral and written text individuals must necessarily initiate some interpretative frames to fill in needed information. In other words, when the concept of language per se is ambiguous the next generation of policy analysts consider (a) that what is not said is as important as what is said, (b) the importance of ambiguity for creating choices or options, and (c) the evolving nature of meaning. Interpretative frames. The concept of interpretative frames can be effectively used to develop inquiry statements for studying communication and change across the time frame of educational evaluation and policy analysis. This goal, of course, sounds quite ambiguous. However, identifying and using language and policy concepts in research essentially involves making it explicit. Schema/ frames. Discourse theory and research address the consequences of background and other interactive experiences apparent during particular institutional routines in educational, health, and social services. Notions of knowledge structure and interpretation have been the object of study for a long time, and recent formulations of the concepts of frame and schema try to capture cognitive and socio-cultural dimensions of variations in and across contexts. The idea of static schemas as personal

30 understandings, relationships, values, goals, and interests held by individuals was combined with the idea of interpretative frames to investigate the ways in which activities are conducted and actions are taken in comprehensive services. Participant structure. There are several possible ways to arrange silence or articulation of multiple schemas and interpretative frames within the basic framework of verbal and nonverbal communication used in public life, including attempts to plan and deliver comprehensive services. These arrangements are referred as "participant structure." These structural arrangements of discourse may fall into many different categories. In one type of participant structure one individual may address the entire group, or the talk may flow as if first - come - first - served reporting basis. Other participant structure arrangements include attention focused on one-to-one encounters between individuals, or attention focused on specific materials. Studies of participant structures have identified an extensive set of context cues and strategies individuals use to constitute participant structures. At the same time such studies point to the use of a variety of meanings or interpretations for these context cues by both the researchers conducting the study and those participating in the project. Understandings of variant features of language use have led to new descriptions of the most common ways people verbally or nonverbally acknowledge and incorporate, or fail to incorporate or ratify. Identifying and considering these cues and strategies can provide understandings of the links between the enactment of a particular policy and the participant structures in use during a project. Construction of social norms. Giving recognition to identifying and considering the social and cognitive processes related to presenting information and group problem solving across participant structures centers on recognition of individuals as interpreters of their world(s) and as sources of influence on others. The concept of construction of social and cognitive norms as process is proposed in discourse studies to contrast the view of norms as a discrete set of rules inculcated into passive participants. Norms and rules are arbitrary in the sense that definitions of the meanings of social situations, and situations are ever changing and different situations and different meanings. In order to establish and maintain social interaction, the participants must have agreed upon signals for beginning and ending a single social occasion. Enactment of Routines. One routine interpretation task that flows from attempts to construct social norms through changes in policy is the placement of children, youth, and adults in a host of human service programs. The way in which such everyday decisions are reached, cannot be described simply by adding a few more factors to a comprehensive services model or to a model of social operation. The next generation of policy researchers can be the benefactors of advances in understanding the benefits and constraints of variations in language use. Style shifts. One basis for understanding participant structures and enactment of 31 routines is semantics: How do people communicate and interpret meaning in everyday action and conversation? Each person's decisions about which communication strategies to apply across different situations results in her/his characteristic style. In terms of written discourse, we can arrive at new qualitative insights and new notions about our own and our colleagues' extensive communicative competence through the consideration of multiple definitions of style found in the literature, and the multiple approaches which have been created for understanding patterns established in a spoken or written text and the functions of the text. Communicative competence. Studies of communicative competence have helped to widen the lens of both theory and research on what components of communication resources are essential in everyday life. Since speech activities are realized in action and since their identification is a function of ethnic and communicative background, special problems arise in modern society where people have widely varying communicative and cultural backgrounds. How can we be certain that our interpretation of what activity is being signaled is the same as the activity that the interlocutor has in mind, if our communicative backgrounds are not identical? Individuals and social groups have constructed a variety of conventions to deal with the resource and constraint features of language. Such conventions are visible in individuals' and social groups' ideology and values regarding communication standards; what is considered "clear and precise" in one code may not be considered "clear and precise" in another's code of socialized correct conduct. Therefore, a key to understanding the organization of and social practices of oral and written discourse functions in a particular policy project is to learn how to become aware of the "rules" or conventions clients and audience have about the use of language. A key to the organization of language in a particular culture or period is restriction of free combination of "whats" and "hows," the things that must be said in certain ways, the ways that can be used only for certain things. The admissible relations comprise the admissible styles. In effect, the study of language is fundamentally a study of styles. Other Policy Analysis Approaches: ? Policy Analysis ? Policy Research ? Applied social science Research ? The Process Approach ? The Substantive Approach ? The Logical-Positivist Approach ? The Econometric Approach ? The Phenomenological (Post Positivist or Naturalistic) Approach

32 ? The Normative (Prescriptive) Approach ? The Participatory Approach ? The Ideological Approach ? The Historical Approach ? The Scientific Policy Approach ? The Professional Policy Approach ? The Political Policy Approach ? The Administrative Policy Approach ? The Personal Policy Approach

33 UNIT 3 ????? THE POLICY CYCLE Structure 3.1 Conceptual Overview 3.2 Summary 3.3 Exercise 3.1 Conceptual Overview A common theoretical device that appears in the literature on the classical model of policy is the notion of a policy cycle that has its foundation in systems theory and scientific method.

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In political science the policy cycle is a tool used for the analysing of the development of a policy item. It can also be referred to as a "

stagist approach". According to Colebatch 24 , the policy cycle imagines the policy process as an endless cycle of: policy decisions; implementation; and performance assessment. Howlett and Ramesh 25 conceive of a similar cycle but with more steps: agenda setting (problem recognition), policy formulation (proposal of a solution), decision-making (choice of a solution), policy implementation (putting the solution into effect), and policy evaluation (monitoring results). Policy cycle may take following steps: identify issues; policy analysis; policy instruments; consultation; coordination; decision; implementation; and evaluation. Policy cycle may be like, issue search or agenda setting,

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issue filtration, issue definition, forecasting, setting objectives and priorities, options analysis, policy implementation, evaluation and review, and policy maintenance, succession or termination.

Easton was the first to use systems theory to explain political processes. Easton argued that, like biological systems, political systems could be understood as open, adaptive systems where inputs (essentially political demands and public support in Easton's schema) are converted to outputs (decisions and actions) through a political process. Policy impacts (or outcomes) are distinct from policy outputs. A modern, sympathetic rendition of the systems theory conceptualisation of policy is one where governments direct inputs at specific process in order to produce outputs that will lead to desired outcomes in the client population or in the society as a whole⁴³; where each of these terms - inputs, processes, outputs and outcomes - has a specific meaning within this model. "Inputs - includes money, staffing, skills, experience, physical facilities; "Processes - are the tasks, activities, strategies, etc. - what is done;

34 “Outputs - what programs actually produce (goods, products, services); and “Outcomes - the differences in a consumer’s life or the changes to society as the result of outputs (there is a hierarchy of outcomes; some changes are more immediate, others are more significant and/or take longer to manifest).” Public policymaking is often viewed as a conveyor belt in which issues are first recognized as a problem, alternative courses of action are considered, and policies are adopted, implemented by bureaucratic personnel, evaluated, changed, and finally terminated on the basis of their success level. The term process can be defined as “a progressive forward movement from one point to another on the way to completion (Webster).” Accordingly, the Lester and Stewart provide 6 stages to explain the public policy process

26 1. Agenda Setting—the list of subjects or problems to which government officials...are paying some serious attention at any given time. Policy Formulation (or Adoption)—defines as the passage of legislation designed to remedy some past problem or prevent some future public policy problem. Policy Implementation—describes what happens after a bill becomes a law. Policy Evaluation—is concerned with what happens after a policy is implemented. Policy Change—refers to the point which a policy is evaluated and redesigned so that the entire policy process begins anew. Thus, it absorbs several stages of the policy cycle, including policy formulation, policy implementation, policy evaluation, and policy termination. Policy Termination—it is a means of ending outdated or inadequate policies. Strategies constitute a neglected dimension of administrative reforms. In the sense of overall guidelines or “mega-policies,” strategies should provide more to design a framework both for behavioral analysis of historic administrative reforms and for prescriptions on how to improve future administrative reforms. Main administrative strategy dimensions for consideration and decision include: overall goals, boundaries, preferences in time, risk acceptability, incrementalism vs. innovation, comprehensiveness vs. narrowness, balance-oriented reform vs. shock-oriented reform, relevant assumptions on the future, theoretic bases, resources availability, and range of reform instruments. Detailed strategy recommendations depend on particular circumstances; but every decision concerning an administrative reform should explicitly consider the strategy dimensions and decide on a preferable mix of strategies. It has its advantages, first of which is that it permits the policy scholar to identify policy research issues, such as evaluation or implementation (or their conjunction or distinctions) with some clarity. A second advantage is that it encourages the

35 introduction of emerging and innovative perspectives and methodologies to the policy research community. Finally, C.E. Lindblom and others have long argued that “lay probing” and “muddling through” and “usable knowledge” have their places in the policy sun (Lindblom, 1990; Lindblom and Cohen, 1976; also Wildavsky, 1988). Lay knowledge activities are to be included in a policy process framework. Implicit in this systems approach is a causal model of the policy process, from inputs to outcomes. This causal model can be thought of as a hypothesis. It is the belief that if the policy-maker does a particular thing it should achieve a desired change in the wider population. This hypothesis provides the link from systems theory to scientific method in the policy cycle, through the process of developing and testing hypotheses in order to find the best solution to a problem. Policy-makers develop a hypothesis about the best way to achieve an objective (the causal model from inputs to outcomes noted above). They then test their hypothesis (that is to say, they implement their policies and analyse the impacts of their policies). From their analysis, policy-makers can come to a conclusion about how well their policies work and whether they should be continued, improved, implemented in another way or terminated. Diagrammatically, the policy cycle is depicted in the following chart. It should be noted that proponents of the policy cycle readily admit that this model is idealised and not isomorphic. Howlett and Ramesh²⁷, for example, argue that the model does not explain why decisions are made or what drives policy from

36 one stage to the next. The model fails to embrace the complexity of the policy- making process. In reality policy rarely proceeds as a linear progression. Stages are often skipped or compressed and the interests and preset ideological dispositions of the people involved often usurp the process. It is, therefore, obvious that the classical view of policy cycle is not very practical. In the policy literature, the notion of a policy cycle are often associated with two cognate discussions. The first is what Colebatch calls “the set-piece encounter in policy texts and courses between ‘rational’ and ‘incremental’ decision-making”²⁸. The second is about the range of possible solutions (policy interventions or policy instruments) that can be applied to a problem. The ideal of rational decision-making underpinning policy-making goes back to Herbert Simon’s *Administrative Behaviour*, first published in 1945. In Simon’s ideal model, a policy-maker establishes clear goals, identifies a complete range of options and then selects the best one

following a comprehensive analysis of the alternatives and their consequences. However, this

ideal has difficulties in practice, which Simon recognised at the time, and some of which Simon addressed when he proposed his 1957 theory of "bounded rationality", in which decision-makers use practical rules-of-thumb to choose satisfactory rather than optimum solutions (a process he described as 'satisficing'). In 1959, Charles Lindblom criticised the idea of decision-making as the search for the best solution to a problem. According to Colebatch, Lindblom argued that "In practice means and ends are not separable, analysis is limited rather than comprehensive, policy emerges from a succession of small changes rather than a single clear decision, and the test of a good decision is not so much that it achieves known objectives, but rather that people agree with the process by which it was reached."²⁹ Subsequently a debate emerged between those who advocated the ideal of comprehensive or bounded rationality. Lindblom's less ambitious though no less rational form of analysis known as incrementalism or muddling through emerged. In Etzioni's mixed scanning model, inconsequential decisions are usually handled incrementally while the more consequential decisions are handled through the structured mechanism of mixed scanning. A range of options are scanned with only the more promising options which receiving detailed consideration. Along with the ideal of rational decision-making (whether a comprehensive or incremental rationality), the other element that often accompanies the classical view of policy is a discussion of the range of policy instruments that can be applied to a problem. Between the extreme voluntarism and outright coercion, there may be other broader types of policy instruments: encouragements (including education), economic incentives and disincentives (spending and taxing), government provision and 37 legislation/regulation. Policy instruments may include rule making, direct provision, grants, and taxes and charges. Howlett and Ramesh³⁰ provide a larger taxonomy with instruments ranked according to their level of state involvement: family and community; voluntary organizations; private markets; information and exhortation; subsidies; auction of property rights; tax and user charges; regulation; public enterprises; and direct provision. It is complicated in that while most instruments are technically substitutable, each has "varying degrees of effectiveness, efficiency, equity, legitimacy, and partisan support"³¹.

3.2 Summary Public policy is the business end of political science. It is where theory meets practice in the pursuit of the public good. Political scientists approach public policy in various ways. Some approach the policy process descriptively, asking how the need for public intervention comes to be perceived, a policy response formulated, enacted, implemented, and, all too often, subverted, perverted, altered, or abandoned. Others approach public policy more prescriptively, offering politically-informed suggestions for how normatively valued goals can and should be pursued, either through particular policies or through alternative processes for making policy. The units touch upon institutional and historical sources and analytical methods, how policy is made, how it is evaluated and how it is constrained. In these ways, the module shows how the combined wisdom of political science as a whole can be brought to bear on political attempts to improve the human conditions.

38 3.3 Exercise LARGE QUESTIONS - MARKS 20/12

1. What is public policy ? Elucidate the scope of public policy as a subfield of public administration.
2. Highlight the reasons behind the study of public policy.
3. Why the study of public policy is necessary for the better understanding of administrative and political system
4. Write a note on the nature and significance of public policy.
5. Define public policy with suitable examples.
6. Write short notes on the various types of public policy.
7. Write down the differences between public policy and decision-making
8. Write an essay on the evolution of public policy as a discipline.
9. Write an essay on the theory and idea of public policy as conceived by Yehezkel Dror.
10. Write an essay on the theory and idea of public policy as conceived by Lasswell.
11. Write an essay on the theory and idea of public policy as conceived by Herbert Alexander Simon.
12. What is Structured Interaction Model ?
13. What is Discourse Framework ?
14. Write an essay notion of a policy cycle. Do you think that it is a systems approach and a scientific tool ?

SHORT QUESTIONS MARKS – 06

Write short note on the stages to explain the public policy process How public policy widens career horizons and develops a number of necessary job related skills? Write short notes : Distributive public policy Redistributive public policy Regulatory Public policy Constituent policies Miscellaneous policies

39 Why the classical view of policy cycle is not very practical ? What are the two cognate discussions in the notion of a policy cycle? What is simon’s ideal model? What is “bounded rationality”? What is the process he described as ‘satisficing’ ? What is lindblom’s incrementalism or muddling through? What is Etzioni’s mixed scanning model? What is policy analysis approaches: What are the different types of policies ? How the civil Society has a role in policy formulation ? Write short notes : 1. Redesign of the policy-making system: 2. Redesign of the behavioral sciences system: 3. Redesign of intertransport between systems: 4. An explicit behavioral approach to policy-making DR. SOMA GHOSH READER, POLITICAL SCIENCE SAROJINI NAIDU COLLEGE FOR WOMEN
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41 22 Colebatch, Policy, p.88. 23 Ibid., p.2. 24 Colebatch, Policy,55. 25

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42 M#2\D:\Netaji-05\Policy Analysis\Module-2.PM6.5\2nd proof UNIT 4 ????? RATIONAL MODELS OF POLICY PROCESS Structure 4.0 Introduction 4.1 Objective 4.2 Rational Approach to Policy Process 4.3 Comprehensive Rationality 4.4 Bounded Rationality / Satisficing 4.0 Introduction The controversy over the process of decision-making has been long and explosive. One reason for this condition results from the fact that each approach to decision-making has its own set of values, goals, objectives, criteria, standards, biases. In the academic disciplines of psychology, public policy, and political science, macro-level theories addressing the planning of comprehensive community initiatives come from the professional field of planning. It is often called "social planning", developed in response to the need to engage in planning activity for the delivery of social services. Unplanned aggregate of social services and institutions that arose in an ad hoc or disjointed manner, are often insufficient, inefficient, ineffective or unresponsive to the needs of citizens. Social planning is an organized, structured, systematic effort of matching means to goals, or calculating actions to achieve objectives. Social planning theory emerged as a way to understand, explain, and prescribe the decision-making process of planning on a community level. Earliest planning theory was rooted in the rationalist paradigm, which applies the principles and methods of science to the analysis of human social activity and individual behavior in an effort to explain, predict, and thereby control social life. Rational planning is described as a process of examining problems from a systems viewpoint, using conceptual or mathematical models relating ends to means i.e., resources and constraints, which heavily relies on numbers and quantitative analysis. Rational planning methods could be applied by trained "expert" planners to solve any problem or set of problems. If rational planning methods are applied regardless of settings, it would result in optimal outcomes. Thus, rational theory is prescriptive, delineating a structure within which planning activity should occur. In the 1960s and 1970s Rational planning, and the positivist paradigm in which Module : II 43 M#2\D:\Netaji-05\Policy Analysis\Module-2.PM6.5\2nd proof it is rooted, came under attack. During this period positivism was criticized in the United States and Europe and the limits of rationality were upheld. The classic rationalist model, particularly in the area of social planning, was shown to have numerous limitations. All information necessary to understand a problem could never be fully accessible or comprehensible. All possible options could never be identified. The planner's claim to "value-free" objectivity was suspect. The rational approach upheld status quo. It ignored indigenous knowledge, valuable personal insights and understanding of poor and disenfranchised citizens, and therefore served the needs of elites. Thus, the rationalist paradigm valued only the expert planner. The rational approach rested on the assumption that actors in planning endeavors always behaved rationally. Instead, irrational behaviors, personal interests, and political biases were found to supersede "rational" concerns or behaviors in planning interests. Fourth, rationalist planning denied the role of values in decision-making. This planning paradigm could not help planners make choices in which the evidence for two or more solutions was equally valid and compelling, nor could it acknowledge competing value claims. Rationalist planning did not offer its own normative base to mediate these claims, as the only super ordinate "value" it recognized was that of efficiency. Finally, rationalist planning could not address larger social, political, and economic changes; it did not include or acknowledge contextual issues. In sum, the classic rationalist planning paradigm did not address the role of emotions, values, community, or context in social planning. In the face of these criticisms, planning theorists responded in five ways: ? ignoring the critiques; ? reforming the theory in an effort to overcome critiques; ? creating normative theories unrelated to larger social theories; ? creating normative theories based on larger social theories; ? and offering an alternative paradigm for planning theory. Many planning theorists continued to support, teach, and apply the rationalist planning model, with only minimal recognition of the limitations of the model. Others, such as Herbert Simon (1976/1945), Amitai Etzioni (1968), and Charles

44 M#2\D:\Netaji-05\Policy Analysis\Module-2.PM6.5\2nd proof Lindblom (1959), perpetuated the flawed model by proposing bounded rationality, strategic planning methods, and a recognition of the need to weigh values (conditionally). Yet, Simon's "satisficing", Etzioni's "mixed-scanning", or Lindblom's "incrementalism" were not sufficiently comprehensive to replace rational theory as a planning paradigm, nor did these decision-making theories answer all of the criticisms regarding rational planning theory's lack of attention to emotions, values, and context. These theories did not offer a normative base for resolving value conflicts. Just like rational planning theory, these theories unquestioningly supported the status quo of the planning process in mainstream society. Davidoff's (1965) "advocacy planning" and Friedmann's (1973) "transactive planning" emerged in the social activism of the sixties and seventies to suggest a role for the planner as moral agent, working for social justice. The ultimate goal is to make the final plan more responsive to the needs of disenfranchised populations. Success is determined by examining the quality of the lives of the people who take part in, and are affected by, the planning process. Advocacy planning has been criticized as more negative than positive, focused on vetoing actions desired by groups in power, without creating an alternative plan that meets the needs of the entire community. Advocacy planning can also be criticized for its adherence to an elitist, individualistic notion of "the planner". In advocacy, planning power remains inaccessible to the disenfranchised citizens. Transactive planning, on the other hand, focuses on the decentralization of power from the professional planning structures to disenfranchised residents, looking to affect larger social change from these smaller interactions. Yet, Friedmann's transactive planning theory is not linked to any larger social theory, which would offer a vision of the optimal society toward which transactive planning works. Radical planning theories challenge the structure of society and the notion of the individual professional planner from a position rooted in macro-level social theories. There are two streams of radical planning theory. Radical planning theories were rooted in the normative base of utopian and anarchist theories. They advocated small self-help efforts, the creation of separate communities, and the development of alternative social structures in order to reconstruct society from the outside. Separatist feminist collectives, emerging the radical branch of the American Feminist Movement in the 1970s, are one example of this type of planning, as they challenged mainstream patriarchal systems using nonhierarchical structures, consensus decision-making, and individual consciousness-raising among women. The second stream of planning theory, steeped in Marxism and Neo-Marxist normative theories, emphasizes large-scale political struggle in order to transform existing relations of power. Both streams of radical theory promote a fundamental restructuring of society through the actions of the disenfranchised masses to bring about a more just culture. Both utopian and Marxist radical theories provide blueprints for social change. They based their theories on assumptions about human behaviour. The divisions within Feminist, Marxist-New Leftist, Civil Rights, and Poverty Rights and social movement organizations, point to some inherent contradictions in the theories.

4.1 Objectives

Decision-making is the activity of making specific choices from among competing alternatives. The purpose of decision-making is to maintain or change existing political, social and policy elements by reallocating and redistributing resources under conditions of conservative risks. Traditional decision-making models, for the most part, American policy and decision-making concentrated on - what decisions to make and what decisions should have been made. The first decision model is comprehensive rationality. A similar, classic decision model is that of bounded rationality. The third model is that of incremental decision-making. Several questions come to mind in relation to these models: ? to what extent can traditional decision-making models accurately assess the critical contemporary problems and issues? ? is the organizational success of today's complex organizations still dependent upon traditional decision models? ? are there any contemporary decision-making model capable of dealing with massive social, political and economic conditions? This Module is designed to assess the practicality of traditional decision-making models in contemporary organizations and ecosystems.

4.2 Rational Approach to Policy Process

Rational theorists have a long tradition in the policy field. Early policy analysis developed in the early 20th century with its intellectual traditions in both welfare economics and social psychology, grounded in traditions of positivism, empiricism and enlightenment rationalism. This analysis linked empirically proven facts about the social world to policy formulation to provide answers to problems. It is grounded in realism, functionalism and the sociology of regulation. A major assumption in the rationalist framework is that policy-making is a rational process of decision-making. Writers in this framework provide a logical, hierarchical model of policy analysis

46 M#2\D:\Netaji-05\Policy Analysis\Module-2.PM6.5\2nd proof based in psychological behaviourism to explain how policy is formulated, implemented and evaluated. These writers also provide a range of tools for actors in the policy domain to use to regulate measure and control the policy process. These prescribed techniques and practices are designed to assist government and organisations to operate more effectively. These seek to remove 'politics' from administration, indeed to remove politics from the whole policy process. It lays claim to being free from personal bias and prejudice. Based in scientific empiricism, these techniques assume that decision making is guided by proven fact and guided by scientific experiment. Everything can be understood as the result of antecedent condition. It is the exercise of reason. Despite considerable criticism models developed in the rational policy framework still are by far the most prolific and generally acknowledged models of policy analysis. 4.3 Comprehensive Rationality Comprehensive represents the classic economic decision model. It is designed to maximize utility among values. In that sense, economic man uses his finest understanding to follow his goals. This task is accomplished by placing the least possible resources into a given unit of production. In term of a specific alternative: ? value is the basic point of reference. ? a goal is the translation of that value into a clear, comprehensive statement. ? an objective is the translation of the goal into a clear, concise statement that can be objectively monitored and measured in physical reality. ? criteria is the translation of the objective into a rule from which to judge the process or performance. ? a standard is the translation the criteria into a minimum level of acceptable performance. The ideal procedures of the comprehensive-rational decision process are listed below : ? list all values in their order of preference ? rate all possible policy outcomes relative to their ability to achieve the stated values ? state all possible alternatives ? contrast outcomes relative to their value ? utilize a classification theory of public policy ? select an alternative that will maximize values.

47 M#2\D:\Netaji-05\Policy Analysis\Module-2.PM6.5\2nd proof It stresses on— ? cost-benefit analysis, ? and cost-effective analysis Comprehensive rationality is given the appearance of being objective and value-free. Comprehensive rationality is not favorite decision tool among practitioners. This attitude stems from comprehensive rationality's need for seemingly infinite amounts of knowledge, time, money and energy. Practitioners never have the luxury of full knowledge, lots of money and ample time to implement a policy. Limitations Of Comprehensive Rationality ? unable to discriminate facts from values ? unable to discriminate means from ends ? unable to gain initial goal consensus among decision-makers ? variable administrative goals ? variable political goals ? unable to make timely decisions ? unable to limit decision-maker subjective database ? unable to provide a specific, singular focus ? requires infinite database ? possesses a poor communications system ? provides uncertain outputs ? creates resource competition among decision-makers ? requires the investigation of many elements of an issue ? unable to measure cost and benefits accurately ? unable to control the choice of alternative and level of resources in turbulent socio-political environment. Apart from its subjective value judgments, another major obstacle to the implementation of comprehensive rational decision-making is the requirement of an efficient decision tool capable of manipulating a large database in a short time frame. The comprehensive rational decision-making process can never really reach the point of establishing an action plan for it has not been possible to: ? consider complex problems and issues because of the many options available ? assume a decision-maker possessed appropriate intellectual knowledge ? assume the existence of all necessary data and information

48 M#2\D:\Netaji-05\Policy Analysis\Module-2.PM6.5\2nd proof ? assume the appropriate levels of time, money available for the investigation of a given problem ? assume the primacy of defining goals and objectives before making policy decisions ? assume the acceptance of consequences that are not politically relevant ? assume the acceptance of consequences that are unpredictable ? assume the existence and availability of an appropriate theory for all policy areas. Stated differently, a decision-maker is required to have the appropriate knowledge necessary to fully apply the logic of comprehensive rational decision-making. He is therefore, required to allocate the required amounts of time, money and energy necessary to acquire all the information relevant to all decision alternative values, goals, objectives, criteria and standards. Rational model assumes that humans are capable of obtaining and processing an almost infinite amount of information, decision makers know all the preferences and utility functions of their constituents, and only value-maximizing behavior is found. In the 1940s Simon demolished all these assumptions. 4.4 Bounded Rationality / Satisficing Elements of the rational model are often associated with Herbert Simon and his discussions of rational decision making in Administrative Behavior (late 1940s). Theoretical economist, Herbert Simon, merged the works of Harold Lasswell with his own to build a proposition that altered the notion of comprehensive rationality Simon proposed that humans are controlled by forces that extend beyond pure rationality. He then built the decision theory of bounded rationality upon this foundation. According to Simon, individual decisions made by the rank and file are equally as important as formal decision-makers. In fact, the implementing personnel ultimately determine the level of organizational success. The consensus then is that decision-making is a group activity within a command-oriented organization. Based on this perspective, formal organizational authority and informal organizational influence cannot flow from the top to bottom. Instead, it flows in all directions. Since this behavior is an unconscious reflex, no human within the organization can be considered rational. Simon states that organizational decision-making is what he called 'satisficing'. An administrator reaches a decision that is satisfactory on the one hand and produces benefits that suffices a decision-maker's conditional needs. The term, satisfactory, is reduced to 'satis' and suffice is reduced to 'ficing'.

49 M#2\D:\Netaji-05\Policy Analysis\Module-2.PM6.5\2nd proof When these terms are placed together, they form the term called 'satisficing'. Total data and information are often not possible to obtain within a limited time. Moreover, people at the middle management levels of the organization manipulate that same information. By the time the information reaches the policy-makers, it has been changed into a different form. Considering the fact that past decisions impact present reality, and that it is not possible to achieve all possible courses of action and also considering the fact that the boundary of the external environment is limited, humans and organizations cannot function rationally. Simon pointed out that the rational model has limitations. People are not always rational. People cannot evaluate all alternatives. People do not have perfect information to evaluate means and ends. In other words, while the model may suggest a valuable process, humans are limited or bounded in their rationality or their ability to be rational. True rationality demands an all-knowing aspect of existence that can only be likened to that of God. People are incapable of rationality as defined by Simon. Realistic decision behavior is thereby a compromise that is driven by faith, practicability and imagination. Personal ethics and values play a major role in this type of decision-making process. For example, instead of fully dealing with four decision alternatives, Simon suggests the administration to focus his efforts on two or lesser number of the four decision alternatives. Moreover, he suggests that the data gathering activity be defined in respect of political and economic goals and contexts. It must be sensitive to time limits, money, administrative authority and personnel energy levels. Lindblom described the rational model as one in which a rigorous process is followed in making a decision. First the problem is clearly identified and defined. Then all alternatives for dealing with it are articulated. These alternatives and their consequences or outcomes are rigorously analyzed by means of cost-benefit analysis or some other detailed method. Finally, the single best alternative is chosen and implemented. It is the one alternative that maximizes the values desired. After implementation, evaluation occurs. The process repeats itself. While Simon pointed out that the rational model has value in its pursuit of rational goals, its weaknesses severely detract from its ability to describe decision making, according to others like Lindblom. This understanding paved the way for Lindblom to offer incrementalism as an alternative. In the article entitled "The Science of Muddling Through.", in 1959 Lindblom articulated the rational-comprehensive model and offered the incremental model as a more viable alternative.

50 M#2\D:\Netaji-05\Policy Analysis\Module-2.PM6.5\2nd proof UNIT 5 ????? INCREMENTALISM : CHARLES EDWARD LINDBLOM (BORN 1917) Structure 5.0 Introduction 5.1 Rationality and Incrementalism – A Comparative Assessment 5.2 A Synthesis-Mixed Scanning (Amitai Etzioni—1967) 5.0 Introduction

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Lindblom is one of the early developers and advocates of the theory of Incrementalism in policy and decision-making. This view (also called Gradualism) takes a "baby-steps", or "Muddling Through", approach to decision-making processes. In it, policy change is, under most circumstances, evolutionary rather than revolutionary. He came to this view through his extensive studies of Welfare policies and Trade Unions throughout the industrialized world.

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Together with his friend, colleague and fellow Yale professor Robert A. Dahl, he was a champion of the Polyarchy (or Pluralistic) view of political elites and governance in the late 1950s and early 1960s. According to this view, no single, monolithic elite controls government and society, but rather a series of specialized elites compete and bargain with one another for control. It is this peaceful competition and compromise between elites in politics and the marketplace, which drives free-market democracy and allows it to thrive.

Early in their long academic careers, Lindblom and Dahl dedicated themselves to try and write in a clear style, free of unneeded jargon, which the average, interested reader could understand. By and large they have succeeded in this aim, in a field overrun by obfuscation. As described by Lindblom, incrementalism is a process of "successive limited comparison" (branch method). Instead of evaluating everything all over again, decision makers accept a set of "givens" and go from there. These "givens" may represent past decisions or brokered agreements between competing interests. It is far easier to accept them and simply evaluate the change at the margin from these "givens." Thus, only the increment of change is evaluated. We can once again bring Simon into the picture. People evaluate the increment until they find something that works, that satisfies or suffices. Simon calls this "satisficing" since the search is not for the single best option, but for one that works and can be agreed upon. Herbert Simon's "bounded rationality" and other contributions to decision-science divide the past from the future regarding budget decision-making. Simon's "bounded rationality" 51 M#2\D:\Netaji-05\Policy Analysis\Module-2.PM6.5\2nd proof provides the basis for our understanding of incremental decision-making, while Lindblom's "disjointed incrementalism" provided a firm foundation for its evaluation. However, "bounded rationality" also provides the point of beginning for policy-based decision-making systems. As mentioned above, "bounded rationality" also provides the beginning point for policy based systems. Simon identified the existence of "bounded rationality," while Lindblom built a model of disjointed incrementalism. Lindblom's incremental model is incremental, but that an incremental decision using high understanding was grounded in rational-comprehensive techniques. INCREMENTALISM FUNDAMENTALS 1. There are various actors involved in policy-making and implementation - politicians, bureaucrats, interest groups, and the public at large 2. Because there are many individuals and groups involved in the policy process - there is a lack of consensus on identifying which issues policy should address 3. Divergent views on how goals should be pursued because agreement upon strategy is "possible only to the extent that values are agreed upon" 4. As a result of the various views about ends and means, incrementalism alleges that actors use their political power to negotiate what and how something should be done - bargaining ? Ultimately consensus leads to the lowest common denominator ? Policies, therefore, tend to be watered down or modest in resources and scope Incremental policy-making "is a process of mutual adjustment among a multiplicity of actors having different self-interests and divergent conceptions of the public interest - according to this model, decision-making produces policies that depart ever so slightly from previous ones - hence, this type of decision-making is "incremental" in nature. Weaknesses are noted also. There is debate over the strength of empirical evidence for incrementalism in budgeting. Such an incremental system requires little professional staff, since it has a limited focus. It reduces the time required by the elected decision-makers by focusing only on the margin or "increment" of change from the prior year. It is also serial allowing for change to occur over many cycles which allows for slowly building a base for support among those involved, while mitigating the "unintended consequences" of unstudied change. Although incrementalism has enjoyed widespread acceptance within political science, it has not spawned a lively research tradition leading to cumulative refinement and amplification of the core concepts. Nor has it provided much guidance for policy making, in part because scholars never attempted to clarify how decision makers could become better incrementalists. This is due in part, we suggest, to the fact that

52 M#2\D:\Netaji-05\Policy Analysis\Module-2.PM6.5\2nd proof understanding of the concept of "incrementalism" has become extremely muddled, conceivably to the point where the term may have outlived its usefulness; but the problems which motivated the early scholarship remain at the heart of political theory and practice. Most of the enduring criticisms of incrementalism fall into four broad categories. First, it is alleged to be insufficiently goal oriented and ambitious. Incremental steps are said to mean proceeding 'without knowing where we are going', 'leading nowhere'. Moreover, incremental learning is "strictly a posteriori and passive". Nothing in the logic of incrementalism would lead to such conclusions. Political participants obviously have goals, use analysis where convenient, formulate policy trials as best they can given their partisan aims and skills, engage in learning, and try to improve outcomes that matter sufficiently to them. Yet something about Lindblom's formulation encouraged or allowed a large number of scholars to waste a great deal of time over a matter on which no thoughtful person could possibly disagree, a point to which we return. A second criticism holds that incrementalism is an overly conservative approach, which would tend to neglect basic societal innovations and would limit social scientists' ability to serve as a source of social innovation. It is said to favor organized elites over the poor and disorganized, because weaker actors are not able to protect values that stronger actors choose to discount. More generally, incrementalism does not take sufficient account of crucial factors that are not powerfully represented in the bargaining process, e.g., the future. A third criticism holds that incrementalism is appropriate in only a narrow range of decision situations: where the environment is stable, no crisis is impending, the organization's survival is not at stake, available resources are not desperately short, and where current policy problems resemble previous ones for which the organization has experience. Certainly, there is good reason to suppose that the above conditions make policy making more difficult. Finally, threshold and sleeper effects are said to undermine the usefulness of incrementalism. Serial adjustment to revealed error presupposes that errors are reversible or compensable, and that the resources required to do so are not out of line with the original cost of the program. But Lindblom never claimed that incremental analysis would be useful only in the context of policy processes relying on partisan mutual adjustment. Clearly incremental analysis has wider applicability. Indeed, since reconciliation processes in even feebly democratic systems will tend to narrow the scope of feasible options in much the same way that a disjointedly incremental strategy would, incremental analysis arguably is more important in polities that are less democratic. For it is precisely where authority is monopolized by a small number of actors that bold, poorly framed actions are most likely. Since feedback processes usually are worse in non-demo-

53 M#2\D:\Netaji-05\Policy Analysis\Module-2.PM6.5\2nd proof cratic systems, moreover, error correction will be slower and the total cost of mis- takes may be larger. Hence, even a sensible dictator would use incremental analysis. One of the criticisms of incrementalism was the possibility that policy trials could produce unbearable errors, before error-correction could occur. While the prob- lem afflicts all decision theories, not just incrementalism, it is well worth addressing. Even in highly uncertain endeavors, it is possible at the outset partly to foresee and protect against some of the worst risks. Homeowners, for example, do not have to calculate the likelihood of their house burning down.; merely knowing that it is an unacceptable possibility is enough to warrant obtaining insurance as an initial precau- tion against catastrophic loss. A second problem with trial-and-error learning is that by the time serious flaws become apparent, a policy may have become quite resistant to change - deeply enmeshed in implementers' careers, in organizational routines, and in the expecta- tions of those comprising a policy network. In framing policy moves, therefore, partisans who actually seek to solve a social problem can improve their odds by developing policy options capable of being altered fairly readily, should unfavorable experience warrant. The model has shown much power in its ability to be broadly applied to both policy and budgeting situations. Lindblom, Wildavsky, Kettl, Gosling, LeLoup, Clynych have employed the incremental model in their work. Economy - The incremental model is relatively simple, especially when com- pared to some of the assumptions required in the rational model, for example. It is relatively easy to obtain quantitative and qualitative data for testing. Understandability/Organization. - Incrementalism provides a framework that builds on Simon's notion of "satisficing." It appears to contribute to our ability to identify or model or make sense out of the decision making process. Incrementalism remains the most complete explanation for the public policy decision making process, particularly those relating to budgeting; the incremental model has contributed greatly to our understanding of the way politics and budgets work. 5.1 Rationality and Incrementalism—A Comparative Assessment "Rational" decision making is a good way to begin discussion of decision-making. "Rationality" in an ideal sense is not possible, it is inherent in the rhetoric of governmental approaches. So of course since it is often viewed as an ideal type, then alternatives are devised by discussion of its limitations. This process is most associated with Simon's bounded rationality or "satisficing", and Lindblom's incrementalism. The main presented difference between them is that Simon's approach is presented as an attempt to get as close to the rational ideal as possible (hence his focus on 54 M#2\D:\Netaji-05\Policy Analysis\Module-2.PM6.5\2nd proof improving methods of analysis and training), while Lindblom argues that incrementalism is not only necessary but also in some sense desirable or that decision- makers should focus on ways to improve their rules of thumb. Lindblom provides a similar critique of rationality. Its failures are based on limitations in: ? Cognitive/ problem-solving ability ? Available information – especially of future consequences and future conditions ? The cost of research ? The ability to distinguish between facts and values ? The dynamics of the policy process and the way in which issues arise The solution, then, is a focus on "successive limited comparisons" based on: ? A recognition that values and empirical analysis are intertwined – even for an individual. In "The Science of Muddling Through" Lindblom demonstrates this well in discussions of the context of inflation and even in cases what to do when an initial decision has been made. ? There is no widespread agreement on the cause and hence the solution of the problem. This is a major point – that rationality for a decision-maker is different than rationality for society. ? A rejection of the distinction between means and ends in favour of agreement/ negotiation between various policy analysts and decision-makers ? A very limited analysis of policies, which is not already in place. The incrementalism is more realistic, more focussed on the problem at hand. It is based on trials and error. It is less costly and less disruptive. ? Incrementalism contributed much to our understanding of how policies are made and implemented ? human intellectual capabilities are simply insufficient to understand and solve most of the problems that confront policy makers ? lack of resources (i.e., time and financial means) limits the options available to policy makers ? conflicting values in the policy arena ? bargaining, therefore, is a central tenet In part, Lindblom's analysis relies on some sense of dispersal of power for his ideas about: ? a "watchdog"-if one policy decision affects another then the latter has means ro readdress and act on the situation ? mutual adjustment – policy decisions are arrived at through negotiation or mutual adjustment.

55 M#2\D:\Netaji-05\Policy Analysis\Module-2.PM6.5\2nd proof In other words, we could argue that Lindblom's arguments rely on a defence of pluralism. Put simply, if resources within society were dispersed (significantly) unequally, then it would be less legitimate to talk of "mutual" adjustment instead of coercion or dominance. Another exercise is to break down a policy problem/ solution into its constituent parts. Lindblom's discussion of inflation is a good start. 5.2 A Synthesis- Mixed Scanning (Amitai Etzioni—1967) In 1968, noted sociologist, Amati Etzioni, developed an abstract decision model called, mixed scanning. This model represents a protest of the failure of incrementalism to clearly differentiate between functional and nonfunctional decisions. In effect, incrementalism was only capable of dealing with nonfunctional decisions that tended to focus on critical, trouble shooting types of problems. For instance, a functional decision was achieved by investigating the primary alternatives in relation to a specific set of goals. Details were eliminated in order to maintain the character of the broad perspective. Incremental decisions are formulated within this broad perspective. Mixed scanning was designed to deal simultaneously with a problem or issue from a perspective that was both: ? comprehensive, ? and incremental. The sequence by which an administrator would approach a problem or issue from a mixed scanning perspective is listed below: The elements of the problem or issue would be: ? identified through their respective goals, objective, criteria and standards. ? assessed by comparing the respective goals, objectives, criteria and standards among one another. For example, the mixed scanning process can best be understood by relating Etzioni's high altitude weather satellite analogy. Consider the existence of a two- camera weather satellite orbiting above the earth's surface. One camera is designed for narrow angle photographs and thereby focusses on specific weather patterns within a narrow land area. The other camera is designed to capture major weather patterns. Analysis of the narrow weather pattern is dependent on its previous discovery by the wide angle camera of the weather system itself. This position enables an administrator to see the weather system's: ? size, ? location, ? and boundaries.

56 M#2\D:\Netaji-05\Policy Analysis\Module-2.PM6.5\2nd proof In contrast, the wide angle camera is dependent upon the narrow angle camera for a detailed analysis of weather storm centers and related weather activity. Both cameras are mutually dependent upon one another for the transfer of relevant data and information. Much like other decision theories, mixed scanning has its shortcomings. For example, Lindblom's statements about incrementalism suggest that his model is based on limited forward incremental improvements, however, are dependent upon, political influence, the actors involved and the time in history. At one point, the increment might be small and at another point, the incremental improvement might be large. Since the size of incrementalism's alterations is a matter of perspective and content, it cannot be considered as a decision-making model whose output is always small. Lindblom further suggests that whenever rational decision-making and its inherent assumptions are utilized, that poor decision analysis results. With this approach, a decision-maker cannot completely analyze complex problems and issues. Though it may be fairly easy to identify a functional decision, narrowly based nonfunctional problems and issues may quickly develop into broad functional problems and issues. When this occurs, can it still be classified as a narrow nonfunctional problem ? Until this condition can be resolved, mixed scanning continues to exist as an abstract decision-making model without a practical application. Two types of decisions that have to be made 1. Fundamental 2. Incremental ? If policy making involves a fundamental shift, then the comprehensive model should be used ? If policy making involves adjusting existing policies, then save time, money and resources by using incrementalism The individuals in an organization are simultaneously engaged in all four modes of scanning. They view the environment broadly in order to see the big picture as well as to identify areas that require closer attention. At the same time, they are searching for information on particular issues in order to assess their significance and to develop appropriate responses. Etzioni compares this "mixed scanning" to a satellite scanning the earth by using both a wide-angle and a zoom lens : "Mixed scanning ... is akin to scanning by satellites with two lenses: wide and zoom. Instead of taking a close look at all formations, a prohibitive task, or only at the spots of previous trouble, the wide lenses provide clues as to places to zoom in, looking for details." Effective environmental scanning requires both general viewing that sweeps the horizon broadly and purposeful searching that probes issues in sufficient detail to provide the kinds of information needed for decision making.

57 M#2\D:\Netaji-05\Policy Analysis\Module-2.PM6.5\2nd proof UNIT 6 PUBLIC CHOICE THEORY/POLITICAL ECONOMY Structure 6.0 Introduction 6.1 Objective 6.2 Context of Emergence of Public Choice Theory 6.0 Introduction Public choice theory is the use of modern economic tools to study problems of constitutional democracy, traditionally the province of political science. A more general term is 'political economy', an earlier name for 'economics' that evokes its practical and theoretical origins but should not be mistaken for the Marxian use of the same term. In particular, it studies the behavior of voters, politicians, and government officials as (mostly) self-interested agents and their interactions in the social system either as such or under alternative constitutional rules. These are represented with whatever tools fit the problem, including standard constrained utility maximization, game theory, or decision theory. Public choice analysis has a strong root in positive analysis ("what is") but is used for normative purposes ("what ought to be") to identify a problem or suggest how the performance of the system could be improved by changes in constitutional rules. A key formulation of public choice theory is in terms of rational choice, the agent-based proportioning of scarce means to given ends. An overlapping formulation with a different focus is positive political theory. The modern literature in Public Choice began with Duncan Black, who in 1948 identified the underlying concepts of what would become median voter theory. He also wrote *The Theory of Committees and Elections* (1958). Gordon Tullock refers to him as the "father of public choice theory." James M. Buchanan and Gordon Tullock, of George Mason University, coauthored *The Calculus of Consent: Logical Foundations of Constitutional Democracy* (1962), considered one of the landmark works that founded the discipline of public choice theory. Kenneth Arrow's *Social Choice and Individual Values* (1951) influenced formulation of the theory. Among other important works are Anthony Downs's *An Economic Theory of Democracy* (1957) and Mancur Olson's *The Logic of Collective Action* (1965). Development of public choice theory accelerated with the formation of the Public Choice Society in the United States in 1965. Public choice theory is often referenced when discussing how individual political decision-making results in policy that conflicts with the overall desires of the general

58 M#2\D:\Netaji-05\Policy Analysis\Module-2.PM6.5\2nd proof public. One way to organize the subject matter studied by Public Choice theorists is to begin with the foundations of government itself. According to this procedure, the most fundamental subject is the origin of government. Although some work has been done on anarchy, autocracy, revolution, and even war; the bulk of the study in this area has concerned the fundamental problem of collectively choosing constitutional rules. This work assumes a group of individuals who aim to form a government. Then it focuses on the problem of hiring the agents required to carry out government functions agreed upon by the members. The study of how legislatures make decisions and how various constitutional rules can constrain legislative decisions is a major sub-field in Public Choice. Another major sub-field is the study of bureaucracy. The usual model depicts the top bureaucrats as being chosen by the chief executive and legislature, depending on whether the democratic system is presidential or parliamentary. A field that is closely related to public choice is "rent-seeking." This field combines the study of a market economy with that of government. Thus, one might regard it as a "new political economy." Its basic thesis is that when both a market economy and government are present, government agents are a source of numerous special market privileges. Both the government agents and self-interested market participants seek these privileges in order to partake in the monopoly rent that they provide. When such privileges are granted, they reduce the efficiency of the economic system. In addition, the rent-seekers use resources that could otherwise be used to produce goods that are valued by consumers. Rent-seeking is broader than Public Choice in that it applies to autocracies as well as democracies and, therefore, is not directly concerned with collective decision-making. However, the obvious pressures it exerts on legislators, executives, bureaucrats, and even judges are factors that Public Choicers must account for in their effort to understand and assess collective decision-making rules and institutions. Moreover, the members of a collective who are planning a government would be wise to take prospective rent-seeking into account. 6.1 Objectives Public choice theory attempts to look at governments from the perspective of the bureaucrats and politicians who compose them, and makes the assumption that they act based on Budget-maximizing model in a self-interested way for the purpose of maximizing their own economic benefits (e.g. their personal wealth). The theory aims to apply economic analysis (usually decision theory and game theory) to the political decision-making process in order to reveal certain systematic trends towards inefficient government policies. There are also Austrian variants of public choice theory (suggested by Mises, Hayek, Kirzner, and Boettke) in which it is assumed that bureaucrats and politicians are benevolent but have access to limited information.

59 M#2\D:\Netaji-05\Policy Analysis\Module-2.PM6.5\2nd proof The assumption that such benevolent political agents possess limited information for making decisions often results in conclusions similar to those generated separately by means of the rational self-interest assumptions. Positive public choice theory focuses on the question of what government policies are likely to be implemented in a given political setting, while normative public choice theory considers what policies would produce a desirable outcome if they were implemented.

6.2 Context of Emergence of Public Choice Theory The Weberian conceptualisation of bureaucracy has dominated the public administration stream since its very beginning. To Weber, 'bureaucracy is the rational- legal authority, and hence most efficient, whereas the traditional (hereditary tribal chief) and charismatic (spontaneous leadership) authorities are primarily irrational and extra-legal' 1 . Weber suggested some very significant attributes of bureaucracy : fixed and official jurisdiction, hierarchy, written files, training, full-time and permanent assignment, rule bindedness, discipline, impartiality. He laid stress on efficiency, precision, certainty, impersonality and neutrality. Bureaucracy's strict adherence to the principles of hierarchy, specialisation and impartiality often is considered to be contrary to the democratic values of equality, participation. In early liberal democracies the bureaucracy was assigned only a limited role, restraining itself only to the role of implementing the policies, predetermined by the political executives. It was accepted that value-laden decisions are in the domain of politicians while public servants merely implement these decisions with no room to influence policy-choices. In course of time, with the changes in socio-economic scenario the concepts of police-state and laissez-faire economy suffered a setback. Challenges from different quarters evolved a newer concept of welfare state, where the bureaucracy was expected to perform a more positive role through a variety of education, health and rural development programmes. In the context of the developing countries, the administration was desired to be more responsive to the popular demands. Administration is now going to confront some new challenges in this millennium. From 1990s, instead of traditional public administration, new public management, better known as entrepreneurial government has come to dominate the field, aiming at efficiency, economy and effectiveness The traditional bureaucratic hierarchy and centralisation of authority have now been subject to severe criticism, in the context of liberalisation and globalisation.

60 M#2\D:\Netaji-05\Policy Analysis\Module-2.PM6.5\2nd proof Since 1980s a view is emerging that similarities in public and private administration is greater than the differences. Richard Parry argues in this context that '..... the preferred strategy for improving the quality of public service is the private sector notion of doing simple things well according to the competitive advantage of the producer.' 2 Thus originates the basic notion of 'public choice', which is actually an attempt to apply the rules of economics in the study of politics and of public administration. The public choice theory challenges the traditionally established social utility services of a democratic government. Public choice theorists argue that career bureaucracy neither can be responsive to social welfare, nor can respond to market needs. Bureaucratic excesses and bureaucratic inefficiency now have been found to be intolerable and therefore debureaucratization and decentralization of the decision- making process are thought to be more convenient to deal with the variety and uncertainty. Western developed countries since late 1970s have sought to introduce a policy of state-minimalism. Reducing the scope of bureaucratic interference in the process of development state investment has been towered, leaving a wider scope for the private sector to contribute in the course of development. This process of thought is not at all foreign in the developing and under developed countries. The question of public choice is getting enormous importance in view of the fact that in this post-industrial phase, polity and economy is supposed to come closer to facilitate the process of growth. In this connection it has been maintained that efficiency is no longer defined as following the rules, but as causing of effects. Welfare state administration now be- comes dependent on the substantive realisation of some values (rather than compli- ance with rules) and upon the resulting processes of empirical consensus formation. This is how the public choice theorists discard the bureaucracy as 'rational' and 'efficient'; rather they think that bureaucrats prefer self-interest to public interest. The chief proponents of this school are Duncan Black, Kenneth Arrow, M. Buchanan, Gordon Tullock, Vincent Ostrom, William Niskanen etc . Dennis

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Mueller defines public choice approach as 'simply the application of economics to political science'.

Its focus is on efficiency and rationality. The public choice theorists like Niskanen have argued that bureaucrats are always very keen to maximise their own departmental budget and to expand their scope of activities. Niskanen in his book 'Bureaucracy and Representative Government,' argues that to raise the quality of performance of bureaucracy, it is required to reduce the monopoly of bureaucracy in supplying public goods and services. Increasing competition both 61 M#2\D:\Netaji-05\Policy Analysis\Module-2.PM6.5\2nd proof within the bureau and outside in the market and change in the system of incentive can make the government effective. The politicians are merely power hungry. So they are actually interested in fostering narrow individual desires, instead of distributing public benefits. Therefore, public enterprises should now be asked to lower their investment and to leave it to the private sector. Public sectors only increase expenditure and fail to maintain the quality of the work and products. The government should no longer exist as the doer of public activities, but should be the distributor of benefits and facilitator of change. Questioning the very efficacy of bureaucracy, Ostrom suggests that when the central problem in public administration is viewed as the provisions of public goods and services, alternative forms of organisation may be available for the performance of those functions apart from an extension and perfection of bureaucratic structures. Bureaucratic structures are necessary

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but not sufficient structures for a productive and responsive public service economy.

Public choice theory introduces competitive approach in the understanding of public administration. It advocates plurality in the institutional setup of providing public goods and services, the thing now being introduced in India, in the areas of air travel, telecom etc. The individual now has his choice as per his rationally designed self interest. The basic assumption of public choice is that an individual actor, whether he is the manager or the consumer, is a utility maximiser, who will act in accordance with his self interest in order to maximise his net benefits. So a rational man selects the best course of action from among the available alternatives and he tries to minimise the amount of risk and uncertainty on the basis of relevant information remaining within the limits of lawful conducts. Therefore, political action must be understood as the outcome of the actions of motivated atomistic individualism. For that the initial constitutional requirement is to construct the political institutions that will best suit the cause of individual liberty. The public choice theorists regard the notions of organic views of social and political organisation or that of "general will" or "public interest" as mystical, even they are not ready to accept Marxist idea of class domination. Their primary concern is the utility-maximising individual. Niskanen is of the view that 'a better government would be a smaller government'. Public choice theorists believe that each individual in search of maximising his net benefit, contribute to public good. For instance, defence, law and order fall in this category which individual would not like to disturb for the sake of his own interest. Sometimes, public goods become private goods when they benefit only a section. For example, industries are necessary for economic prosperity, but they may create pollution. The government is desired to regulate the process of industrialisation in a

62 M#2\D:\Netaji-05\Policy Analysis\Module-2.PM6.5\2nd proof way to maximise the utility and minimise the undesirable effects, and thus to respond to consumer's demand. One may think of the resemblance of the theory to the conceptual framework suggested by early individualists. But main difference may be in the fact that along with outright privatisation drive, the responsible government may strive for regulating the private sector in a way to realise the value of sustainable development, instead of adhering to the path of traditional development. Public choice theorists prefer decentralisation, democratisation and organisational competitiveness. It is not just people's easy access to governmental units, rather it creates opportunity for the individual to have a choice from among several political organisation, performing similar functions. Moreover, they hold that authority should be divided to limit arbitrary use of power by the government organs and to control their corruptibility. Ostrom suggests to stimulate healthy and democratic competition among government agencies, multi-organisational arrangements are better than monocentric administrative apparatus structured hierarchically. Ostrom stresses on individualistic, consumer-oriented organisational design to maximise efficiency at least possible cost and resources. He mentions that producer efficiency in the absence of consumer utility is without economic meaning. So the need of the hour is to increase administrative effectiveness, as David Beetham viewed it and to ensure the quality of service at least possible cost. To that extent Ostrom observes that administration can never be indifferent to politics. The public choice theories are not free from its negative effects on the socio-economic setup of a political system and from its inbuilt contradictions. ? The public choice theorists are never clear as to how alternative organisational structures will evolve and how they will serve public interest. Public interest is general interest, i.e., not just the sum of some individual's interest. ? Public choice theory's assumption is that man is a rational being and he is in a position to recognise his self interest, that can be realised with the help of market-like organisational arrangement. To what extent it is applicable in the context of developing and underdeveloped nations is doubtful. ? State minimalism and market-friendliness minus social utility programmes can never be adequate for the course of development in the developing world countries. Diversity of interests may be very dangerous and even it can be disastrous for country's stability. ? Even in the Western developed countries it can produce benefit only for the dominant class, a high-income group pursuing a high-tech consumerism. If the self-seeking bureaucrat and the vote seeking politician are to be replaced by the utility maximising individual, it will not only be a very simplistic

63 M#2\D:\Netaji-05\Policy Analysis\Module-2.PM6.5\2nd proof understanding of the politico-administrative process, but as well be understood as the current global sweep of capitalism. To take an extremely negative view of the behaviour pattern of the politicians & the bureaucrats is also supposed to be very cynical. ? Market can never be the substitute of good governance; rather in view of growing dissatisfaction among the people, both the politicians and the bureaucrats must learn to behave more efficiently, ethically and effectively. In view of growing public awareness and mounting grievances, the government should do actual service for the benefit of the people. Both the politicians and the bureaucrats must be much more informative with a sound technological knowledge and the size of the bureaucracy should not be so large as their salaries and allowances would eat away most of public revenues. 21st century public administration wants to get rid of the over loaded ever growing bureaucrats. People of cybernatic states have started thinking of debureaucratization. So what is needed is perfectionist performance orientation on part of the bureaucrats. The bureaucrats should realise the course of global economy. The bureaucrats must keep in mind that ? Effectiveness generates output ? Productivity is the only thing that can ensure sustainance in the global economy ? Mobilisation and utilization of resources in an effective manner are the prime considerations for development ? The bureaucrats must be aware of the fact that effectiveness means selecting the best task to perform from all the alternatives available and then doing it in the best possible manner in order to generate desired output. To combat the challenge of debureaucratization, the bureaucrats are required to promote efficiency and effectiveness not only in public services, but also within government. To face the challenge of globalization competitiveness and productivity have to be increased. 1) Hughes, O.K : Public Management and Administration. An Introduction, London, Macmillan Press, 1994 : P. 28. And individuality. 2) Parry, Richard : Concepts and Assumptions of Public Management in Colis Duncan (Ed.) The Evolution of Public Management: Concepts and Techniques for the 1990s, London, 1992 :

64 M#2\D:\Netaji-05\Policy Analysis\Module-2.PM6.5\2nd proof UNIT 7 ????? OTHER APPROACHES TO THE MODELS OF POLICY PROCESS Structure 7.1 Theory of Communicate Planning Practice 7.2 The Bottom-up Model 7.3 The Top-Down Model 7.4 Welfare Economics Theory 7.5 Theories of Institutional Change (Evolution) 7.6 Impact Analysis 7.7 Summary 7.8 References 7.9 Exercises 7.1 Theory of Communicate Planning Practice

As the tide in academe turned toward postmodernism and issues of representation over the last fifteen years, Habermas' (1984, 1987) theory of communicative planning practice has emerged as an alternative to rationalist, decision-making, advocacy, transactive, and radical planning theories. Communicative practice theory is a normative theory that offers a way to understand the intersubjective political, social, and historical processes involved in planning in a diverse society. Planning, in Habermas' view, is comprised of three components: (1) instrumental work, that looks at the "objective realities" of the community, using rational-empirical scientific methods; (2) communicative action, through which we interpret subjective meanings attributed to these "realities" by the different stakeholders, using historical-hermeneutic approaches; and (3) emancipatory interests, that examine the power relations underlying these objective and subjective realities, using critically-oriented sciences. All three of these components should be considered by people engaged in planning on a community level, as well as those researching planning. "Habermas' theory of communicative competence assumes that human discourse presupposes and anticipates an ideal speech situation, which is then connected to an ideal form of life"; therefore, truth in communication is ultimately linked to freedom and justice. In the ideal planning/speech situation, participants would plan from a position of shared consensus, in which they would be able to: (1) share complete understanding of one another, establishing true comprehensibility; (2) offer statements free of misinformation, establishing truthfulness; (3) participate sincerely without manipulation or deception, establishing trust; and (4) speak in a manner that is appropriate within existing norms, establishing legitimacy. Thus, in order to work toward a just end in planning and a democratic planning process, all people involved in the planning must be engaged in an ongoing discourse, in which participants are seeking objective information, actively self-reflective, critically questioning the dynamics of power in the sociohistorical context of the planning process, and working toward validating the underlying consensus 1 in a "free, symmetrical, unconstrained discourse." Albrecht and Lim (1986) elaborate the ways in which Habermas' theory of communicative action is an improvement on both rational planning theory and normative theories. Rational planning theory, which privileges technical and practical interests in planning, does not provide opportunity for planners' self-reflection. Normative planning theories, such as radical and advocacy planning theories, do not allow planners, or those citizens involved in planning, the opportunity to critically analyze the ideologies shaping their planning processes. Habermas' theory provides a role for technical knowledge (knowledges of causes and predictions of social processes), practical knowledge (interpretations of meanings attributed to social processes), and critical knowledge (understanding of ideological manipulation and distorted communications shaping technical and practical knowledges). Albrecht and Lim (1986) explain the utility of communicative theory to planning practice and theory as follows: By understanding communication theory, planning theorists can put themselves in a position to perceive how communications structure the planning process. Also, by accepting the norm of free and symmetrical discourse, planners can perform tasks such as disseminating information and educating the public in a more democratic way. In a pluralist democracy, such as that in the United States, planners must encompass varied interests and values without losing sight of the general public interest. Only a social theory capable of distinguishing historically caused relationships from structural regularities in society can unmask ideological distortions and provide a framework for dealing with public interest issues. The role of communicative action seems to be important in solving this issue. 1. Habermas' use of consensus is related to the more common social work notion of consensus, yet it is not the same. Habermas invokes an unstated basis underlying all communicative action in which all four claims to validity are guaranteed. Albrecht and Lim (1986) explain, "When one or more claims to validity becomes problematic, the background consensus is called into question and the claims, previously only implicit, now require specific forms of problem-solving"(p.125). The resolution of this overt form of validation is the process that we more commonly understand as "consensus-building" in social work practice, the creation of a shared set of norms, values, goals, and ideals through democratic interactions.

66 M#2\D:\Netaji-05\Policy Analysis\Module-2.PM6.5\2nd proof Habermas' communicative planning practice seems to be the best macro-level theory to address the planning of comprehensive community initiatives. These initiatives have multiple constituencies and stakeholders, who hold divergent values, norms, and purposes which are historically, politically, and geographically specific. Under Habermas' theory, these groups must work together to assess those issues labeled "social problems", develop explanatory theories that identify deceptive legitimizations of inequalities and the influence of ideologies on problem definition, and then plan and implement new initiatives, in ways that substantiate true consensus and further emancipatory interests. This theory also provides researchers a way to examine whether participants have worked together toward true consensus, through an evaluation of claims to comprehensibility, truthfulness, sincerity, and legitimacy, as will be discussed at greater length in the methods section.

7.2 The Bottom-Up Model

The bottom-up model has been around since the beginning of the American Republic. Alexander Hamilton as Treasurer employed a type of bottom-up approach for budgeting in the 1780s. Irene Rubin writes that prior to the 1960s, most of the states have used a bottom-up model in which the agencies made budget requests and reported directly to the legislature. In bottom-up states and local governments, the line-item type of budget has often been employed. This budget format lists every item on its own line and gives the legislature a great deal of control over individual appropriations since they can add or strike out provisions at will. There is no need on behalf of the agency to justify or report performance measures. The legislature runs the process. The executive is essentially left out of the process and is reduced to responding at best. Under bottom-up notions of budgeting, value is placed on fragmenting power and multiple access points and players in the process. This aspect of democracy suggests that the lower levels are closer to the "grass roots" and so should be responsible for directing the purse strings. As it works out, incremental processes seem to prevail in such an environment so as to preserve one's budget base, protect "sunk costs," and save bargaining time.

7.3 The Top-Down Model

As the good government movement took hold, my other model—the top-down model—began to become a reality in many governments. As stated above, it was largely reform-motivated. The means of securing a top-down approach was through executive budgeting. Here, the president or governor was empowered to receive the budget requests directly from the agencies. Congress and state legislatures adopting this process were reduced to budget responders taking their cues from the executive.

67 M#2\D:\Netaji-05\Policy Analysis\Module-2.PM6.5\2nd proof The motive for much of this reform was to improve efficiency and reduce corruption and waste. The values of control and rationalization were sought after. Various budgetary schemes were employed to inject rationality into the system. On the federal level, the old line-item method gave way to performance budgeting and program budgeting. In the 1960s, these methods were essentially combined into what became known as planning-programming budgeting or PPB (Gosling sometimes calls it planning programming budgeting system or PPBS).

7.4 Welfare Economics Theory

This theory tries to provide a scientific guide to the question, which institution, right or rules is better (optimal or whatever)? The concept of externality is central to the question. Externalities arise whenever economic activity on the part of one individual (in consumption or in production) generates an effect (beneficial or detrimental) on some other individual who is not party to the activity. To develop an economic theory of the state is one way to characterize part of our task. Warren Samuels in *Fundamentals of the Economic Role of Government* writes, (1) Government is deeply involved in the definition and in the creation of the economy. (2) Efforts are continually being made to obfuscate the role of government in defining and creating the economy so as to selectively channel both the definition and the (re)creation — efforts which are willy-nilly a part of the process of definition and (re)creation itself. (3) The proximate critical matter is almost always the legal change of law, that is, the change by law of the interests to which government is to give its support: Government is inexorably involved in the status quo, and the question is the change of the details of that involvement. (4) Although the economy and polity are typically comprehended as essentially self-subsistent and independent — albeit interacting — spheres or processes, there is a "legal economic nexus" in which both originate in an ongoing manner.

7.5 Theories of Institutional Change (Evolution)

How did institutions evolve in the past and where are they going? What can we do with such knowledge other than satisfy our curiosity? There are desired outcomes that can not be achieved by changing the relative cost of alternative behaviors. Only if people's preferences and cognitions change can we get some performances. We often choose a certain rule to achieve a certain performance in the short run and later discover that it started us down a path we don't like. Learning is essential to any theory of institutional evolution. Preferences and technology change. These changes are the focus of several of our class periods including: Behavioral concepts; The economic development themes of North; Technology; and New Institutional Alternatives.

68 M#2\D:\Netaji-05\Policy Analysis\Module-2.PM6.5\2nd proof 7.6 Impact Analysis This theory is concerned with predicting the substantive performance of an alternative proposed institution and not with predicting what institutions are coming next. There are a number of similarities in the theoretical constructs being employed in the institutional economics literature: The transaction as the unit of analysis and emphasis on the relation among people rather than commodities of the production function; Utilization of a situation, structure (institutions), behavior, performance paradigm. While recognizing the need for simplification in theory building, we will try not to make grossly counterfactual assumptions especially about human behavior. 7.7 Summary Herbert Simon's "bounded rationality" and other contributions to decision-science divide the past from the future regarding budget decision-making. Simon's "bounded rationality" provides the basis for our understanding of incremental decision-making, while Lindbloom's "disjointed incrementalism" provided a firm foundation for its evaluation. Wildavsky would later write one of the definitive works on incrementalism as a budget process and partial political theory. However, "bounded rationality" also provides the point of beginning for policy-based decision-making systems. Rational approach based on economic models for decision making assumes decision makers are able to: specifically state the ends analyze the means to attain them wants least possible input of scarce resources per unit of valued output utility value and cost benefit analysis. The rational model stresses on: comprehensive analysis clarity of objectives quantifiable data efficiency heavy reliance on theory Such an incremental system requires little professional staff, since it has a limited focus. It reduces the time required by the elected decision-makers by focusing only on the margin or "increment" of change from the prior year. It is also serial allowing for change to occur over many cycles which allows for slowly building a base for support among those involved, while mitigating the "unintended consequences" of unstudied change.

69 M#2\D:\Netaji-05\Policy Analysis\Module-2.PM6.5\2nd proof As mentioned above, "bounded rationality" also provides the beginning point for policy based systems. Simon identified the existence of "bounded rationality," while Lindbloom built a model of disjointed incrementalism. Lindbloom's incremental model is incremental, but that an incremental decision using high-understanding was grounded in rational-comprehensive techniques. Now, in this usage both Lindbloom and Wildavsky seem to believe that incrementalism reflects the political theory of pluralism—at that time the predominant theory. The Incremental model is characterized by: Simplification (comprehensive analysis is impossible) Limited comparisons Incremental change Multiple pressures Mutual adjustments Competing values "Clarifying objectives in advance of policy selection is...impossible and irrelevant." Ends and means are intertwined and not distinguishable Choices are made at the MARGINS Agreement on the policy is the test of good policy "eyes open" Successive comparisons Policy is not made once and for all, choices proceed in a chronological series Steps of incrementalism: 1) Problem definition - choices are framed in terms of marginal or incremental differences in value 2) Formulation of solutions - through simplification, only those policies that differ in relatively small degrees from present policies are considered. This is incremental change. Advantages of incrementalism: Past sequences of events given knowledge of probable consequences avoids serious, lasting mistakes "big jumps" not required you can test previous predictions as you move ahead and adjust for them adjustments made with each step are quick and agile

70 M#2\D:\Netaji-05\Policy Analysis\Module-2.PM6.5\2nd proof Shortcomings conceded by Lindblom -arbitrary exclusions -fragmentation -may overlook excellent policies not suggested by the chain of successive policy steps Other critiques : Yehezkel Dror - 1) May not suffice to meet real growing demands; may miss the mark entirely. It lacks responsiveness to large scale needs. 2) Makes acceptable the forces that tend toward inertia and maintenance of the status quo. It lacks innovativeness in seeking solutions. Amitai Etzioni - suggests as an alternative the analogy of mixed scanning (two types cameras) Emphasis on troubleshooting means incrementalists tend to decide only non-fundamental matters. Rational models or methods of policy analysis have evolved over time and can broadly be grouped into three stages. The first is comprehensive rationality which presents an "ideal" and straight forward view of the function of policy. As early as the 1940s, comprehensive rationalist models of policy formulation were questioned as analysts recognized limits to human rationality and the rational process. In 1947, Simon developed a model of 'bounded rationality', which acknowledged some limitations to the use of scientific method and rational decision making as analytical tools for organizational decision making. The complex role of decision making was understood as an essential element in the policy process. Etzioni (1961) recognised the importance of placing this decision-making process in a context and others who argued that the context in which decisions take place has to be reviewed if we are to understand these decisions. Perhaps the most important theory, which modified the basic tenets of the Rationalist Framework, was Lindblom's (1959) incrementalism. A critic of the rigidly rationalist model of public policy making, Lindblom described a policy process which proceeded incrementally and which changed in response to external pressures. His theory of public policy, which underpins his theory of incrementalism, is summed up by Gregory (1989), as follows: Public policy making contains little understanding of the relationships between variables, policy makers confine themselves to what suits them and what they know; and policy making is a process that is impacted upon by different groups with different interests and is not intrinsically goal driven. These writers acknowledged that policy occurs in a political context and that this influences the decisions made by policy actors. There are a number of other models of decision making and public policy.

71 M#2\D:\Netaji-05\Policy Analysis\Module-2.PM6.5\2nd proof Lasswell's call in 1951 for more work in this area has been richly rewarded. In the 1960s, Amitai Etzioni combined the rational model and the incremental model in what he calls mixed scanning. He compared mixed scanning to the weather satellite approach of employing a wide range lense to get the big picture or capture everything while simultaneously employing another satellite with a zoom lense to closely capture and scrutinize important areas. 7.8 References Argyris, Chris and Donald Schon.. Organizational Learning: A Theory of Action Perspective. 1978,

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http://en.wikipedia.org/wiki/Charles_E._Lindblom" 7.9 Exercises LARGE ANSWER-BASED QUESTIONS 1. What are the limitations of classic rationalist model particularly in the area of social planning ? 2. What were the responses of the planning theorists to these limitations ? 3. What are the traditional decision-making models and to what extent they were found successful in addressing the contemporary problems and issues ? 4. What are the basic tenets of rational models of policy process ? 5. What is meant by comprehensive rationality ? What are its limitations ?

72 M#2\D:\Netaji-05\Policy Analysis\Module-2.PM6.5\2nd proof 6. What is meant by Bounded Rationality or 'Satisficing' ? 7. How Amitai Etzioni derived a synthesis ? 8. What are the fundamentals of Incrementalism? 9. Do you think that public choice reflected new political economy 10. Write an essay on some other models. MEDIUM/SHORT ANSWER-BASED QUESTIONS 1. What are the procedures of the comprehensive-rational decision process ? 2. What are "baby-steps", or "Muddling Through" ? 3. What are incrementalism fundamentals ? 4. What is known as 'bargaining process' ? 5. Make a comparative assessment of Rationality and Incrementalism. 6. What is known as disjointed incrementalism ? 7. How Lindblom provides a critique of rationality and suggests solution ? 8. Do you think that incrementalism is more realistic ? 9. What is known as Top-Down Model ? 10. Explain the theory of communicative planning practice.

73 M#2\D:\Netaji-05\Policy Analysis\Module-3.PM6.5\2nd proof UNIT 8 ????? THE POLICY PROCESS—A BROADER CONCEPT Structure 8.0 Introduction 8.1 Objective 8.2 Steps of Policy Process 8.0 Introduction A policy is a plan of action adopted by, for example, an individual, group, business or government following some kind of formal decision(s.) Public policy is the formal or stated decisions and actions of government bodies. The policy process relates to mechanisms through which public/government policy is made; and it links intentions (what government says it will do) to actions (what government actually does) and actions to results (the consequences (impact) of government action on society). Policy consists of the output of the political process and reflects the ability of government to make things better or worse. Three parts to the process: - a) the evaluation of current conditions and policy; b) the decision-making process, its effectiveness and efficiency; c) analysis of the effects of these decisions on the society. Four theories are there to help us understand the policy process under different situations:- a) Rationalist models: These models lay stress on human rationality, full information and consider the presence economic man. The ideas of these models centre around the self-interested pursuit of material satisfaction calculated in terms of utility. b) Incremental models: These models consider that decisions are often made with inadequate information and low levels of understanding; so decision-makers have to be cautious. It is based on trials and error. It is less costly and less disruptive. Incrementalism contributed much to our understanding of how policies are made and implemented. Module : III

74 M#2\D:\Netaji-05\Policy Analysis\Module-3.PM6.5\2nd proof c) Bureaucratic organization models: These models highlight impact of the values, assumptions and patterns of behaviour found in large organizations on decisions. d) Belief system models: These models emphasize role of beliefs and ideology; and thus argue that decisions are structured by perception, which is determined by the concepts and values they use or hold. 8.1 Objectives As it has come to be understood since the 1960's policy analysis tends to focus on the 'how' of government – the way in which policy is made – rather than the what of government – the substance of policy itself and its consequences. The understanding of the policy process highlights some normative considerations:— ? there are the countless individual decisions and evaluations; fewer 'public' options towards achieving 'good society', but the government cannot make you happy but sets parameters within which individuals choose and act. ? Policy analysis tends to focus on the 'how' of government. This is because it is understood as a mechanical process of responding to articulated wants (preferences) by aggregating them rather than responding to wants and needs by them in the light of other human needs and goods. The understanding of the policy process helps us to solve the question as to what extent government decisions are responding to citizens' wants or determine their needs. ? Different phases of policy: policy formulation; policy implementation; policy evaluation; and so on are focused while dealing with the policy process. ? Public policy and power, the setting of agendas, the ability to structure policy debate are well covered by the understanding of the policy process. ? The specific areas of policy concentration like ? Governance ? Environment ? Development Economics ? Globalization ? Decentralization ? The Non-Profit Sector ? Poverty ? Rural Development ? Gender Studies may be better clarified by understanding the policy process This module explores the function and influence of public policy. It begins with an overview of the "rules" to policy process, and then move on to explore the points

75 M#2\D:\Netaji-05\Policy Analysis\Module-3.PM6.5\2nd proof of vulnerability in the process, and the policy actors, including the institutional actors — the Bureaucracy, the Legislature, the Courts and the non-institutional actors - the media, parties, interest groups, and political consultants. Finally, the module explores a glimpse of policymaking India. 8.2 Steps of Policy Process Four activities - policy analysis, formation, decision, and political analysis of policy are considered as steps in the policy process. But such a view is misleading, because these activities are never fully discrete in practice and they do not occur in any persistent sequence. Nevertheless, there is a distinction of practice corresponding to each activity, and each practice has its distinct kind of theory. Policy Analysis: Policy analysis can be defined as the rational or technical assessment of the net marginal trade-offs between different policy choices. Clients want low cost, high safety, ease of handling, and durability. If they go for greatest durability, then cost will likely to be higher and there will be less ease of handling. If it is the lowest cost possible, then durability and safety are likely to be sacrificed. The problem is to discover a balance between these competing values. Such an analysis gives us the possibilities or a set of choices, but it does not pick out any preferred answer from within the set. Clients need a market decision. and getting a market decision is, no doubt, going to require a market analysis. But then again, the market decision might be to go for the whole range of the market, representing the full range of choices revealed by the analytic exercise. Merely setting forth the marginal costs and benefits of a range of choices is one thing—policy analysis. Selecting one balanced choice or a range from within the possibilities is another thing—policy formation. The decision as to which choice or choices to make is still a third—policy decision and performing the market analysis needed for that is yet a fourth— political analysis. For example financial educational assistance can be distributed either to students directly or to institutions. If the government wants to distribute it to students on the basis of need, government requires access to financial information from each individual applying for the same and in the name of distributing social justice, individuals will have to reveal personal information. Two values conflict. Therefore, for social justice, in some measure, privacy is sacrificed. Policy analysis asks about the net marginal gain. A truly refined policy analysis tell about the net gain, though it rarely exists. However, no such analysis, no matter how refined, will tell us whether the gain is worth it. To resolve that question, we need something corresponding to a market analysis and a market decision. We need a political analysis and a political decision. “Policy” implies “polity” and “politics” implies a structure for marketing analysis and marketing decision.

76 M#2\D:\Netaji-05\Policy Analysis\Module-3.PM6.5\2nd proof Policy analysis can ask about the net consequences of the proposed policy, can also compare those net consequences some alternative policy consequences. The question for policy analysis is not whether doing X is a net improvement over doing Y, but simply, what are the net effects? It requires a marketing decision. Similarly, whether given the different consequences, it is better to do X than Y in public policy will not be determined by a policy analysis. It will be determined by a political decision resulting from a political process involving a political analysis. In short, policy analysis is that rational, technical, analytic performance in which the central question is not whether X is a good thing to do, but simply what are the marginal effects of doing X, and what are the marginal effects as contrasted with doing something else instead? Hence, policy analysis is simply an activity whose theory is the theory of marginal utilities. Policy Formation: Indeed, policy analysts are not typically in a position to actually formulate policy. For the latter, we need to engage in conversation, persuasion, argument, and in meetings with those who will actually draft the regulation, mark up the bill, establish the procedures, write the guidelines, etc. The theory of policy formation can then be discerned as one aspect of the theory of governmental management and rhetoric. The same policy that under one name, say, Government spending may face political difficulties; it may be passed under another name without objection, like “public investment”. Policy Decision: Policy decision can be described as the authoritative action of some office, administrative or legislative, by which a line of action, for the moment at least, is established. Policy decision is not so much an activity or process as it is a momentary end in the continuing conduct of government. It is that end point that is sometimes supposed by the naive to entirely capture the policy process, as though making policy could be reduced simply to an act of will or the result of divination. The theory of policy decision is simply the theory of the polity itself, the political and legal theory by which authority is distributed, obligations for decision are assigned throughout the structure of political institutions, and agents of authority are enjoined to act. Political Analysis: Unlike policy analysis, political analysis is concerned not with determining the net benefits of a given course of action, but with measuring their political weight. The aim is not so much to determine the net social benefits of a particular policy, but to determine its constituency. If policy analysis is concerned with establishing what course of action has greatest worth in the utilities of public goods, then political analysis is concerned with estimating who will vote for it. The theory of political analysis is the theory of political behavior. ? The theory of policy analysis is the theory of marginal utilities. It might rank policy choices according to the estimated net utilities of each.

77 M#2\D:\Netaji-05\Policy Analysis\Module-3.PM6.5\2nd proof ? The theory of policy formation is the theory of inter-agency politics. It is the governmental process by which a course of action comes to be selected and actually framed. ? The theory of policy decision is nothing less than the theory of the polity itself, the theory underlying the placement of authority. ? Finally, the theory of political analysis is the theory of political behavior. All of these activities together, not as discrete steps in the policy process, but as distinct facets of a social process make it clear about the practices of evaluation and policy research, about the relevance to the creation promulgation and implementation of public policy and about the virtues required for the actors in the socio-political system. It is obvious that one feature predominates over another and sometimes it is reversed. The rational standards of policy analysis are the standards of theoretical reason, but the rational standards of policy decision and political analysis are the standards of political judgment. These are practical activities. In short, the exercise of political judgment is a practical activity, also an evaluation activity. Nevertheless, the result of that activity may differ from or even contradict the results of policy analysis. The perception as to what ought to be done or even the best thing to be done, turns out to be one thing by policy analysis and a very different thing when it comes to political decision. The professional evaluator and policy researcher can contribute in the context of government, but his/her contribution will be substantial and complete in respect of all these activities only when he/she becomes also politicians and political advisor. For example, in case of policy formation the evaluator, as professional, can contribute, but that contribution will be most substantial when he or she becomes a high-level bureaucrat and a trusted advisor to authoritative leadership. The evaluator, as evaluator, is likely to contribute only to the conduct of policy analysis. However, in government the possession of knowledge can bring with it a certain kind of power. The evaluator and policy researcher with superior knowledge also earns the confidence of political leaders, can exercise political judgment, and acquires the additional skills of a practiced political observer of the present administration and will contribute to every facet of the policy process. However, in doing so, he or she will also become less an evaluator or researcher in any limited professional sense and more a political leader or public servant in a quite old-fashioned and conventional sense.

78 M#2\D:\Netaji-05\Policy Analysis\Module-3.PM6.5\2nd proof UNIT 9 ????? ARCHITECT OF PUBLIC POLICY MAKING
Structure 9.0 Introduction 9.1 Institutional Actors : 9.1.1 Legislature 9.1.2 The Bureaucracy 9.1.3 The Courts 9.2 Non-Institutional Actors 9.2.1 Political Parties 9.2.2 Interest Groups 9.2.3 Media 9.2.4 Political Consultants 9.0 Introduction The major actors in policy making process are: ? The Legislature ? The Bureaucracy ? The Courts ? Political Parties ? Interest Groups ? Media ? Political Consultants 9.1 Institutional Actors : 9.1.1- Legislature The Legislature is the central institution in the policy process because of its legislative authority. Within the Legislature, it is the committees where power is centralized in most of the countries. Committee chairs have disproportionate influence over policy because of their power to analyse policies. Similarly, certain committees have more policy influence than others do. The committees which are responsible for reviewing any legislation that requires funding hold more powers than some others in the policy process.

79 M#2\D:\Netaji-05\Policy Analysis\Module-3.PM6.5\2nd proof Legislative personnel who act as “policy entrepreneurs” are important in the areas of the policy process. First, they explain the policy. Second, they are the real experts behind the legislation. With hundreds of bills introduced in an average session, legislators rely more and more on staff to analyze legislation, negotiate compromises, research issues, and meet with lobbyists. In their roles as legislative analyst and policy negotiators, as well as their role as political confidant and counselor, senior staffs have significant policy influence. The President is mandated by the Indian Constitution as a partner in the policy process. But he can only approve or disapprove legislation, he or she has no power to amend. Further following the 44th amendment of the Constitution(1978) of India he can disapprove the policy only once. His recommendations may or may not be heard. The idea of a vibrant, independent and accountable parliament is central to making democracy work. In a parliamentary democracy like India, the responsibilities, roles and function of the parliament increase manifold. One of the biggest achievements of early postcolonial India was the establishment and institutionalization of the parliament. Over the decades, the parliament has been one of the most crucial pillar of Indian democracy. Except a brief spell in the mid seventies, the Indian parliament has remained a key site for holding the government accountable and providing it with a progressive legislative work. However, in the recent past, the parliament is failing in performing its role in the policy process and increasingly reflecting the rapid down slide of Indian democracy. Parliamentary Committees and Missing Members - The continuing absenteeism at these Committee meetings should be a cause of worry. On an average, most of the committees record only about 45 to 50 per cent attendance. During the 12 th session of the 13 th Lok Sabha, for example, the financial committees recorded an average attendance of 51 per cent. Among the standing committees, the Committee on Railway recorded the lowest attendance during the year a mere 14 per cent. Debates and discussions on issues affecting the Country : The shrinking time available to Parliamentarians can be seen in the number of notices for short duration discussion under Rule 193 on those ‘matters of urgent public importance’ that do not make it to the session. During the budget session of Lok Sabha, for example, 280 such notices were received by the Lok Sabha Secretariat. Out of this, only six could be admitted. And even out of this six, discussions on only four could be completed. Question Hour and Shortage of Time : During the budget session of Lok Sabha, 702 starred questions were put down in the question lists for oral answers. But eventually, only 131 questions could be orally answered. During the monsoon session, out of the 440 starred questions put down in the list of questions for oral answers, only 44 were answered orally. 80 M#2\D:\Netaji-05\Policy Analysis\Module-3.PM6.5\2nd proof Time lost on account of unruly behavior : The Lok Sabha lost over 60 hours to disruptions. The cost of Parliament is currently estimated to be Rs. 18,430 per minute. The loss to the public exchequer can well be imagined. The only thing that can be said in favour of MPs is that the time lost due to disruptions was less in 2003 as compared to 2002. One can perhaps attribute this marginal improvement to the increasing media attention to disruption of Parliament and the mounting public displeasure over the way MPs are squandering public money. Decreasing number of sitting: For 36 years from the time of its inception in 1952, the Lok Sabha sat for over 100 days every year. In fact it averaged 138 sittings in a year for several years and came down to 102 days in 1988. Since then, it has fallen to just about 80 days in a year. But the year 2003 saw a further decline- the Lok Sabha sat for only 74 days during the year. Unfinished Business- pending Bills : In Rajya sabha more than 30 bills are pending, which include bills pending for more than 10 years like the Indian Medical Council (amendment) bill introduced in 1987. In the Lok Sabha, the end of every session during the year 2003 saw about 30-40 pending Government Bills. At the end of 14 th session, the number of pending Private Member’s Bills stood at 261. Time spent on Legislative Business : During the budget session, the Lok Sabha spent considerable amount of time discussing government bills-a total of 56 hours, i.e. 23.33 per cent of the total time of the session. This percentage however came down drastically during the monsoon session, when the house spent only 12 hours and 45 minutes, i.e. 11.28 per cent of the total time of the house on government bills. A total of 64 Bills were passed by both houses of Parliament during the year 2003 (including the second part of the winter session in the beginning of 2004). Some of the important Bills passed by both the houses include: the Constitution (Ninety Seventh Amendment) Bill; Fiscal Responsibility and Budget Management Bill; the Central Vigilance Commission Bill; the Election and other Related Laws (Amendment) bill; the Railway Protection force (Amendment) Bill; the Indian Telegraph (Amendment) Bill etc. 9.1.2-The Bureaucracy: Though the implementation of public policy is the most visible and obvious part of the policy making process for the bureaucracy, it is only one of several phases. Making public policy encompasses additional processes that stand outside of the three core functions of policy implementation (rule making, rule implementation and rule adjudication. To gain a fuller understanding of the role of the bureaucracy in the political system, we need to place the implementation of policy in a broader context. In most models, the policy-making process includes the following five steps: Agenda setting

81 M#2\D:\Netaji-05\Policy Analysis\Module-3.PM6.5\2nd proof Policy formulation Policy adoption Policy implementation Policy evaluation The primary actor in implementing public policies is the bureaucracy, that is, administrative personnel agencies. Regulatory agencies inspect workplace safety or automobile emissions, for instance, while other types of departments or agencies develop programs to provide public services to the citizens, including social services, education, highways, etc. While the legislature is charged with making all laws or statutes, the bureaucracy usually must take the general enabling legislation created by the legislature and build real programs and administrative rules for implementing corresponding public policy. When the enabling legislation deals with regulation (e.g., regulating environmental quality or building standards), the bureaucracy's authority to develop programs and rules is critical to carrying out the letter and the spirit of the law. But bureaucracies inevitably become involved in actual policy making as they develop experience, accumulate information, and gain expertise on matters of public policy. This experience enters not only the policy implementation process, but also the process of review, assessment, and revision. Any organization, whether public or private, must evaluate and revise its policies and programs in order to continue to thrive, or at least survive. This can happen on a variety of different levels, from individual evaluation and revision of how best to execute a specific task or job, to agency-wide evaluation. Organization-wide evaluations generally may occur on an annual or biennial basis, depending on the country. Often internal bureaucratic review is coordinated with legislative oversight. Somewhere in between the daily evaluation and revision on the individual or group level and the organization-wide scheduled evaluation of the bureaucracy lies an incremental approach to program evaluation and revision. Whatever the combination of types and frequency of formal and informal evaluation and revision, the policy process that begins with proposed ideas and ends with revisions becomes a series of cycles over time. The policy process starts with new ideas, but once policies are implemented, subsequent policy cycles occur as revisions of earlier policies. Many policy proposals and the processes they spawn, consequently, are revisions of earlier policies. The policy process is also shaped by the political organization of the executive branch, which selects several bureaucratic leadership positions. These executive officials come into office seeking to create changes that can subsequently be identified as major personal innovations when the next election comes around. Thus Brajesh

82 M#2\D:\Netaji-05\Policy Analysis\Module-3.PM6.5\2nd proof Mishra was criticized as the acting foreign minister during NDA rule. He was asked to represent in policy discussion with China, while Chinese representative was its deputy foreign minister. Narayanan replacing Sri Mishra in PMO also is performing a very important role in the policy process. These political dimensions of the process, equally inevitably, lead to recurring calls for some degree of control and accountability over the bureaucracy. For example Ranen Sen, now the diplomat in USA, may be asked to replace Narayanan during 2007 Congress rule for cutting short the excessive power and influence of Narayanan in the policy process. The policy process that takes place inside the vast administrative apparatus inevitably has political dimensions – that is, it involves competition for resources and influence. Most people don't think much about the government bureaucracy, except to gripe about it: it's too big, too slow, too inefficient, et cetera, et cetera. But the bureaucracy is more than just a faceless processor of government policy. It wields considerable influence over public policy, and its leadership plays a critical role in complex relationships between the various parts of the government, economic elites and the public. On the infrequent occasions the bureaucracy comes under the spotlight, though almost every group of political professionals are aware of the central role played by these bureaucrats. In the mid-1990s, for example, the idea of "reinventing government" focused on the bureaucracy, emphasizing a broad range of measures intended to make executive branch departments and agencies more efficient, streamlined, and responsive to the needs of citizens and society as a whole. By using new information technologies, cutting dreaded "red-tape," empowering civil servants to make decisions, eliminating redundancies, and outsourcing services that might be performed more efficiently by private sector vendors, the bureaucracy could do more for less cost. According to the re-inventors, reinvention would be driven by purely logical assessment of needs and available resources and analysis of the benefits and costs, accomplished in a largely non-political attempt to serve the public interest. The executive policy is a result of the "stream of people and ideas" that flow through the executive office. If public policy is a process of identifying problems, identifying solutions, and implementing those solutions, the identification of problems and solutions, is tied to the assumptions held by players in that stream. The policy stream must accommodate the issues that percolate up through the systemic agenda, as well as those issues that may be on the executive agenda. Cabinet officers and agency heads have wide latitude in defining, implementing, and enforcing policy. Once the Legislature has enacted a public law and the president has signed it, the next step is for various administrative agencies to begin the process of implementation. Although administrative organs are the primary actors in public policy implementation, the legislature, the courts, pressure groups, social and political organizations also participate in this phase of the policy cycle. The role of bureaucracy in the policy

83 M#2\D:\Netaji-05\Policy Analysis\Module-3.PM6.5\2nd proof process can also be cited from its failure in implementing policies. In late November 2001 the Supreme Court had directed the state governments to implement Mid Day Meal Scheme (MDMS) by providing every child in every Government and Government assisted primary schools with a prepared mid day meal with a minimum content of 300 calories and 8-12 grams protein each day of school for a minimum of 200 days. While noting that some states were implementing the directions of the court, it was also seen that some other states had not even made a beginning despite the fact that over 1 ½ years had elapsed between November 2001 till May 2003. Particular reference was made to the states of Bihar, Jharkhand and Uttar Pradesh and the Court noted that while the counsel for Uttar Pradesh and Jharkhand could not give any satisfactory reason for non-implementation and did not even file any affidavit in this regard, the affidavit filed by Bihar 'could not be more vague than what it is'. The Panchayat Extension to Scheduled Areas (PESA) Act provides special provision for function of Panchayats so as to protect and promote the tribal interests in accordance with the spirit of the scheduled areas as enshrined in the constitution. However, the actual implementation of the Act tells a story of non-performance of an institution due to lack of support and resistance from government and the bureaucracy. The bureaucratic reorganization is always a highly politicized process, with multiple actors pursuing a wide range of goals that might not be directly related to the issues at hand, and rarely are focused on serving the interests of the public at large. Policy initiatives related to "reinventing government" tended to focus on the national government rather than state government with few exceptional states in India. State programs related to education, transportation, public health and social welfare are all shaped at least in part by rules, regulations and funding on the national level. The bureaucracy's degree of invention or reinvention is shaped largely by national level thrust in the policy process, often creating contradictions in the context of the peculiarities of the particular state. In the state the bureaucracy appointed by the UPSC is criticized for being critical to the implementation of the wishes of elected politicians who propose and pass legislation. At the same time, in both the centre and the states governmental bureaucracy often takes a beating from politicians and the public at large. Because of this contradiction, the bureaucracies and bureaucrats that we rely on to implement public policy occupy a thoroughly ambiguous position in modern political culture. They are essential components of the public policy system, but are seemingly fated to suffer the slings and arrows of critics from all camps when they disappoint people's exacting expectations, or when they otherwise implement hard policies. Effective policy implementation cannot be separated from "management for results" and continuous monitoring. This requires all staff to be performance- and results-oriented, and internal management procedures must provide an appropriate incentive structure to make the more effective

84 M#2\D:\Netaji-05\Policy Analysis\Module-3.PM6.5\2nd proof 9.1.3-The Courts The judges' interpretation of laws can significantly change the dimension of policy and this impact is not free of political influence. Often the judges, specially at state level, both in USA and in India are said to be vulnerable to political scrutiny. This was most dramatically demonstrated in the expulsion of Chief Justice Rose Bird in 1984 in USA(California) or elevation of justice A.N. Ray in Indian apex court in 1973 for getting favourable verdict in Bank Nationalisation case during Indira Gandhi's Congress regime. The policy role of the judiciary is not universally appreciated. The current debate over judicial activism and judicial restraint is only the most recent in a long discourse. It is argued that judicial activism infringes on democratic policy institutions, and that an activist court erodes the respect and trust people hold for the judiciary. Still, whether a court is active or passive, there are significant policy implications. Non-action is in itself a policy decision with substantial policy implications. The functioning of a democracy is dependent on the autonomy and efficacy of the three systems of the state, namely, parliament, executive and the judiciary. India in the last two decades has seen rapid erosion of the functioning of the parliament and the executive. In this scenario of failure of the state in ensuring its constitutional obligation and rights to the citizens and initiating social-economic transformation, the judiciary has often played a significant role in upholding the rule of law and thereby protecting the fundamentals of democracy in the country. Calcutta High Court's decision regarding the role of the police in Nandigram of West Bengal in 14th March 2007 is an exemplary note in this regard. The Supreme Court in India observed that "it is apparent that to a large extent, the Prenatal Diagnostic Techniques Act 1994 is not implemented by the Central Government or by the State Governments." The Supreme Court in September 2003 gave separate directions to Central Government, Central Supervisory Board, State Governments and appropriate authorities to take all possible remedial action including creating public awareness against the practice of prenatal determination of sex and female foeticide through appropriate programs in the media. In the context of the social and economic rights, it is important to note that the Supreme Court has made clear in 2003 that financial stringency may not be a ground for not issuing requisite directions when a question of violation of fundamental right arises. In fact the Supreme Court has been highlighting this aspect in the matters concerning fundamental rights and maintenance of ecology. In some other cases, the Apex Court has held the 'financial difficulties of the institutions can not be above fundamental rights of a citizen'. The Supreme Court has in recent past interpreted and included the right to work as one of the positive rights guaranteed under Article 21 of the Constitution of India.

85 M#2\D:\Netaji-05\Policy Analysis\Module-3.PM6.5\2nd proof Specifically it has held that "income is the foundation of the many fundamental rights and when work is the sole source of income, the right to work becomes as much fundamental". While deciding the controversial Tehri Dam case, the Supreme Court observed in a significant judgment in September 2003 that 'right to health is the fundamental right under article 21. Protection of this is inextricably linked with the clean environment. Clean and healthy environment itself is a fundamental right.' Nevertheless, it is important not to burden the judiciary with expectations of playing the role of the executive by expecting it to directly perform the tasks of effective governance. This is critical for the long-term health of Indian democracy because of two reasons. First, the judiciary has its role and organizational limitation and can not perform the role of day-to-day governance. Second, the fundamental principle of division of power needs to be respected and strengthened for making democracy vibrant.

9.2 Non-Institutional Actors Public policy is not merely the result of independent policy making institutions. Non-institutional actors also play a significant role: the people elect legislators and executives; the media influences policy through its inherent agenda setting function; parties, in their role in drafting and electing candidates, influence policy through influencing the composition of legislative and executive bodies; and, organized interest groups lobby elected officials and non-elected policy makers. Policy, then, is a result of institutional processes influenced by non-institutional actors, like political parties, pressure groups, interest groups, media etc.

9.2.1 Political Parties Political parties are distinct from other citizen organizations. Rather than attempting to influence existing policy makers, parties seek to get their own members elected to policy making positions. While interest groups seek influence on specific policy issues, parties seek influence on a wide spectrum of policy issues. Parties develop issue platforms, draft candidates, campaign on behalf of candidates, and work to get out the vote. In short, parties work to bring together citizens under a common banner. While most people may think of parties only during election cycles, their policy influence extends beyond campaigns. While the rise of the media over the last thirty years has de-emphasized the power of parties in electoral politics, parties continue to play a dominant role in policy outcomes. Due to the institutional role parties play in the legislature, and the grassroots role that parties play at the local and county level, the party that emerges dominant often determines the direction policy will

86 M#2\D:\Netaji-05\Policy Analysis\Module-3.PM6.5\2nd proof take. The government incumbents are responsible to the party that got them elected, and therefore must pursue at least some of the policy objectives articulated at the party convention. The legislature continues to distribute committee membership and chairmanships according to party affiliation. While negotiation and compromise is typically necessary, the general direction of legislative policy is directly tied to the ideology of the larger party. Elections, patronage appointments, legislative committees, and policy discourses all reflect the influence of parties.

9.2.2 Interest Groups

Interest groups have long influenced the political landscape of the democratic world. Interest groups are a fundamental partner in policy making. Citizens participate in the policy process through communication with policy makers. Such communication takes place individually (e.g., letters to elected representatives), and collectively. Interest groups facilitate collective communication. James Madison recognized the propensity for individuals to factionalize in an effort to maximize political influence. Robert Dahl further refined the analysis of Madisonian democracy, arguing that in an open society all persons have the right to press their interests. To the extent others share these interests, collective pressure may allow greater policy influence. Indeed, Dahl argued, those issues that have greater salience have greater interest group representation. The interest group dynamic, however, is not so simple. While it may be true that many salient issues have interest group representation, the strength of that representation is not tied to the strength of the issue salience. Further, the salience itself may be a consequence of interest group action. When studying policy outcomes it is necessary to identify the policy actors and the political resources they use. Maximizing policy interests - winning the policy game - requires specific political resources. The most common resources include bureaucratic knowledge, a network of contacts, citizens' support, an ability to make political contributions, and an ability to mount a public relations campaign, specially through media. Clearly, no group utilizes all of these resources. But, the ability of an organized group to utilize one or more of these resources is critical for policy influence. The pluralist model of counterbalancing elites mediating interests is inadequate. The theoretical work done by Mills, and empirical work done by Dye, Domhoff, and Presthus, among others, suggest that rather than competing, the interests of economic elites tend to cohere in key policy areas. Lowi's *The End of Liberalism* argues that this interest group influence threatens the democratic basis of government. If interest groups provide the framework for government-citizen interaction, and these groups are based on individual self-interest, there is little opportunity for pursuing a meaningful national interest.

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9.2.3 Media Public Policy

Public Policy can be described as public responses to public problems. Governmental legislation, programs, controls, and the like, are all mechanisms that public bodies utilize in an effort to improve the public welfare. Public policy has been defined in different ways by different observers. Peters defines policy as "the sum of government activities... (that have) an influence on the lives of citizens." 1 Lasswell pointed out that public policy determines "who gets what, when, and how." 2 Ripley and Franklin define policy and the policy process more specifically: Policy is what the government says and does about perceived problems. Policy making is how the government decides what will be done about perceived problems. Policy making is a process of interaction among governmental and nongovernmental actors; policy is the outcome of that interaction 3. In a real world context, public policy can be understood as the public solutions which are implemented in an effort to solve public problems. Policy actors are those individuals and groups, both formal and informal, which seek to influence the creation and implementation of these public solutions. The public policy process has been described as a game by several observers. The game metaphor is not intended to trivialize the process, rather, it suggests that policy actors must utilize rational strategies to maximize their interests. Players will increase their chances of winning to the extent that they have bureaucratic knowledge, network within the bureaucracy, citizen support, money for political contributions, and resources to mount an effective public relations campaign specially through media. But these resources are only one part of winning the policy game. It is also necessary to understand the rules and culture of the policy environment.

Role of media in policy process:

? Creators of messages, which may be labeled as sources, writers, performers, or interactants. Media earlier was mostly identified as "sources" in the most fundamental model of communication. But now it acts as well as writers, performers, or interactants. ? Consumers of messages, in which respect the media acts as receivers, destinations, audiences, listeners, or interactants. Media is mostly identified as "destinations" in the most fundamental model of communication.

1. Peters, B. Guy, *American Public Policy: Promise and Performance*, 3rd ed. Chatham, NJ: Chatham House Publishers, 1993
2. Lasswell, Harold, *Politics: Who Gets What, When, and How*, NY: St. Martin's Press, 1988.
3. Ripley, Randall B. and Franklin, Grace A., *Congress, the Bureaucracy, and Public Policy*, 4th ed. Chicago: The Dorsey Press, 1987.

88 M#2\D:\Netaji-05\Policy Analysis\Module-3.PM6.5\2nd proof ? Gatekeepers are those who mediate the flow of messages and news media act as powerful gatekeepers. The media are influential to policy outcomes because they help define social reality. The media influence the salience of issues. As Lippmann observed in 1922, perceptions of reality are based on a tiny sampling of the world around us. No one can be everywhere, no one can experience everything 4 . Thus, to a greater or lesser extent, all of us rely on media portrayals of reality. The way people process information makes them especially vulnerable to media influence. First, people tend to pair down the scope of information they confront. Second, people tend to think schematically. When confronted with information individuals will fit that information into pre-existing schema. Moreover, since news stories tend to lack background and context, schemata allow the individual to give the information meaning. In such a way, individuals recreate reality in their minds. The television news, to a great extent, define which problems the public considers most serious. Media refines the agenda-setting dynamic to include what they call "priming." Priming refers to the selective coverage of only certain events, and the selective way in which those events are covered. Since there is no way to cover all events, or cover any event completely, selective decisions must be made. But, there are consequences: By priming certain aspects of national life while ignoring others, television news sets the terms by which political judgements are rendered and political choices made. The implications for public policy are serious. If policy is a result of a problem recognition model then the problems that gain media recognition are much more likely to be addressed. Modern politics relies on the media, perhaps more than very recent past in the 1970s, to distribute political messages. With millions people, it is not possible for policy advocates of any country to truly "meet" the voters. Television, radio, and newspapers allow politicians, candidates, and interest groups to cover more ground with less money. Television market alone, for example, can reach the people of the whole country at once. The implication, of course, is that those interests with more financial backing are more likely to get their messages across. New technologies and globalization transform the communication and information landscape. Economies and governments are in transition and media policies are being constructed and reconstructed worldwide. National and international bodies are currently debating the regulations and protocols that will determine the media world we will live in. To insist that citizens, advocates, policymakers and scholars must consider the fundamental role of media policy in society is not melodramatic. To do so we need exactly to preserve and improve communication and information. Around 4. Lippmann, Walter, Public Opinion , NY: The Free Press, 1922.

89 M#2\D:\Netaji-05\Policy Analysis\Module-3.PM6.5\2nd proof the world, policymakers, journalists and reformers are working to reinvent public broadcasting systems. Infant democracies face the challenge of protecting public- service media from state control, but for established democracies, the influence of the marketplace may pose the greatest risk to public broadcasting's freedom. Few examples are cited below to show the measures taken by different countries to ensure free play of media in the policy process. ASIA-PACIFIC: Internet Governance Information Service focuses on Internet governance covers government and political structures as well as practices of self- governance and grassroots coordination. Advocating policy and legislation to establish public, commercial and community broadcasters, the Media Institute of Southern Africa's campaign seeks to provide a diversity of independent voices together with a significant amount of local news, public information, educational and cultural programming. U.S.: Public Interest And Digital Media: The Benton Foundation's Communications Policy & Practice Program seeks to infuse the emerging communications environment with public interest values, and demonstrate the value of communications for solving social problems and strengthening social bonds. Benton offers news, reports and perspectives, along with case studies, best practice guides and toolkits focusing especially on digital broadcasting, community media projects and telecommunications policy. The UNDP, the Central Government's Department of Personnel and Training, the Women's Feature Service, and the Indian Institute of Management-Bangalore had jointly organized a capacity building workshop for journalists and civil servants on March 3 and 4, 2005 at Bangalore. The central themes of the workshop were the United Nations' Millennium Development Goals and access to information. At the workshop, the role of Media in strengthening civil society involvement in development was highlighted. The access to information - both about government as well as about deeper societal conditions can enable citizens to both demand and better participate in their own development and that of their neighborhoods, villages and towns. Indeed, in a developing country, especially one with as much widespread poverty, corruption and maladministration as India, media has a special responsibility that perhaps our counterparts in developed countries may not. However, publishers, not journalists, in particular control commercial media. Some suggest that democratic processes are dominated by the influence of economic elites — specifically, corporate elites. Domhoff argues that there is a social upper class that effectively operates as a ruling class by virtue of its dominance of economic resources 5 . While there are other political resources — for example, expertise and 5. Domhoff, G. William, Who Rules America Now? (NY: Simon & Schuster, Inc., 1983).

90 M#2\D:\Netaji-05\Policy Analysis\Module-3.PM6.5\2nd proof bureaucratic knowledge — these other resources can and are purchased. Thus, as Domhoff points out, financial power is often the basis of policy influence. If it is true that policy influence requires requisite political resources, inequality in resource distribution is tantamount to inequality in political representation. Maximizing policy strategy, therefore, includes maximizing the ability to raise funds. The publishing function is responsible for revenues and business growth, and editors are responsible for reporting and opinion. With profits acquiring the dominant focus, there is a predictable crunch in development reporting. For many years now, commercial media houses have been functioning as profit oriented corporations first and holders of the public trust only next. One purpose of journalism - as articulated by plenty of journalists themselves - is to provide citizens with information they need to be free and self governing. This foundation is directly tied to several principles of good journalism - loyalty to citizen readers, independence from factions, transparency about sources, fairness in monitoring power, vigilance, detailed and relevant reporting, etc. However, media cannot do this by itself. There are plenty of obstacles to development within civil society outside of the media. The entire institutional system in India - for instance, the law enforcement system, the judiciary, the health/medical system, the education system, the civil administrative system desperately needs pro- development reforms. Our nation in addition has a very intense hierarchical and unjust social structure, perhaps incomparable in the world. Even it is not clear that progress in these areas can be the outcome of a progressive media agenda alone. Nevertheless, there is an important connection between media and the strengthening of civil society through organized and constructive citizenship. Media can play a stronger role if its reporting is premised on citizen participation, and does not regard readers, viewers and listeners as passive consumers of its reporting. Media with the principle to have its loyalty to citizens and not to partisan groupings, parties, and stakes can acquire public trust in the first place and then can have a significant role in the policy process. 9.2.4 Political Consultants Increasingly, those with the need and the resources purchase political expertise. In reviewing the rise and structure of the political consulting industry, the fragile relationship between articulating ideas in a political marketplace and manipulating public opinion comes forth. It is virtually impossible to win at the policy game without the marketing skills held by consultants and strategists. Like many other policy resources, political consultants are costly. Consequently, those with greater economic resources enjoy a policy advantage. The extremely competitive and complex nature of democratic political environment

91 M#2\D:\Netaji-05\Policy Analysis\Module-3.PM6.5\2nd proof has made political consulting a growing profession in any democratic country. There are even political consulting firms in some countries, representing candidates at all levels of government. In addition, there are thousands of additional firms offering media consulting, public relations, survey research, direct mail, and fund raising. Critics argue that the selling of politics has become just as slick and self-interested as the selling of cars. Public policy has become just another commodity in a market environment. The implication, of course, is that the policy process may be becoming less democratic as a consequence. It is often political consultants, rather than public interested candidates, who are defining the political discourse in the state, and nationally. Whether or not one perceives this as a problem might be related to an individual's access to the financial resources needed to purchase these services.

92 M#2\D:\Netaji-05\Policy Analysis\Module-3.PM6.5\2nd proof UNIT 10 ?????INDIAN PERSPECTIVE OF POLICY QUESTIONS Structure 10.0 Introduction 10.1 Governance at the Grassroots 10.2 Summary 10.0 Introduction For a long time activists and policy-makers have felt the need to promote volunteering in the disability sector so that there are people in the community with some basic knowledge and training to support the persons with disability immediately at the grass-root level itself. With a population of over 90 million people activists or volunteers can provide invaluable assistance towards ensuring better living standards for the distressed and disabled. For promoting volunteering efforts in this respect, it is important to know the specific needs of persons with disability, the type of disability, professional needs, requirements and training. Although various agencies, NGOs and governments, have taken up the task or working towards better lives for all disabled persons, we are far behind the goal of health and equal opportunity for all. Only about 2 to 3% of people with disability receive any rehabilitation services in India today. There is a complete absence of rehabilitation services for the disabled, especially in rural areas and one of the main barriers for provision of such services is the unavailability of adequately trained human power. Further, disability receives a low priority in a country with many competing priorities. In this context, volunteering assumes great significance. The need for volunteering is an indispensable component in developing comprehensive rehabilitation services for persons with disability. There is a need to sensitize the community about the problems and needs of disabled considering the negative attitude towards disabled and stigma associated with it. However, it must also be recognized that volunteers need training on various forms of disabilities, the kind of interventions required, on how to deal with persons with disabilities and so on. For volunteering services in the disability sector to be effective there is also a need for an institutionalization of the process. Although various organizations and individuals are working in field of volunteering and disability,

93 M#2\D:\Netaji-05\Policy Analysis\Module-3.PM6.5\2nd proof at present there are no standard guidelines for this. Trainings should be conducted to create awareness on various types of volunteering services. There is therefore a need to develop a National Framework of Action for Promotion of Volunteering in the Disability Sector in India. The national framework must suggest an action plan to promote volunteering in society to change the attitudinal barriers towards persons with disability. Steps must be taken to ensure involvement of various professionals and people with vocational expertise who could give time to work with people with disabilities. Special measures need to be taken to promote volunteering in rural areas, both for the purpose of imparting better education to children with special needs as well as to promote vocational development in these areas so that the image of people with disabilities could improve and economic independence enhanced. This will help orienting the policy process towards the needs of the civil society. In the Indian context, both process of democratization and governance are going through a critical phase of transition. A feudal, castist and communal political tendencies and the colonial character of the Indian bureaucracy often interrupt the potential and possibilities of the liberal democratic constitution of India. The rise of politics of exclusion, discrimination and religious fundamentalism, along with the influence of stake market forces tend to undermine the very spirit of the constitution of India and the democratic process. On the one hand, there seem to be unprecedented optimism about the potential of economic growth and on the other hand, there is a tendency to make poor and marginalized invisible. The quality of a democracy is determined by the quality of rule of law, institutions of governance and political process, including that of the political parties. Political parties are the legitimizing agents and vehicles of the parliamentary democratic process. The nature, character and culture of political parties and the character of the leadership shape the quality of the institutions of governance and parliamentary process. The erosion of transparency and accountability and increasing instances of corruption in various institutions and arenas of governance is a reflection of the political process and patron-client culture of political parties. Transparency, accountability, integrity, ethical leadership and democratic culture within the political parties are indispensable to ensure democratic, accountable, effective and people-centred governance. The global policy promises of the eight Millennium Development Goals and the national policy promises in the tenth five-year plan goals will not be achieved in India without political will, adequate budgetary commitments, civil society monitoring and participation. The political promises made in the Common Minimum Programme of the National Progressive will further be postponed unless citizens groups and civil society organization actively seek accountability and monitor the political and policy promise. Current commitments of the government can be understood in the formal/official

94 M#2\D:\Netaji-05\Policy Analysis\Module-3.PM6.5\2nd proof documents of the Government of India. The current government at the Centre led by the United Progressive Alliance (UPA) has come out with a Common Minimum Programme (CMP), which highlights at length various commitments that the State has made to improve the situation of the poor. These commitments are supposed to be officially monitored by the National Advisory Committee, which has been set up and provided adequate powers and resources by the UPA to guide and support attainment of CMP. The National Development Goals (NDGs) have been carved out in the 10th Five Year Plan. The CMP commitments are not inconsistent with the NDGs, therefore Planning Commission effectively recognizes CMP as a National Common Minimum Programme to mobilise resources and focus energies for its implementation. The Millennium Development Goals (MDGs) are gaining ground in India as a legitimate commitment of the Government of India along with other 188 countries signing in the UN charter expressing their political will for 8 goals. A systematic discourse among the Civil Society actors is building up as to how MDGs/NDGs can be used as an instrument to make governments accountable for the attainment of goals. The comparative picture of the MDGs, NDGs and commitments under CMP clearly reflect consistent commitments in many areas whereas in many of the MDGs, national commitments are far more ambitious than the MDGs. The goal around eradicating extreme poverty and hunger within MDG clearly states to reduce by half the proportion of people living on less than a dollar a day and those who suffer from hunger. The Tenth Five year Plan commits to reduce poverty ratio by 15 percent by 2012. The Common Minimum Programme claims to guarantee 100 days employment every year to one able bodied person in every rural, urban poor and lower middle class households. The CMP also talks about providing Antodya Cards for all households at risk of hunger. Similarly, in the area of education, National Development Goals state to ensure primary schooling for all boys and girls by 2007. The MDGs articulate elimination of gender disparity in primary and secondary education by 2015 whereas NDGs include reduction of gender gaps in wage rates by at least 50% by 2007. The CMP demonstrates political will to channel one-third of its funds going to the Panchayats on the development of Women and Children. The health related goals focus around reduction in child mortality by two-thirds among children under five in MDGs whereas the NDGs keep the target of infant mortality to 45 per 1000 live births by 2007. The goals also focus improvement in maternal health and combating HIV/AIDS, Malaria and other commonly prevalent diseases. In order to ensure environmental sustainability, NDG concretely state to ensure access to safe drinking water in every village by 2007. The NDGs focus on attaining 33% coverage of forests with trees by 2012. The CMP is quite radical to ensure ownership rights of minor forest produce to those who live in forest as well as to discontinue eviction of tribal communities and their forest dwellings.

95 M#2\D:\Netaji-05\Policy Analysis\Module-3.PM6.5\2nd proof The role of the Government remains key for the attainment of the goals as the amount of financial resources, human resources and system requirements are enormous and beyond the capacities of the civil society. The ongoing efforts/programmes and available resources may not be sufficient enough yet are good enough to accelerate the process of attainment of the goals. What we are lacking is primarily a strong political commitment at the top, which is not possible to emerge in a democratic set up without a critical bottom up voice in significant decibels and of those who are left behind in the process of development. The civil society has a role to build that voice, provide alternatives by demonstrating exemplars as well as providing empirical analysis of the ground level situation. These roles are complimentary with the State in certain ways as well as of co-operation and conflict in other ways. Nevertheless, the State will continue to play a major role in attainment of the Goals. Government at the national, state and local level, including the executive branch, the judiciary, and administrative organizations, non-profit and for-profit organizations, including interest groups, community organizations and professional bodies, such as the Confederation of Indian Industry (CII), Indian Medical Association (IMA), Society of Indian Automobile Manufacturers (SIAM), National Commission for Women (NCW), National commission for Minorities, Telecom Regulatory Authority of India (TRAI), Association of Indian Bankers (AIB), NASCOM, Consumer Action Forum (CAF), National Press Council, Bar Council of India, All India Federation of University and College teachers' organization(AIFUCTO) and others also greatly contribute to the development of Public Policy. The institutions of governance ensure that citizens are critically engaged with the process of governance to make democracy more meaningful and participatory. Monitoring the institutions of governance will make it accountable and transparent. Social Watch is an initiative to look at the key institutions of governance and pillars of democracy and discuss their performance. Each institution of governance has a distinct role to play , and the fulfillment of such roles and responsibilities make democracy work . It is the responsibility of the citizens to be constantly vigilant about the roles, responsibility and functions of such institutions and to point out aberrations so that there will be a constant attempt to take corrective measures to live up to the constitutional guarantees and obligations. It seeks to monitor the performance of four key areas of governance viz., the parliament, the executive, the Supreme Court and the local self-government. It also seeks to provide a coherent information based on each of these arenas so that there will be an informed public discourse on the state of governance, development and democracy in India. The socio-economic rights, the Millennium Development Goals, Tenth five years plan Goals and the Common Minimum Programme of the United Progressive Government are important pointers that help to monitor the process of governance and development. The Right to livelihood (Food/Work) as well as right to Education and Health have also been included in the analysis of institutional performance of

96 M#2\D:\Netaji-05\Policy Analysis\Module-3.PM6.5\2nd proof Parliament, Executive, Judiciary and local self governance institutions. A large momentum generated by the community based monitoring will make institutions of democratic governance responsive and accountable to the citizens. Democratic governance can be realized only in a milieu of people centered policies and practices. Unfortunately, the India polity and the state has perfected the rhetoric of democratic governance, which in reality is divorced from a policy framework rooted in a peoples rights discourse, leading to perpetuation of inequity, exclusion and poverty. In this context it is imperative to work with a conceptual framework where objectives of the development processes are visualized as a matter of rights for the citizens. The fact that substantial sections of Indian population suffer from glaring deprivation vis-a -vis a set of commonly acknowledged basic needs, such as adequate food, shelter, clothing, basic health care, elementary education and basic sanitation is well known. Infact, the major shortcoming of the economic transformation of India is in the realm of policies and process that would have facilitated the fulfillment of the above noted basic needs. In this context, it is necessary for the Indian state to realize that the neglect of the positive rights as largely enshrined in the directive principles, generally leads to increased resource burden and negative impact for the state to maintain civil and political rights guaranteed as fundamental rights in the Indian Constitution. To compound the issue, the growing influence of neo-liberal economic agenda has tended to make the material and social conditions more difficult and fragile for the under privileged economic and social groups who constitute the majority of our country. 10.1 Governance at the Grassroots Panchayat Raj system through the 73 rd constitutional amendment is the most definitive step towards reenergizing democracy in the history of independent India. Unfortunately, this laudable initiative for decentralization of governance has been circumvented by the alliance of elite political interests, change resistant bureaucracy and the rent seeking class, which has well entrenched interests in the continuation of a colonial centralized state structure. The 73 rd constitutional amendment and ensuing state Panchyat Acts are progressive in nature and provide substantial space for responsive and participatory governance. Importantly, special provision for woman, OBCs, SCs and STs are in built in the act to protect and further the interest of vulnerable and marginalized sections. In spite of these odds, the Panchayats generate some hope in a deeply troubled system of democracy. The hope emanates from the fact that a new and large base of democratic leadership amongst the rural areas and marginalized sections of the society is being built through the Panchayat system. It also presents many micro examples of effective governance.

97 M#2\D:\Netaji-05\Policy Analysis\Module-3.PM6.5\2nd proof The endeavour is to generate awareness about the functioning of the Parliament, Executive, Judiciary and the Local Self Government in public domain and raise public debate on critical issues of relevance for vibrant democratic order in the country. Importantly, it is also to explore and acknowledge the positive space and initiatives of these institutions for promoting and making democracy work. There is a need to replicate and initiate such endeavours at multiple levels, ranging from local to state to regional to national level to initiate radical changes in the policy process. The multiplicity of efforts would add strength to the process of citizens monitoring the functioning of democracy in the country. Importantly, it would provide new and divergent viewpoints for debate, discussion, follow up and action in the public domain for deepening democracy in India. 10.2 Summary In The Prince Machiavelli presents a blueprint for the effective development and maintenance of power. Machiavelli's notion of virtu' — controlling political destiny — is based on the successful manipulation of human circumstances. The virtuous prince is good, merciful, and honest, as long as expediency dictates, Yet, he must be prepared to be cruel and deceptive. Control is the primary consideration, both of one's populace, and of one's neighboring states. Virtu', ultimately, requires successful strategies to maximize policy interests. Murray Edelman similarly argues that those who seek to maximize their policy interests will use deceit and symbolism to manipulate the policy discourse. No one person can possibly experience the entire world. Yet, everyone has an image of the world. Burke suggests that however important that "sliver of reality each of us has experienced firsthand," the overall "picture" is a "construct of symbolic systems" 1 . This construct is based on political cognitions which Edelman suggests are ambivalent and highly susceptible to symbolic cues. Government, Edelman argues, influences behavior by shaping the cognitions of people in ambiguous situations. In this way, government, or policy elites, help engineer beliefs about what is "fact" and what is "proper. 2 " Maximizing policy strategies is critical for winning the policy game. Each player, regardless of his or her position in the policy environment, seeks to influence policy outcomes. The degree to which players utilize rational strategies, however creative, however slippery, will determine the degree to which policy success can be achieved. This is not to suggest that there are no ethical constraints on players; there are. 1 Burke, Kenneth, Language as Symbolic Action, Berkeley: University of California Press, 1966. 2 Edelman, Murray, Constructing the Political Spectacle , Chicago: The University of Chicago Press, 1988.

98 M#2\D:\Netaji-05\Policy Analysis\Module-3.PM6.5\2nd proof Rather, the Machiavellian legacy in our political environment recognizes that strategy and cunning are acceptable and necessary components of the policy game. The policy process is significantly more subtle than many realize. While the Constitution provides for a legislature that makes laws, an executive that enforces laws, and a judiciary that interprets laws, the policy process has evolved into a confusing web of state departments, agencies, and committees that make up the institutional policy bureaucracy. In addition, the vast network of organized citizen groups (parties, interest groups) as well as the rise of the electronic media, political consultants, and other image making professionals, further complicates the process. The role each actor plays, in combination with the relationship between actors in both policy bureaucracies, is ultimately what determines policy outcomes. This module has explored the role and influence of actors in the policy process — both institutional (the Legislature, the Executive, Bureaucracy, and the Courts) and non-institutional (media, parties, interest groups, and political consultants). From the discussion, it can be seen that policy outcomes are typically a result of institutional processes and non-institutional influence. To summarize the entire policy process one example may be offered: The Budget provides one of the best case studies on the policy process. Since the budget defines fiscal allocations, it serves to define the state's policy priorities for the following year. As such, the budget process brings both institutional and non-institutional actors into passionate political battle. Legally, the formal budget process plays out as follows: ? In Indian context, the government submits its budget to the lower house of the legislature for discussion. ? The budget is then published. ? Assembly budget subcommittees discuss on each budget item. ? a revised estimate of revenues and expenditures is then placed again for debate and for final vote. ? After approval of both houses (upper house approval — merely formal) budget goes to the President for signature. While the process at first glance appears to include only the institutional policy actors, there are several points at which non-institutional actors become involved. Long before the budget is submitted citizens, interest groups, corporations, and legislators lobby to the government's authority and also each other in order to maximize the chances of receiving funding for policies they favor and for cutting funding for policies they are against. Once the budget is made public these groups

99 M#2\D:\Netaji-05\Policy Analysis\Module-3.PM6.5\2nd proof direct their attention to the Assembly budget committees and subcommittees, lobbying and testifying at budget hearings. Simultaneously, those groups with the economic resources will begin to "lobby" the public through both paid and non-paid media. Political advertising can be used to cue public concern, which may cue public budgetary demands. Similarly, policy advocates may seek media coverage through news or public affairs programming. Not only is this type of media free, it places a mantle of "objectivity" on the commentator. In short, each policy actor — institutional and non-institutional — will do all that he or she can to maximize their policy interests. References for Module-3 Robert Dahl, *Who Governs*, New Haven: Yale University Press, 1961. C. Wright Mills, *The Power Elite*, Oxford, Oxford University Press, 1956. World Bank, 1991/2. Environment and Development. The 1992 World Development Report. Washington, DC World Resources Institute, 1991. Exercise for Module-3 LARGE / MEDIUM ANSWER-TYPE QUESTIONS 1. What is the policy process? What are the objectives of the policy process? 2. Write a note on the theories that help us understand the policy process. 3. Describe the steps in the policy process. 4. Evaluate the role of the institutional/ non-institutional architects of Public Policy making.(prepare large answers on each actor, e.g., bureaucracy, media, legislature, judiciary etc.) 5. How India responds to policy process? 6. How governance at the grassroots responds to the policy process? 7. What are the problems in the policy process in India? SHORT ANSWER-TYPE QUESTIONS 1. What is meant by missing members in the Indian Parliament ? 2. Mention some specific areas of policy concentration. 3. Name the five steps in the policy-making process. 4. How media creates and consumes message? 5. Who are the gatekeepers in the policy process?

100 M#2\D:\Netaji-05\Policy Analysis\Module-4.PM6.5\2nd proof UNIT 11 ????? POLICY IMPLEMENTATION Structure
 11.0 Introduction 11.1 Objectives 11.2 Conceptual Overview about Policy Implementation 11.2.1 Broad Definition of Policy Implementation 11.2.2 The Concept of Policy Implementation 11.2.3. Policy Implementation as a process 11.2.4 Example of Policy Implementation 11.3 Policy Implementation as an output 11.4 Policy Implementation as an outcome 11.5 Essentials for sustainable and effective Implementation/Execution 11.0 Introduction The ultimate goal of public administration is to develop sound techniques and procedures which make it possible to implement policies with efficiency of operations merged with democratic responsibility and accountability. Public policy allows government to intervene on behalf of the common people. It assures equal access and opportunities; provides national security, public health and safety to all citizens. The development of a public policy permits a strategic use of resources to sort out and solve national problems or governmental concerns. Public policy takes four forms: ? Regulatory policy ? Redistributive policy ? Distributive policy ? Constituent policy Policy development starts with problem definition. During this stage, a problem is identified and examined, and possible solutions are explored through research and analysis. The next step is agenda-setting. During this stage, efforts are used to raise the profile of the problem and possible solutions among the public and decision-makers. Typical strategies include: Module : IV
 101 M#2\D:\Netaji-05\Policy Analysis\Module-4.PM6.5\2nd proof ? community organizing ? public education ? media and communications ? convening stakeholders ? building coalitions Next, policymakers discuss options and possible solutions and adopt new or amend existing policy. In the case of ballot measures and referenda, the voters are policy makers and the election determines policy adoption. Implementation is essential phase during which critical decisions are made which ultimately determine the policy's effectiveness. This phase is often ignored because it is not as visible to the general public. Approaches used include: ? issue advocacy ? regulatory advocacy ? litigation ? public/private partnership creation 11.1 Objectives The policy implementation cycle is where public policy making becomes visible, adopted policies being put into effect to meet the policy goals. In this module, focus will be on the following points: ? What is policy implementation? ? The fundamentals of policy implementation ? Techniques/methods of policy implementation ? Different aspects of monitoring and evaluation of public policy ? Role and responsibility of the civil society in monitoring and evaluation of public policy that affects them ? Impact of policy implementation 11.2 Conceptual Overview about Policy Implementation 11.2.1 Broad Definition of

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Policy Implementation Implementation means administration of the law in which various actors, organizations, procedures, and techniques work together to put adopted policies into effect in an effort to attain policy or program goals. Implementation

is the execution of policy decisions.

102 M#2\D:\Netaji-05\Policy Analysis\Module-4.PM6.5\2nd proof 11.2.2 The Concept of Policy Implementation Policy implementation can be more precisely discussed in terms of various situations. More specifically, policy implementation can be understood as a process, an output, and an outcome. Policy implementation requires following steps to become effective: ? Conducting situation assessments ? Information exchange and deliberation process design ? Facilitating problem solving dialogues and meetings ? Mediating the settlement of disputes, may be in and out of court ? Consulting and coaching on effective dispute resolution approaches, procedures, strategies and tactics ? Training in negotiation, collaborative problem solving, facilitation, and mediation ? Providing logistical support for all of the services listed above.

11.2.3. Policy Implementation as a process Policy implementation as a “process” involves a series of decisions and actions directed toward putting a prior authoritative federal legislative decision into effect. Five recurring activities occur in the process: 1. Legislatures pass laws. 2. Next, executives undertake “administrative rule making” and establish administrative schedules and procedures for implementing the laws. 3. Then, states appropriate resources, including the money and the human capital needed to carry out the policy as intended. 4. After this activity, legislators and executive personnel monitor and, through the application of sanctions and rewards, enforce local adherence to the laws and regulations. 5. Finally, after evaluation of the outcomes, lawmakers redesign policies in response to design flaws or missed opportunities. The essential characteristic of the policy implementation process then, is the timely and satisfactory performance of certain necessary tasks related to carrying out the intent of the law. It is guided by the nature of interplay of cultural, socio-political, legal, and ethical contexts and management of policy problems arising from conflicting goals, values, and inequities both within and among nations and regions. Once the Government has adopted the policy, then implementation can begin. A Policy will normally have strategies and actions for its implementation. If one goes through 103 M#2\D:\Netaji-05\Policy Analysis\Module-4.PM6.5\2nd proof some concrete examples for detailed implementation process it will appear that usually policies are implemented gradually mostly following the incremental model.

11.2.4 Example of Policy Implementation The rapid advancements in the field of Information, Communication and Entertainment Technologies and the resultant explosive growth of the information intensive services sector have radically changed the world economic landscape. These changes have given rise to a new society based on knowledge. This has further resulted in the new avenues of development, employment, productivity, efficiency, and enhanced factors of economic growth. Government of Delhi had decided to herald the benefits of IT to the people of the state. The six E’s i.e. Electronic Governance, Equality, Education, Employment, Entrepreneurship and Economy governed the aspirations of the IT policy in the state of Delhi. E-Governance: To use e-governance as a tool and deliver a more pro-active and responsive to its citizens government. Equality: To use the power of the IT to achieve the objectives of eradicating poverty, improving healthcare, empowering women and economically weaker sections of the society. Education: To encourage the use of IT in schools, colleges and educational institutions in the state of Delhi so as to enable the students to obtain employment. Employment: To use IT for generating additional employment for the new digital economy. To facilitate localization of software, so that benefits of IT could percolate not only in English language, but also in Hindi, Urdu, and Punjabi. Entrepreneurship : To unleash the Delhi incubation engine, promote entrepreneurship, earn foreign exchange, and increase IT’s contribution to the economic growth of the state. Economy : To encourage and accelerate investments and growth in IT hardware, software, Internet, training, IT enabled services, telecom, e-commerce and related sectors in the state. To use IT effectively in industries to make them competitive and web-enabled. To provide adequate infrastructure in the state so that IT sector can flourish. To use IT for ushering world-class e-tourism in the state. Implementation Process a) Advisory Council : The government set up high-powered Information

104 M#2\D:\Netaji-05\Policy Analysis\Module-4.PM6.5\2nd proof Technology Advisory Council under the Chairpersonship of Chief Minister of Delhi. This advisory Council had representatives from the industry, government and academia. This Council was to review the implementation of the IT policy and advise the state on further improvements so as to enable the state to keep pace with the global IT scenario. b) Core Groups: To oversee the implementation of the policy in key areas of Information Technology such as E-Commerce, IT enabled services, E-Governance and E-Education, as also to assist the Advisory Council, the government set up Core Groups for each of these key areas, with representatives from the industry, government and academia. c) Strengthening of the Department of Information Technology: The Department of Information Technology was strengthened to enable it to discharge its role of acting as a single window agency for an all-round implementation and monitoring of the state IT policy. d) Milestones on the road map to cyber city: While Govt. of Delhi was committed to achieve its objective of transforming Delhi into a premier cyber city by the year 2003, the government realised it to be equally essential to set up important milestones on this journey. These milestones would likely to allow the government to take stock of what had to be achieved, what hurdles needed to be removed, and whether any mid-course correction was required to reach the destination. These milestones were December 2000, June 2001 and December 2001. At appropriate places this policy document with enumerated objectives, were expected to achieve positive outcomes by these dates. The government in its attempt to translate its vision into reality, expected the private sector to continue to play its pivotal role in following areas : a) Promoting IT for masses. b) Ushering E-Governance. c) Creating an atmosphere conducive for the growth of IT Industry & IT Infrastructure. Milestone One : December 2000 1. By the end of December 2000, the citizens' ability to access information relating to transactions with the government through the Internet would enhance. They would be able to download non-priced forms, information about eligibility, rules, documents required to be submitted along with various application forms, formats of affidavits, and information relating to tenders, as well as to file complaints or suggestions through the Internet. Simultaneously, the government was expected to reach the people by delivering relevant information through internet that ought to be in public domain so as to ensure transparency and accountability. Some examples of this type of information were: land owned by the government and the gaon sabha, details relating to the civil works and payments made for them, mandi market prices, availability of hospital beds, citizens' charters, etc. 2. Later, this information set would be further expanded and their placement in public domain would be made legally enforceable through the Right to Information Act. Milestone Two : June 2001 1. By this date, some transactions with the government was to be carried using telephones, stored-value credit or debit cards through the intermediation of the banks (Paying bills for government services is one example). IT was expected to make travel to the government offices unnecessary. These points - Citizen Service Points (CSPs) were to be electronically linked to these departments. These Points would be set up in private sector at the initial cost of setting up these Points by charging the citizens a transaction fee. 2. Besides these CSPs, the government sought to set up Suwidha Points in each department to enable the citizens to interact at only a single point called the Suwidha or single user-friendly window for handling applications which had to be submitted by a certain date. At these Suwidha Points the applications were to be accepted and acknowledged and the citizens would be given a date by which they would receive a response from the department. Milestone Three : December 2001 1. The third milestone was expected to be reached when citizens would be able to use electronic cards for accessing services offered by different departments. The government would try to issue multi-purpose cards to citizens that would serve the purpose of being a ration card, an identity card, a driving license etc. The citizens would be required to register their personal details only once. To begin with, ration cards and a single electronic card in selected areas on an experimental basis would replace driving licenses by June 2001. 1. IT was also to be deployed to improve government's internal efficiency in two main areas: in internal communication and in data handling. 2. Internal communication - increasing use of e-mail, bulletin boards and video conferencing in the government. 3. Data handling - data capture, data sharing, data storage, and data retrieval, data processing and data presentation.

106 M#2\D:\Netaji-05\Policy Analysis\Module-4.PM6.5\2nd proof 11.3 Policy Implementation as an output Policy implementation as an "output" can be stated as the extent to which programmatic goals are supported. For example, the level of expenditures committed to a program or the number of violations issued for failure to comply with the implementation directive. Construction of organizational apparatus, development of operational plans, and systems of control and evaluation are necessary to implement government programs. Emphasis should be on coordinating tasks and resources required for effective program implementation. Governmental agencies, legislative functions, executive leadership, staff agencies, state-local relationships, intrastate regionalism, and administrative customs peculiar to the country are to be focused to understand the reality of policy implementation as an output. Budget and revenue decisions, debt management, cash and investment management, pensions and employee benefits, and risk management are to be examined to realize the extent to which the policy goals are supported. political, economic, and managerial aspects of public budgeting, public policy implications, and budgetary reform movements and their successes and failures act as decisive factors in understanding policy implementation as an output. 11.4 Policy Implementation as an outcome Policy implementation as an "outcome" is measuring change in the society that the policy was addressing. For example, let's look at the issue of poverty. The policy implementation as an outcome would measure whether poverty has been lessened because of the enactment of the Indira government's social welfare policy, like Indira Rojgar Yojana. The nature and types of the major actors in the policy process, as well as the environment within which they work determines outcome of policy in the context of particular environment. Consideration of behavior within the context of public organization and the consequent changes required in management are the necessary requisites to ensure the success of implemented policy. Focuses should be on such issues as perception, attitude formation, motivation, leadership. Relationship between the NGOs and government is to be understood to measure the role of the non-government actors in bringing change in the society through the public policy. International philanthropy, cross-cultural understanding, and key managerial concerns such as communications, planning, human resource management, 107 M#2\D:\Netaji-05\Policy Analysis\Module-4.PM6.5\2nd proof control, group process, and project evaluation are to be examined for assessing the outcome of policy. The ability of the government and non- government organizations in translating public preferences into public policy and decisions determines the extent to which policy implementation as an outcome would reach the optimum level of success. Crisis management, public writing and speaking, building of positive relationships with the media, and development of external funding sources help to make the policy outcome successful. In summary, policy implementation as a concept involves all these activities: process, output, and outcome. 11.5 Essentials for Sustainable and Effective Implementation/ Execution A public policy, even if approved by Cabinet or Parliament, does not make any effect if it is kept in shelves and ignored. Policy Implementation Guidelines have to be issued to facilitate the execution of the policy. For sustainable and effective implementation some conditions need to be satisfied so that the intention of the policy measures is not thwarted by. Every policy approved has options which need to be clearly spelled out. This is the responsibility of the Ministry responsible for monitoring and evaluating the implementation of the policy. Normally the Ministry and other policy executing agencies spell out the strengths and weaknesses of the various policy options and recommend specific courses of action which are relevant and applicable given the prevailing socio-economic and political situation. All policy instruments have to be put in place, including the enactment of enabling legislation if it is necessary, before embarking on putting the policy into operation and action. The cooperation aspects needed between all parties concerned have to be spelt out in the implementation guidelines. Capacity to implement the plans including monitoring has to be considered. This includes consideration of the financial and manpower implications. There is need for Feedback from executing agencies and other stakeholders to assist in assessing and evaluating whether or not the policy is working. Some policies are routine in nature - for example, the preparation of the Annual Government Budget as specified in the country's Constitution. The implementation modalities of this may be a bit different from the longer-term national policies.

108 M#2\D:\Netaji-05\Policy Analysis\Module-4.PM6.5\2nd proof UNIT 12 ????? POLICY MONITORING Structure 12.0 Introduction 12.1 Role of Budgets in Monitoring Policy Implementation 12.2 Monitoring Outcomes and Impact of Policy Outcomes 12.3 Conditions for Effective Civic Engagement in Monitoring 12.0 Introduction A policy is a plan of action to guide decisions and actions. This is applicable for all government, private sector organizations and groups, and individuals. The policy process includes

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the identification of different alternatives, such as programmes or selecting priorities, and choosing among them on the basis of their possible impacts. Policies can be understood as political, management, financial, and administrative mechanisms arranged to reach explicit goals.

The goals of policy may vary widely according to the goals of

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organization and the context in which they are made. Broadly, policies are typically instituted

in order to initiate some positive benefit. There is often a gap between stated policy (i.e. which actions the organization intends to take) and

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the actions the organization actually takes. This difference is sometimes caused by political compromise over policy, while in other situations it is caused by

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policy implementation and enforcement. Implementing policy may have unexpected results, stemming from a policy whose reach extends further than the problem it was originally crafted to address. Additionally, unpredictable results may arise from selective or idiosyncratic enforcement of policy.

Therefore apart from the preparation of local plans, policy work also involves undertaking a range of monitoring work to measure the effectiveness of the plans/ policies and the implementation of its proposals. It is important that the ideas in the policy are seen to be working. The Government of India or Britain monitors implementation of policy decisions in various ways. One way is where the cabinet secretariat asks ministries to report on actions arising from previous cabinet meetings. The other way is that the Prime Minister's Office follows up issues raised in Parliament, and the Prime Minister meets his fellow ministers from time to time to discuss progress. These arrangements

109 M#2\D:\Netaji-05\Policy Analysis\Module-4.PM6.5\2nd proof appear to be primarily focused on dealing with short term and day-to-day problem solving, rather than systematically monitoring the performance of Government in implementing its policy decisions. For example, it appears neither the Cabinet Secretariat, nor the Prime Minister's Office has a good and elaborate information system to enable them systematically to keep track of progress in implementing long-term policy objectives. The Government often does not appear to undertake any regular oversight of policy implementation.

12.1 The Role of Budgets In Monitoring Policy Implementation

Policy is translated into action through allocation of resources to it within the annual budget of a country. Hence the budget is the main vehicle for civil society to monitor whether a policy is being implemented or not. Monitoring Budget Implementation ? Monitoring budget inputs- It is meant to see whether relevant ministries have received adequate money for implementation of policies or whether the ministries have made plans/policies according to the amount of money allocated to them. ? Monitoring budget outputs – whether are planned policies producing planned outputs? Civil society can initiate public expenditure tracking surveys, and results used as an advocacy tool to ensure full allocation where gaps exist. Citizen report cards & surveys are good mechanisms to seek client feedback on public services.

12.2 Monitoring Outcomes and Impact of Policy Outcomes

Monitoring of Policy Implementation. Human rights instruments identify the state as a primary duty bearer. International community also has certain obligations. The state has an obligation to fulfill the right of its citizens. Existence of institutional mechanisms of accountability is essential for policy monitoring from a human rights perspective. The accountability procedure must be participatory in nature. This implies that people who will be affected by policies or whose rights are to be addressed by policy must have the ability and scope to determine whether the state and other officials have actually fulfilled their obligations. ? The impact of policy on people's lives? – Assessing qualitative impact of policy – Monitoring Participatory Poverty Assessments to assess changes

110 M#2\D:\Netaji-05\Policy Analysis\Module-4.PM6.5\2nd proof Civil society can contribute to: – Qualitative policy update – Independent participatory impact assessments In the context of recent thrust for industrialization and inviting private sector and multinational investment policies the annually produced mid-year surveys on housing and industrial land availability is of particular importance. Further an annual monitoring report is to be produced in each year to monitor progress on the development policies and effectiveness of its policies and proposals. Civil society can monitor progress on public policy in following ways: ? Monitoring spans the entire policy cycle – from needs analysis through implementation to review ? Monitoring implementation of public policy in the light of short and medium term results, with a focus on inputs and outputs ? Monitoring progress on a longer term basis. The contexts that have created a demand for civil society monitoring stand as follows: ? Increasing recognition of civil society as key partner in development. ? Opened up opportunities for civil society to participate in policy making. ? Growing feeling that poor women and men have a 'right to be heard'. ? Involvement of the affected people in the process of policy formulation. In order to satisfy the requirements of the rights based approach, the process of policy formulation will lead to important sets of characteristics relating to participation and progressive realization of rights. It has been worked out that denial of people's right to influence the decisions that affect their lives and the lack of accountability of decision makers are central causes of poverty. Civil society participation is essential for enhancing: – responsiveness of policies and decisions – transparency and accountability – equity in the development process ? The process itself strengthens civil society actors in ways that help to hold governments and international organizations accountable over the long run. ? Participatory assessments and monitoring processes at community level can initiate community driven action . Developing nations, like India and often the developed societies still are to go further ahead towards inventing

111 M#2\D:\Netaji-05\Policy Analysis\Module-4.PM6.5\2nd proof ? Mechanisms for ensuring on-going government-civil society dialogue, especially with communities which are still lacking. ? Mechanisms for participation of communities and poor women and men which is still passive ? Concrete strategies towards viable monitoring systems which is still very weak, having technical bias with focus on government role. However, direct participation may not always be either possible or desirable in the context of immature democracies of the developing nations. Specific context will define the extent and nature of participation. A hard and fast formula does not exist. Nonetheless, it is important that mechanisms and institutions must exist – legal, administrative, civil society based institutions, through which genuine participation is possible. Fulfillment of the right to participation may necessitate implementation of other ancillary rights. These will include right to-information, free speech and association. The notion of ‘progressive realization of rights’ emanates from resource constraints, specially in the countries of Asia, Africa and Latin America. Resource constraints imply that all human rights cannot be achieved at the same time. Therefore, most of the social, economic rights will have to be achieved gradually in a progressive manner. Defining of ultimate goals and setting up of intermediate targets are important for progressive realization to be meaningful. Priority setting involves consideration of trade-offs and alternative policy options on the basis of following essential features: ? Equity ? Non-discrimination, ? Goals consistent with those set up by human rights instruments ? Recognition of the interdependence of rights Accountability has two dimensions- domestic and external. By signing various treaties the state has agreed to make itself accountable to different treaty bodies, thereby subjecting itself to some form of external accountability. Accountability does not rest with the state party alone. External actors have to be accountable too. This is because the obligation to fulfill rights does not belong exclusively to the states, the world community has an obligation as well. Therefore, all the external actors, the donor countries, Bretton Woods Institutions, bilateral donor countries, international institutions, even international NGOs and civil society organizations who deal with specific countries have to be accountable for their part in fulfilling the rights. Therefore civic engagement in monitoring the implementation is essential for progressive realization of rights and community development even in the condition of global market economy. At times certain public policy may seem to fail but Government

112 M#2\D:\Netaji-05\Policy Analysis\Module-4.PM6.5\2nd proof becomes reluctant to change the policy or terminate it altogether which necessitates effective civic engagement in monitoring. 12.3 Conditions for Effective Civic Engagement in Monitoring ? Political space ? Government convinced of value of civic engagement ? Sufficient time to consult their partners and constituents ? Timely & adequate information – easy access to plans & budgets smoothens dialogue ? Civil society must be ready to commit time, funds & their best human resources to liaise with government on an on-going basis ? Civil society’s ability to influence policy and quality of its monitoring activities must be evaluated ? Representation, broad participation through the legitimate links to poor communities & other civil society actors at the level of national networks ? Feedback mechanisms are required, so that those who are consulted are informed if their views were taken into account. ? Capacity building of civil society for: organizing & networking, poverty monitoring, policy analysis, budget analysis and expenditure tracking, advocacy, lobbying, etc. ? Capacity of government for understanding participatory approaches & expertise to use them for policy purposes. UNDP is now taking measures to ? facilitate civil society-government partnership in monitoring report preparation & related advocacy ? support capacity development for government and civil society ? support civil society coalition building and networking activities to promote representativity ? link civil society networks in the region to global networks to facilitate capacity building, contribution of the region to global developments & empowerment of civil society actors in region ? develop genuine, equal & long-term partnership with civil society organizations in above processes.

113 M#2\D:\Netaji-05\Policy Analysis\Module-4.PM6.5\2nd proof UNIT 13 ????? EVALUATION Structure 13.0

Introduction 13.1 The policy formulation-implementation-monitoring-evaluation- process-A concluding observation
13.0 Introduction After a policy is implemented, it is important to evaluate its effectiveness. Policy research and analysis are strategies to evaluate the original intents of policy, to what extent they have been met and whether there are any unintended outcomes. If the policy is not successful on any level, evaluation findings can be used during a new phase of problem definition. The policy life cycle rotates til an effective policy is created and successfully implemented. Public policy changes do not occur overnight; rather, they are the result of activities in each stage of the policy life cycle. Each phase can take weeks or years, depending on the depth of the issue, the people involved, and the intricacy of the policy itself. This life cycle is only a framework—not all policy is formed according to this linear model. However, all policy creation is incremental and builds upon prior developments and activities. A number of different strategies are often required to create one policy change. ? Consultation with government agencies companies and public interest groups considering whether to sponsor or initiate collaborative problem solving, ? Preparation of detailed written situation assessments of the prospects for success using collaborative decision making to achieve specific outcomes, ? Customized recommendations about the design of collaborative decision making processes ? Convening diverse multi-party stakeholder groups ? Customized process assistance including facilitation and mediation to stakeholder groups engaged in collaborative problem solving negotiations ? Consultation and strategy coaching with parties on how to participate effectively in a collaborative process ? Assistance with internal team or coalition negotiations for stakeholder groups that are part of a collaborative process ? Work with party's constituents to help educate them about the collaborative

114 M#2\D:\Netaji-05\Policy Analysis\Module-4.PM6.5\2nd proof problem solving process and the rationale for agreements that have been reached ? Implementing public participation processes to solicit input from individuals and groups not directly engaged in decision making, and to inform them about progress being made ? Advice on strategies to formalize, coordinate and integrate collaborative decision into legal mechanism such as courts, legislatures or administrative/ executive decisions. Evaluation of public policy is required to ensure The extent which the policy is being implemented properly? When implemented, does the policy in question have an impact on relevant and contemporary socio- economic issues? Whether and to what extent policy commitments to gender and diversity have been met? Evaluation of public policy is one of the most important parts of the policy process that in turn influences the needs analysis in the context of situation. Household budget surveys, participatory poverty assessments reports may be prepared on the basis of the report. Evaluation of public policy ensures more effective budget formulation through post budget consultations with civil society & informal channels. Evaluation helps to prepare: Medium Term Expenditure Frameworks (budgeting based on activities & outputs) Management Information Systems (standardization & computerization of financial information to improve public expenditure management If civil society focuses on a few critical areas, work with parliaments, giving budget & finance committees information & analysis to feed the debate, use allies, e.g. academics in providing technical assistance and keep it simple. Timeliness is crucial for ensuring that government rectifies situation within current annual budget. The 2001 reform of the France basic law on financial legislation defines a new framework for the monitoring of public policies based on the evaluation of outputs and outcomes rather than resources allocations through a classical budgeting process. A new monitoring process is under design, based on the balanced scorecard method, aiming at achieving consistency between three levels: policy formulation, policy implementation and policy evaluation. The reliability of these processes depends on the management of flows of strategic information 1 . 1. Rochet Claude, Rethinking the Management of Information in the Strategic Monitoring of Public Policies by Agencies, Institute de Management Public; Universite de Versailles Saint- Quentin-en-Yvelines , Industrial Management & Data Systems, Vol. 104, No. 3, p. 201, 2004

115 M#2\D:\Netaji-05\Policy Analysis\Module-4.PM6.5\2nd proof 13.1The policy formulation-implementation- monitoring- evaluation- process- A concluding observation In the three preceding sections, it has been made clear that if policies and strategies are not soundly based, it will prove very difficult to implement them successfully. Moreover, if there is not broad public and political support, it will be very difficult to implement them successfully, even if the policies themselves are correct. Both these arguments can be seriously addressed (but of course not totally solved) by a broadly-based participatory process that clearly defines the roles and contributions expected from all parties concerned. Thus formulating, implementing and monitoring land use policy for industrialization is a dynamic process - it is subjected to extraneous and often unpredictable international and intersectoral events, as well as by the local experiences in practice. Policy formulation and planning should not be done only by an isolated cell in the backrooms of the Ministry. Strengthening national capacity for policy formulation and implementation towards industrialization means more than technical and planning skills. While such people can certainly contribute analysis into the process, the real need might be for a capacity to manage the consultative process that defines and formulates policy. Many outsiders detect a "disharmony between policy and reality" which those directly involved may not recognise. Before doing any comment on any policy we should carry on policy research on following questions: "What the policies ought to be?" "What instruments work efficiently?" "How to implement policy more effectively?" This research should be designed to detect whether there are serious deep-seated institutional and policy problems - not just minor technical questions or a shortage of funds! Research can be "applied problem-solving". If we monitor what is happening and decide it is not good enough, we should seek reasons and explore alternatives - open- minded, exploratory, nothing taken for granted just because it is the status quo.

116 M#2\D:\Netaji-05\Policy Analysis\Module-4.PM6.5\2nd proof UNIT 14 ????? POLICY IMPACT AND PUBLIC RESPONSE Structure 14.0 Introduction 14.1 Impact 14.1.1 Implementation Under Suboptimal Conditions 14.0 Introduction The policy must be

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based on sound theory relating changes in target group behavior to the achievement of the desired end state (

policy objectives).Target group compliance is generally the most difficult part of the implementation process and it often will depend on the perceived validity of the policy objectives. The proposed policy must be both technically and theoretically sound. At times, target group compliance can be interpreted as the policy objective, and in such instances, the technical component is directly linked to the target group. The policy must be clear and unambiguous and provide enough structure and support so as to maximize the likelihood that the target group will perform as desired. Unambiguous objectives make priorities clear and facilitate the implementation process. With adequate fund allocation, proper staffing, technical and administrative support needed to implement the policy it is more likely that the desired objectives will be achieved. Incentives often help for compliance. The implementation must be executed by the personnel set up, which are committed to developing new mechanisms to enforce the policy objectives in the face of resistance from target groups and public officials reluctant to make the mandated changes. The personnel implementing the policy decision must be hierarchically integrated so that there is a minimum of variation in the degree of behavioral compliance between implementing officials and target groups. The mechanisms of implementing officials must be supportive and consistent with policy objectives. There should be opportunities for input from interest groups and requirements for periodic evaluation of the performance of implementing officials and the target groups. The organization implementing the policy must possess managerial and political skill and be committed to the policy goals. The support of top implementing officials is an important condition for successful implementation.

117 M#2\D:\Netaji-05\Policy Analysis\Module-4.PM6.5\2nd proof The policy must have political and interest group support throughout the implementation process and safeguards should be established against any destructive measures that may jeopardize the goals of the policy. The policy objectives must be very clear throughout the implementation process so that the emergence of conflicting public policies or changes in relevant socioeconomic conditions may not spoil the basic aim. Implementation officials must be sensitive to the effects that changes in tangential policies and in technical assumptions can have on their programs. The process of policy evaluation and feedback occurs continuously on an informal basis as the implementing officials interact with concerned groups, legislative and executive members, and the courts. Formal evaluation must also be conducted before attempts are made to make substantial revisions in the statute.

14.1 Impact Legislators and other policy formulators can expect effective policy implementation if the statute incorporates a sound technical theory, provides precise and clearly ranked objectives, and structures the implementation process in wide varieties so as to maximize the probability of target group compliance. In practice, often substantial constraints make it extremely difficult for them to perform these tasks. Valid technical theories may not be available, imperfect information, goal conflict, and legislative discomforts make it difficult to pass legislation that incorporates unambiguous objectives and coherently structured the implementation process.

14.1.1 Implementation Under Suboptimal Conditions

If a valid technical theory linking target group behavior to policy objectives is unavailable, then a conscious effort should be made to incorporate in the policy or statute a learning process, such as experimental projects, research and development, evaluation studies, etc. In US Presidential system, if the legislature passes a statute which is ambiguous, policy makers may initiate litigation in a court that may invalidate the law as an unconstitutional delegation of legislative authority. If implementing officials fail to or are unwilling to implement a policy or statute then outside intervention like reporting systems, independent evaluation and oversight may help to ensure compliance. It will be virtually impossible to successfully implement a statute without the active support of interest groups, unless the implementation is a priority of supportive legislators and implementing officials. If necessary, efforts should be made to find a "fixer" for programs threatened by changes in agency, socio-economic or other priorities.

118 M#2\D:\Netaji-05\Policy Analysis\Module-4.PM6.5\2nd proof Administration in public and non-profit organizations does have a direct relation on the policy implementation process. In understanding the impact of policy and public responses to the policy focuses must be on the structure, functions, and processes of the executive branch agencies of national, state, and local governments. Emphasis should be on nonprofit organizations as co-actors with government in the policy- making/policy implementation nexus. The international system that both affects, and is affected by, the decisions, behaviors, and subsystems of state and non-state actors is to be reviewed for understanding the impact of policy on the existing socio-economic environment. Issues in international management as well as interplay of organizational structure and bureaucratic dynamics in the international context should be thoroughly scrutinized to evaluate the impact of policy. Techniques and skills available to, and used by, public managers to solve policy- related problems or to analyze policy-related data is to be assessed to understand the impact of policy and public responses to the policy. Focus is on problem definition, research design, and problem solving under conditions of uncertainty in the public sector. The investment policies, endowment management, and enterprise income, elements of financial management such as raising money, budgeting, and control are to be discussed to measure the impact of policy designed to bring change on the existing socio-economic set up. Issues such as organization design, inter organizational coordination, intelligence and decision-making systems, leadership and motivation theories, and theories or organizations as agents of political and social change, approaches to the analysis of public policy, including the role of values in policy analysis, assumptions in modeling policy problems, the organizational context of policy studies, and institutions for designing and implementing policies are to be evaluated to measure the policy impact and public response to the stated policy. Through the on-going public service reform programme, the government of any country may establish policy and planning divisions/units in all the ministries. The main responsibilities of these divisions/units will be to facilitate the policy formulation process in each ministry/sector and therefore throughout government. Among other responsibilities, their tasks may include policy development and coordination, evaluation and policy-reformulation. These policy and planning divisions/units are to perform as think-tanks for the ministries and they are also arbiters of competing sub-sectoral policies and subsequent resource demands within the ministries. Other ways the government may ensure is the proper and thorough scrutiny of public policy, analysis, implementation and review to supplement the government's available capacity by contracting out this activity to policy experts from the Universities, research institutions, private consulting firms and individuals. The

119 M#2\D:\Netaji-05\Policy Analysis\Module-4.PM6.5\2nd proof government would also have an added advantage from such an arrangement because it would enable it to get credible independent views from outside government on whether or not the public policy is working as intended and possible options and/or remedial actions that have to be taken into account in reviewing the public policy. Further Readings ? Thomas R. Dye Policy Analysis University of Alabama Press, (1976). ? Robert Dahl, Who Governs ,New Haven: Yale University Press, 1961. ? C. Wright Mills, The Power Elite, Oxford, Oxford University Press, 1956. ? Web address: "http://en.wikipedia.org/wiki/Policy" ? Shafritz, Jay M., Defining Public Administration, Selections from the International Encyclopedia of Public Policy and Administration, New Delhi, Rawat Publications, 2007. Exercise LARGE QUESTIONS 1. What is policy implementation cycle? What are the fundamentals of policy implementation? 2. What is meant by policy implementation? What steps does it require? 3. Explain policy implementation as a "process" with suitable examples. 4. Write on different aspects of monitoring and evaluation of public policy 5. Write notes on the following: The role of budgets in monitoring policy implementation Policy implementation as an output Policy implementation as an outcome Essentials for sustainable and effective implementation/execution 6. Write an essay on the role and responsibility of the civil society in monitoring and evaluation of public policy that affects them. 7. Write an essay on the impact of policy implementation 8. Write an essay on the conditions for effective civic engagement in monitoring. What are the findings UNDP? 9. Why evaluation of public policy is required? 10. What strategies are required to create one policy change?

Hit and source - focused comparison, Side by Side

Submitted text As student entered the text in the submitted document.
Matching text As the text appears in the source.

1/48	SUBMITTED TEXT	20 WORDS	75% MATCHING TEXT	20 WORDS
	All rights reserved. No part of this study material may be reproduced in any form without permission in writing from		All rights reserved. No part of this course may be reproduced in any form by any means without prior permission in writing from:	
	<p>W https://www.ebookbou.edu.bd/Books/Text/SOB/CEMBA-CEMPA/elec_3620/Module-4.pdf</p>			
2/48	SUBMITTED TEXT	13 WORDS	89% MATCHING TEXT	13 WORDS
	advance the level of political awareness, and improve the quality of public policy. In		advance the level of political knowledge and improve the quality of public policy in	
	<p>W http://egyanagar.osou.ac.in/slmfiles/MAPP-01-Block-01.pdf</p>			
3/48	SUBMITTED TEXT	38 WORDS	96% MATCHING TEXT	38 WORDS
	the identification of different alternatives, such as programs or spending priorities, and choosing among them on the basis of the impact they will have. Policies can be understood as political, management, financial, and administrative mechanisms arranged to reach explicit goals.		the identification of different alternatives such as programs or spending priorities, and choosing among them on the basis of the impact they will have. Policies can be understood as political, managerial, financial, and administrative mechanisms arranged to reach explicit goals.	
	<p>W http://en.wikipedia.org/wiki/Policy</p>			

4/48	SUBMITTED TEXT	49 WORDS	100% MATCHING TEXT	49 WORDS
<p>Corporate purchasing policies provide an example of how organizations attempt to avoid negative effects. Many large companies have policies that all purchases above a certain value must be performed through a purchasing process. By requiring this standard purchasing process through policy, the organization can limit waste and standardize the way purchasing is done.</p> <p>W http://en.wikipedia.org/wiki/Policy</p>		<p>Corporate purchasing policies provide an example of how organizations attempt to avoid negative effects. Many large companies have policies that all purchases above a certain value must be performed through a purchasing process. By requiring this standard purchasing process through policy, the organization can limit waste and standardize the way purchasing is done.[]</p>		
5/48	SUBMITTED TEXT	13 WORDS	100% MATCHING TEXT	13 WORDS
<p>what governments do, why they do it, and what difference it makes." –</p> <p>W http://egyanagar.osou.ac.in/slmfiles/MAPP-01-Block-01.pdf</p>		<p>what governments do, why they do it, and what difference it makes."</p>		
6/48	SUBMITTED TEXT	62 WORDS	100% MATCHING TEXT	62 WORDS
<p>When the term policy is used, it may also refer to: ? Official government policy (legislation or guidelines that govern how laws should be put into operation) ? Broad ideas and goals in political manifestos and pamphlets ? A company or organization's policy on a particular topic. For example, the equal opportunity policy of a company shows that the company aims to treat all its staff equally. 1.3</p> <p>W http://en.wikipedia.org/wiki/Policy</p>		<p>When the term policy is used, it may also refer to:[12] • Official government policy (legislation or guidelines that govern how laws should be put into operation) • Broad ideas and goals in political manifestos and pamphlets • A company or organization's policy on a particular topic. For example, the equal opportunity policy of a company shows that the company aims to treat all its staff equally.</p>		
7/48	SUBMITTED TEXT	19 WORDS	100% MATCHING TEXT	19 WORDS
<p>vary widely according to the organization and the context in which they are made. Broadly, policies are typically instituted</p> <p>W http://en.wikipedia.org/wiki/Policy</p>		<p>vary widely according to the organization and the context in which they are made. Broadly, policies are typically instituted</p>		

8/48	SUBMITTED TEXT	17 WORDS	84% MATCHING TEXT	17 WORDS
<p>public policy as the description and explanation of the causes and consequences of government activity (Dye, 2002:3). ?????</p> <p>W http://egyanagar.osou.ac.in/slmfiles/MAPP-01-Block-01.pdf</p>		<p>public policy -- to the description, and explanation of the causes and consequences of government activity. Dye</p>		
9/48	SUBMITTED TEXT	23 WORDS	100% MATCHING TEXT	23 WORDS
<p>as "a purposive course of action followed by an actor or set of actors in dealing with a problem or matter of concern." ????? "</p> <p>W http://egyanagar.osou.ac.in/slmfiles/MAPP-01-Block-01.pdf</p>		<p>as "a purposive course of action followed by an actor or set of actors in dealing with a problem or matter of concern".</p>		
10/48	SUBMITTED TEXT	17 WORDS	100% MATCHING TEXT	17 WORDS
<p>to avoid some negative effect that has been noticed in the organization, or to seek some positive benefit. 5</p> <p>W http://en.wikipedia.org/wiki/Policy</p>		<p>to avoid some negative effect that has been noticed in the organization, or to seek some positive benefit. [</p>		
11/48	SUBMITTED TEXT	13 WORDS	96% MATCHING TEXT	13 WORDS
<p>Thomas Dye: Public policy is "Whatever governments choose to do or not do". ?</p> <p>W https://egyankosh.ac.in/bitstream/123456789/73703/1/Block-1.pdf</p>		<p>Thomas Dye (1978), "public policy is whatever governments choose to do or not to do".</p>		
12/48	SUBMITTED TEXT	22 WORDS	100% MATCHING TEXT	22 WORDS
<p>public policy is the sum of government activities, whether acting directly or through agents, as it has an influence on the life of citizens".</p> <p>W https://egyankosh.ac.in/bitstream/123456789/73703/1/Block-1.pdf</p>		<p>public policy' is the sum of government activities, whether acting directly or through agents, as it has an influence on the life of citizens".</p>		
13/48	SUBMITTED TEXT	15 WORDS	100% MATCHING TEXT	15 WORDS
<p>Examples include government policies that impact spending for welfare, public education, 9 highways, and public safety.</p> <p>W http://en.wikipedia.org/wiki/Policy</p>		<p>Examples include government policies that impact spending for welfare, public education, highways, and public safety,</p>		

14/48	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
<p>Policy is interpreted and implemented by public and private actors. ?</p> <p>W https://egyankosh.ac.in/bitstream/123456789/73703/1/Block-1.pdf</p>		<p>Policy is interpreted and implemented by public and private actors</p>		
15/48	SUBMITTED TEXT	33 WORDS	98% MATCHING TEXT	33 WORDS
<p>good behavior can be easily defined and bad behavior can be easily regulated and punished through fines or sanctions. An example of a fairly successful public regulatory policy is that of a speed limit</p> <p>W http://en.wikipedia.org/wiki/Policy</p>		<p>good behavior can be easily defined and bad behavior can be easily regulated and punished through fines or sanctions. An example of a fairly successful public regulatory policy is that of a highway speed limit.[12]</p>		
16/48	SUBMITTED TEXT	18 WORDS	92% MATCHING TEXT	18 WORDS
<p>Regulatory policies, or mandates, limit the discretion of individuals and agencies, or otherwise compel certain types of behavior. Constituent policies</p> <p>W http://en.wikipedia.org/wiki/Policy</p>		<p>Regulatory policies, or mandates, limit the discretion of individuals and agencies, or otherwise compel certain types of behavior. These policies</p>		
17/48	SUBMITTED TEXT	11 WORDS	87% MATCHING TEXT	11 WORDS
<p>Constituent policies create executive power entities, or deal with laws. Miscellaneous policies</p> <p>W http://en.wikipedia.org/wiki/Policy</p>		<p>Constituent policies create executive power entities, or deal with laws. Constituent policies</p>		
18/48	SUBMITTED TEXT	15 WORDS	90% MATCHING TEXT	15 WORDS
<p>a series or pattern of governmental activities or decisions that are designed to remedy some</p> <p>W http://www.sci-int.com/pdf/637782795439040579.%20Saniel-EDU-PHILIP-28-12-21%20REOMMENDED%20by%20C ...</p>		<p>a series or pattern of government activities or decisions that are designed to remedy some</p>		

19/48	SUBMITTED TEXT	55 WORDS	100% MATCHING TEXT	55 WORDS
	<p>Policy addresses the intent of the organization, whether government, business, professional, or voluntary. Policy is intended to affect the 'real' world, by guiding the decisions that are made. Whether they are formally written or not, most organizations have identified policies. Policies may be classified in many different ways. The following is a sample of several different types of policies. ?</p> <p>W http://en.wikipedia.org/wiki/Policy</p>		<p>Policy addresses the intent of the organization, whether government, business, professional, or voluntary. Policy is intended to affect the "real" world, by guiding the decisions that are made. Whether they are formally written or not, most organizations have identified policies.[12] Policies may be classified in many different ways. The following is a sample of several different types of policies</p>	
20/48	SUBMITTED TEXT	27 WORDS	48% MATCHING TEXT	27 WORDS
	<p>policy ? Domestic policy ? Education policy ? Energy policy ? Environmental Policy ? Foreign policy ? Healthcare policy ? National defense policy ? Public policy (law) ? Sex policy 11 ? Social policy ? Social welfare policy</p> <p>W http://en.wikipedia.org/wiki/Policy</p>		<p>policy • Domestic policy • Economic policy • Education policy • Energy policy • Environmental policy • Foreign policy • Forest policy • Health policy • Macroeconomic policy • Monetary policy • Plan • Population policy • Public policy law • Science Security policy • Social policy •</p>	
21/48	SUBMITTED TEXT	44 WORDS	100% MATCHING TEXT	44 WORDS
	<p>Policies are dynamic; they are not just static lists of goals or laws. Policy blueprints have to be implemented, often with unexpected results. Social policies are what happens 'on the ground' when they are implemented, as well as what happens at the decision making or legislative stage.</p> <p>W http://en.wikipedia.org/wiki/Policy</p>		<p>Policies are dynamic; they are not just static lists of goals or laws. Policy blueprints have to be implemented, often with unexpected results. Social policies are what happens 'on the ground' when they are implemented, as well as what happens at the decision making or legislative stage.[12]</p>	
22/48	SUBMITTED TEXT	14 WORDS	100% MATCHING TEXT	14 WORDS
	<p>how something is going to be done or who is going to take action.</p> <p>W https://slideplayer.com/slide/8377541/</p>		<p>how something is going to be done or who is going to take action.</p>	

23/48	SUBMITTED TEXT	60 WORDS	94% MATCHING TEXT	60 WORDS
	<p>the actions the organization actually takes. This difference is sometimes caused by political compromise over policy, while in other situations it is caused by lack of policy implementation and enforcement. Implementing policy may have unexpected results, stemming from a policy whose reach extends further than the problem it was originally crafted to address. Additionally, unpredictable results may arise from selective or idiosyncratic enforcement of policy. 1.5</p> <p>W http://en.wikipedia.org/wiki/Policy</p>		<p>The actions the organization actually takes may often vary significantly from stated policy. This difference is sometimes caused by political compromise over policy, while in other situations it is caused by lack of policy implementation and enforcement. Implementing policy may have unexpected results, stemming from a policy whose reach extends further than the problem it was originally crafted to address. Additionally, unpredictable results may arise from selective or idiosyncratic enforcement of policy.[12]</p>	
24/48	SUBMITTED TEXT	15 WORDS	93% MATCHING TEXT	15 WORDS
	<p>resources or substantive power to their beneficiaries or impose real disadvantages on those adversely affected.</p> <p>W https://slideplayer.com/slide/8377541/</p>		<p>resources or substantive power to their beneficiaries, or impose real disadvantages on those who are adversely affected.</p>	
25/48	SUBMITTED TEXT	28 WORDS	78% MATCHING TEXT	28 WORDS
	<p>In political science the policy cycle is a tool used for the analysing of the development of a policy item. It can also be referred to as a "</p> <p>W http://en.wikipedia.org/wiki/Policy</p>		<p>In political science, the policy cycle is a tool used for analyzing the development of a policy. It can also be referred to as a "</p>	
26/48	SUBMITTED TEXT	20 WORDS	79% MATCHING TEXT	20 WORDS
	<p>issue filtration, issue definition, forecasting, setting objectives and priorities, options analysis, policy implementation, evaluation and review, and policy maintenance, succession or termination.</p> <p>W http://egyanagar.osou.ac.in/slmfiles/MAPP-01-Block-01.pdf</p>		<p>issue filtration), issue definition, forecasting, setting objectives and priorities, options analysis, policy implementation, monitoring and control, evaluation and and policy maintenance succession and termination.</p>	

27/48	SUBMITTED TEXT	31 WORDS	35% MATCHING TEXT	31 WORDS
<p>listing of all the alternatives; (2) the determination of all the consequences resulting from each of the alternatives; and (3) the comparison of the accuracy and efficiency of each of these sets of consequences. 11</p> <p>SA submission.docx (D36136251)</p>				
28/48	SUBMITTED TEXT	25 WORDS	69% MATCHING TEXT	25 WORDS
<p>The human being striving for rationality and restricted within the limits of his knowledge has developed some working procedures that partially overcome these difficulties. These procedures</p> <p>The human being, who is making efforts for rationality and is constrained within the bounds of his knowledge, has developed some working procedures that enable him to partially overcome these difficulties. These procedures</p> <p>W https://epgp.inflibnet.ac.in/epgpdata/uploads/epgp_content/S000030PU/P001504/M021960/ET/150392285 ...</p>				
29/48	SUBMITTED TEXT	26 WORDS	90% MATCHING TEXT	26 WORDS
<p>that he can isolate from the rest of the world a closed system containing a limited number of variables and a limited range of consequences" 12</p> <p>that he can isolate from the rest of the world into a closed system which contains a limited number of variables and a limited range of consequences.</p> <p>W https://epgp.inflibnet.ac.in/epgpdata/uploads/epgp_content/S000030PU/P001504/M021960/ET/150392285 ...</p>				
30/48	SUBMITTED TEXT	12 WORDS	83% MATCHING TEXT	12 WORDS
<p>following a comprehensive analysis of the alternatives and their consequences. However, this</p> <p>SA submission.doc (D36116069)</p>				
31/48	SUBMITTED TEXT	24 WORDS	50% MATCHING TEXT	24 WORDS
<p>Dye,T R, Understanding Public Policy, 4th ed. Englewood Cliffs, NJ: Prentice- Hall,1972. 3 Easton, D, A Systems Analysis of Political Life, New York: Wiley, 1965. 4</p> <p>SA Final paper.docx (D69167333)</p>				

32/48	SUBMITTED TEXT	19 WORDS	88% MATCHING TEXT	19 WORDS
<p>Howlett , M and Ramesh, M, Studying Public Policy: Policy Cycles and Policy Subsystems (Toronto: Oxford University Press, 1995)</p> <p>W https://dictionnaire.enap.ca/dictionnaire/docs/definitions/definitions_anglais/policy_cycles.pdf</p>		<p>Howlett, M. and Ramesh (2003). Studying Public Policy: Policy Cycles and Policy Subsystems, Toronto, Oxford University Press.</p>		
33/48	SUBMITTED TEXT	11 WORDS	90% MATCHING TEXT	11 WORDS
<p>Howlett and Ramesh, Studying Public Policy: Policy Cycles and Policy Subsystems,</p> <p>W http://ir.amu.ac.in/12202/1/T7819.pdf</p>		<p>Howlett, Michael and M. Ramesh, Studying Public Policy – Policy Cycles and Policy Subsystems,</p>		
34/48	SUBMITTED TEXT	10 WORDS	90% MATCHING TEXT	10 WORDS
<p>Howlett and Ramesh, Studying Public Policy: Policy Cycles and Policy Subsystems,</p> <p>W http://ir.amu.ac.in/12202/1/T7819.pdf</p>		<p>Howlett, Michael and M. Ramesh, Studying Public Policy – Policy Cycles and Policy Subsystems,</p>		
35/48	SUBMITTED TEXT	20 WORDS	70% MATCHING TEXT	20 WORDS
<p>Studying Public Policy: Policy Cycles and Policy Subsystems, P. 82. 31 Howlett and Ramesh, Studying Public Policy: Policy Cycles and Policy Subsystems 83.</p> <p>W https://www.ipsea.org/na/book/studying-public-policy-policy-cycles-and-policy-subsystems</p>		<p>Studying Public Policy. Policy Cycles and Policy Subsystems Studying Public Policy. Policy Cycles and Policy Subsystems</p>		
36/48	SUBMITTED TEXT	59 WORDS	93% MATCHING TEXT	59 WORDS
<p>Lindblom is one of the early developers and advocates of the theory of Incrementalism in policy and decision-making. This view (also called Gradualism) takes a "baby-steps", or "Muddling Through", approach to decision-making processes. In it, policy change is, under most circumstances, evolutionary rather than revolutionary. He came to this view through his extensive studies of Welfare policies and Trade Unions throughout the industrialized world.</p> <p>W http://en.wikipedia.org/wiki/Charles_E._Lindblom</p>		<p>Lindblom was one of the early developers and advocates of the theory of incrementalism in policy and decision-making.[3][4][5] This view (also called gradualism) takes a "baby-steps", "Muddling Through" or "Echternach Theory" approach to decision-making processes. In it, policy change is, under most circumstances, evolutionary rather than revolutionary. He came to this view through his extensive studies of Welfare policies and Trade Unions throughout the industrialized world.</p>		

37/48	SUBMITTED TEXT	78 WORDS	96% MATCHING TEXT	78 WORDS
<p>Together with his friend, colleague and fellow Yale professor Robert A. Dahl, he was a champion of the Polyarchy (or Pluralistic) view of political elites and governance in the late 1950s and early 1960s. According to this view, no single, monolithic elite controls government and society, but rather a series of specialized elites compete and bargain with one another for control. It is this peaceful competition and compromise between elites in politics and the marketplace, which drives free-market democracy and allows it to thrive.</p> <p>W http://en.wikipedia.org/wiki/Charles_E._Lindblom</p>		<p>Together with his friend, colleague and fellow Yale professor Robert A. Dahl, was a champion of the Polyarchy (or Pluralistic) view of political elites and governance in the late 1950s and early 1960s. According to this view, no single, monolithic elite controls government and society, but rather a series of specialized elites compete and bargain with one another for control. It is this peaceful competition and compromise between elites in politics and the marketplace that drives free-market democracy and allows it to thrive.</p>		
38/48	SUBMITTED TEXT	14 WORDS	96% MATCHING TEXT	14 WORDS
<p>Mueller defines public choice approach as 'simply the application of economics to political science'.</p> <p>W https://www.egyankosh.ac.in/bitstream/123456789/76652/1/Unit-2.pdf</p>		<p>Mueller defines the public choice approach as "... simply the application of economics to political science.</p>		
39/48	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
<p>but not sufficient structures for a productive and responsive public service economy.</p> <p>SA Final paper.docx (D69167333)</p>				
40/48	SUBMITTED TEXT	15 WORDS	100% MATCHING TEXT	15 WORDS
<p>Etzioni, Amitai.. "Mixed Scanning: A Third Approach to Decision Making." Public Administration Review 27: 1967 ,387-392.</p> <p>W http://ir.amu.ac.in/12202/1/T7819.pdf</p>		<p>Etzioni Amitai, Mixed Scanning : A Third Approach to Decision Making, Public Administration Review,</p>		
41/48	SUBMITTED TEXT	13 WORDS	66% MATCHING TEXT	13 WORDS
<p>Braybrooke, D. and C.E. Lindblom.. A Strategy of Decision. New York,: The Free Press1963.</p> <p>SA submission.docx (D36128409)</p>				

42/48	SUBMITTED TEXT	35 WORDS	73% MATCHING TEXT	35 WORDS
<p>the identification of different alternatives, such as programmes or selecting priorities, and choosing among them on the basis of their possible impacts. Policies can be understood as political, management, financial, and administrative mechanisms arranged to reach explicit goals.</p> <p>W http://en.wikipedia.org/wiki/Policy</p>		<p>the identification of different alternatives such as programs or spending priorities, and choosing among them on the basis of the they will have. Policies can be understood as political, managerial, financial, and administrative mechanisms arranged to reach explicit goals.</p>		
43/48	SUBMITTED TEXT	14 WORDS	100% MATCHING TEXT	14 WORDS
<p>organization and the context in which they are made. Broadly, policies are typically instituted</p> <p>W http://en.wikipedia.org/wiki/Policy</p>		<p>organization and the context in which they are made. Broadly, policies are typically instituted</p>		
44/48	SUBMITTED TEXT	23 WORDS	85% MATCHING TEXT	23 WORDS
<p>the actions the organization actually takes. This difference is sometimes caused by political compromise over policy, while in other situations it is caused by</p> <p>W http://en.wikipedia.org/wiki/Policy</p>		<p>The actions the organization actually takes may often vary significantly from stated policy. This difference is sometimes caused by political compromise over policy, while in other situations it is caused by</p>		
45/48	SUBMITTED TEXT	36 WORDS	100% MATCHING TEXT	36 WORDS
<p>policy implementation and enforcement. Implementing policy may have unexpected results, stemming from a policy whose reach extends further than the problem it was originally crafted to address. Additionally, unpredictable results may arise from selective or idiosyncratic enforcement of policy.</p> <p>W http://en.wikipedia.org/wiki/Policy</p>		<p>policy implementation and enforcement. Implementing policy may have unexpected results, stemming from a policy whose reach extends further than the problem it was originally crafted to address. Additionally, unpredictable results may arise from selective or idiosyncratic enforcement of policy.[12]</p>		
46/48	SUBMITTED TEXT	18 WORDS	88% MATCHING TEXT	18 WORDS
<p>based on sound theory relating changes in target group behavior to the achievement of the desired end state (</p> <p>W http://ir.amu.ac.in/12202/1/T7819.pdf</p>		<p>based on a study theory relating changes in target group behavior to the achievements of the desired end-State (</p>		

47/48	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
	Wildavsky, A., The Art and Craft of Policy Analysis, London: Macmillan, 1979. "		Wildavsky, A. (1980). The Art and Craft of Policy Analysis. London: Macmillan.	
	W http://www.untag-smd.ac.id/files/Perpustakaan_Digital_2/PUBLIC%20POLICY%20(Public%20Administratio ...			

48/48	SUBMITTED TEXT	32 WORDS	89% MATCHING TEXT	32 WORDS
	Policy Implementation Implementation means administration of the law in which various actors, organizations, procedures, and techniques work together to put adopted policies into effect in an effort to attain policy or program goals. Implementation		Policy implementation broadly means administration of the law in which various actors, organisations procedures and techniques work together to put adopted policies into effect in an effort to attain policy or program goals. Policy implementation	
	W http://eprints.gouni.edu.ng/481/1/obi%20Doris%20main%20project%20%20for%20printing%201-5.docx			

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1 PREFACE In the curricular structure introduced by this University for students for Post- Graduate degree programme, the opportunity to pursue Post-Graduate course in Subjects introduced by this University is equally available to all learners. Instead of being guided by any presumption about ability level, it would perhaps stand to reason if receptivity of a learner is judged in the course of the learning process. That would be entirely in keeping with the objectives of open education which does not believe in artificial differentiation. Keeping this in view, study materials of the Post-Graduate level in different subjects are being prepared on the basis of a well laid-out syllabus. The course structure combines the best elements in the approved syllabi of Central and State Universities in respective subjects. It has been so designed as to be upgradable with the addition of new information as well as results of fresh thinking and analysis. The accepted methodology of distance education has been followed in the preparation of these study materials. Co-operation in every form of experienced scholars is indispensable for a work of this kind. We, therefore, owe an enormous debt of gratitude to everyone whose tireless efforts went into the writing, editing and devising of proper lay-out of the materials. Practically speaking, their role amounts to an involvement in 'invisible teaching'. For whoever makes use of these study materials would virtually derive the benefit of learning under their collective care without each being seen by the other. The more a learner would seriously pursue these study materials, the easier it will be for him or her to reach out to larger horizons of a subject. Care has also been taken to make the language lucid and presentation attractive so that may be rated as quality self-learning materials. If anything remains still obscure or difficult to follow, arrangements are there to come to terms with them through the counselling sessions regularly available at the network of study centres set up by the University. Needless to add, a great deal of these efforts are still experimental—in fact, pioneering in certain areas. Naturally, there is every possibility of some lapse or deficiency here and there. However, these do admit of rectification and further improvement in due course. On the whole, therefore, these study materials are expected to evoke wider appreciation the more they receive serious attention of all concerned. Professor (Dr.) Subha Sankar Sarkar Vice-Chancellor

2 First Reprint : July, 2011 Printed in accordance with the regulations of the Distance Education Bureau of the University Grants Commission.

3 POST-GRADUATE : PUBLIC ADMINISTRATION [P.G/P.A.] Paper- 8 Modules – I, II Course Writing Asok Kumar Mukhopadhyay Editing Sushmita Pal Chowdhury Notification

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4
5 Module 1 Unit 1 o o o o From 'Administration' to 'Governance' 9-13 Unit 2 o o o o Concept of Good Governance 14-24 Unit 3 o o o o Good Governance and Public Administration in the Third World 25-26 Unit 4 o o o o Critique of Good Governance 27-34 Module 2 Unit 1 o o o o Accountability and Good Governance 37-42 Unit 2 o o o o Transparency and Good Governance 43-51 Unit 3 o o o o Citizens' Charter 52-64 Unit 4 o o o o Public Grievance Redressal 65-69 NETAJI SUBHAS OPEN UNIVERSITY PGPA- 8

6
7 Module - 1

8
9 Unit 1 q From 'Administration' to 'Governance' The origin of the English word "administration" can be traced to the Latin word ad ministiare, meaning "to serve". But "administration", as generally understood in English since the middle of the nineteenth century, means control. Hence public administration as the study of governing the affairs of the state stands for a social science which is engaged in finding out the best possible mechanism of controlling the decision-making processes and the necessary institutional and organizational systems for that purpose. The theories of public administration for more than seven decades since the last decade of the nineteenth century were concerned with the concepts and processes of exercising control in conducting public affairs and influence decision-making affecting public interests. Aamunersson presupposes a well-organised machinery of functionaries appointed to make rules and apply them with a view to translating the policies of the established authorities. So far as 'government' is concerned, these functionaries are known to have collectively comprising the 'bureaucracy'. In a democratic regime the bureaucrats are supposed to safeguard the legitimate interest of the public by exercising continuous vigilance and expertise in matters of decision-making and execution of policies. In private organizations the bureaucracy is not as much rule-bound as in public or governmental organisation and the bureaucrats are required to subserve the main objectives of the organization. Public administrators are to fulfil the lawful needs of the common people by adopting and implementing appropriate decisions without discriminating between the high and the low, the rich and the poor. However, in India and most other countries, bureaucrats or public administrators have failed to live up to the high expectations about their role in managing natural, technological and human resources of the society. Hence the case for a permanent tenure, accompanied by host of privileges and perquisites, for the bureaucrats becomes weak. In very recent time, government officers and employees excepting a few in the Afro-Asian countries are generally found to be unwilling to perform their minimum of duties in time. Honest and conscientious bureaucrats and technocrats not only do not get any appreciation or reward, they are also frequently threatened of dire consequences if they do not fall in line with the desire of the businessman-mafia-bureaucrat nexus. The examples are not at all uncommon in an advanced Third World country like India, let alone other ex-colonial

10 countries. Open and hidden bribery does the miracle of getting a job done in government office. Moreover, endless collective suffering are caused to ordinary and unprotected citizens only because of the failure of higher-level bureaucracy to take timely decisions on important matters affecting the genuine interests of the masses. Sufferings are found to be caused in many development-oriented departments such as education, forest, irrigation, public works, agriculture, health, rural and urban development and so on. There are plethora of rules and regulations which come very handy to the functionaries of government departments for not rendering effective service to the citizens, especially those who are not rich enough to give necessary "speed money" or "incentives" and those who are socially-economically-politically unprotected and underprivileged. Even, the conscientious higher officials also have to suffer ignominious and inhospitable transfers if any of their decisions happen to hurt the vested personal or vital party political interests of any legislator or party boss of the ruling party. In numerous public sector undertakings, India has suffered from losses worth hundreds of thousands of crores of rupees because of the acts of wastage, inefficiency and corruption originating in the politician-bureaucrat nexus and caused by self-aggrandisement and misuse of power and machinery of public administration. It is the common experience of the ex-colonial, development-seeking countries that whenever national interests are subordinated to personal factional-party interests, and appropriate decisions are subordinated to momentary matter. It was in this backdrop experience of the "public administration" in the developing societies and their economies that the shift to "governance" was recommended by the World Bank. In this age of globalization and rising quantum of foreign direct investment, the importance of "governance" can hardly be overemphasised. To quote Daniel Kaufman, Director of World Bank's Institute of Global Governance, "governance matters for development." "Governance" refers to a process, not structure, of decision-making whereby multi-layered elements in society are given an opportunity to wield power, authority and influence so that policies concerning public life and socio-economic change for better living can be adopted and necessary laws can be enacted. Governance is "good" only when it is in the larger interests of the masses. Democratic governance is thus linked with the larger involvement of the people in decision-making on desired political and socio-economic changes. In its document titled Governance and Development (1992) the World

Bank defined governance as the manner, and not the constitutional and legal framework, in which power is exercised

in the management of a country's economic and social resources for development,

and for

creating and sustaining an environment which seeks strong and equitable development and increases the capacity of the political regime (avoiding the term "state") for development. Philosophically, governance aims at converting a badly managed economy into a well-ordered rearrangement of the social order. 'Governance' is a method of redefining the relation between the government and society. It is therefore evidently clear that the quality of 'governance' will be determined by the persons taking decisions and the manners of implementing them. At the same time, in a democratic set-up the views of the political parties, and in a non-democratic system, the views of the power-holders (the dictator and his collaborators) count. For example, in the Swedish system of consociational democracy, no major public policy is adopted without consultation with, and support of, the interest groups and concerned civil society organizations. On the contrary, in the Indian variety of majoritarian democracy, the views of the affected minority is not always taken into account in making of public policies; in some cases, the dissidents are even mercilessly oppressed. To take a specific example, in western democratic systems, planning and development policies are generally not formulated without consulting the views of the developers and opinions of the affected people. In most developing countries, the business community receiving aid or foreign direct investment try to create pressure upon the politicians to adopt such policies as would serve the business interests. Where the political leadership in power has been elected through transparent democratic process and the press is well-informed and free, the government is not easily swayed by the influence exercised by the business community. Informed and free public debate offers a guarantee that the government would not be allowed to ignore genuine public interest. The same argument is applicable in regard to implementation of public policies. Development projects meant for serving public good need to be implemented in a time-bound manner and in a manner of financial transparency. If not, cost-escalation takes place leading to pressure on public exchequer and corruption in the long run. Such situations either are the result of, or lead to, bad governance. To achieve the millennium development goals not merely governance but "good governance" is the key factor. It is the universal experience that political, administrative and financial corruption is found to have thrown a

12 formidable challenge to achieving “good governance”. Experience shows that in many cases the benefits which are expected to be generated out of foreign aid or loan do not percolate to the stakeholders, because the funds are not properly utilised, and politics-administrative corruption is responsible for this state of affairs. Most often the public is not informed of the source and the total amount of funds invested project-wise, and the quality of work done. Money changes hands. This state of affairs is not good governance. Governance and Government The two terms, ‘governance’ and ‘government’, though often used interchangeably in popular parlance, are different. Governance is the interrelationship between four principal institutions of democracy – legislature, executive, judiciary and media (print as well as electronic, including world wide web). Government, on the other, is an institution. The concept of ‘governance’ can be broadened further to include government’s interrelationship with the corporate world and the non-profit “third sector”. Governance, then, stands for the institutional arrangements that span levels of government and straddle the divisions between public bureaucracy, private firms and the non-profit ‘third sector’. Governments are specialized institutions which contribute to governance; and governance is the outcome of politics, policies and programmes. The characteristics of governance and government can be summarised as follows :– Distinguishing Characteristics of Governance and Government Governance Government 1. Functionality 1. Superstructure 2. Processes 2. Decisions 3. Goals 3. Rules 4. Performance 4. Roles 5. Coordination 5. Implementation 6. Outcomes 6. Outputs Source : D.C. Misra’s article on e-Government in Management in Government, Oct-Dec. 2007 ‘Governance’ must not be confused with ‘government’. To put it simply, ‘government’ is one of the factors of ‘governance’, but governance is also influenced by many other factors.

Governance implies the use of institutions, structures of authority and even collaboration with non-government organization for allocating resources and also coordination or partial control of these voluntary organizations active at the social and/or economic levels. Questions : 1. Discuss the role of bureaucrats in the administrative system of a state. 2. Define Governance. How can 'Governance' be distinguished from the term 'Government' ?

14 Unit 2 q Concept of Good Governance Introduction As an idea in governing a society, the notion of Good Governance cannot be said to be a recent discourse. Rather it is as old as human civilization. The quest for excellence in human life has been the perennial concern of political discourse. One of the priorities of governments has always been to ensure a better living for the people. Kautilya in his Arthashastra comments that a good ruler should merge his individuality with the welfare of his people. As K. P. Jaiswal in his Hindu Polity (1968) says, the ideal king in ancient India was the “Constitutional Slave”. In discharging his duties, he is expected to adhere to the tradition of Swadharma guiding him to see that no person transgresses the categories and canons of duties of others. The king must take every care to prevent social disorganisation. The Arthashastra elaborates a plan to ensure good governance through a large and complex administrative mechanism and scheme of public finance. In the ‘Santiparva’ of the great epic Mahabharat, a number of postulates, precepts, maxims and norms of temporal and social pyramidal organization are laid down, which would aim at preventing disruption and disorder in the social system. In the midst of the great war at Kurukshetra, Yudishthira, the eldest Pandava, approached their old grandfather Bhishma lying on his ‘bed of arrows’ for his advice on good governance (meaning Rajadharma). Bhishma narrated in great details the functions, duties, role and characteristics of a good, popular and dutiful king. In ancient India the concept of King (government) was intimately bound up with that of a benevolent, paternalistic, governing authority discharging its duties under the general injunctions of Dharma (a concept of righteousness). The king had the basic obligation to establish Rule of Law in society as without it nothing would be safe and secure. The absence of rule of law would make people’s living a veritable hell. The first and foremost duty of the King (government) is to protect life and property of the subjects (citizens) and to create an ambience of righteousness. The King in ancient India is ordained to pursue policies for the promotion and fostering of people’s happiness. The King and his ministers are enjoined to uphold Dharma (meaning “righteousness”) and to act in accordance with the “common good” of society. The public employees must not act unjustly

15 or unethically for securing their own private good through selfishness. If they violate the moral basis of governance, they will go to hell. The state officials must have calibre, integrity, honesty, reason, compassion, restraint, efficiency, sense of justice, knowledge of public affairs and common sense. Otherwise, good governance would be jeopardised and anarchy would visit the state and society. The restraints of Dharma would facilitate moral accountability of all, including the ruler, and help maintain transparency in administration. The policies and energy of the government would be directed to achieving the all-round welfare of the people. The king, enjoying the hereditary authority to rule, was fully accountable to the directive principles of Dharma so that the government is not reduced to a state of autocracy and anarchy. Rajadharma's fundamental objective should always be to avoid and prevent the development of anarchical tendencies, because the anarchic state would not be able to provide security for its citizens, property, wealth, women, servants, poor and weak. The Mahabharat explicitly sanctions revolt by the people against the government which is oppressive and exploitative, and which utterly fails to give protection to all the interests contributing to virtuous life. The King (government) was expected to take all possible steps to see that violence diminishes, justice prevails, agriculture flourishes, trade and commerce gets a boost and everyone follows the path of Dharma in life, and performs one's duties well. The Bhagawat Gita also underlines the point that the objective of Governance is to protect and sustain the common good of society. The notion of Rajadharma regulates public affairs, and seeks to uphold good governance. The council of ministers advising the king must be representative of the main professional classes in society. And the decisions should enjoy a reasonable degree of transparency so that people would be in a position to offer suggestions and critical comments for improvement of administration. The functionaries of the state should be assigned their roles and duties in accordance with their skill and ability, otherwise inefficiency and corruption would pervade in every sphere of administration, ultimately inviting anarchy and demoralisation in governance. The King (government) and subjects (governed) were deemed complementary to each other. Rajadharma would be endangered and unhappiness of the people would increase, if these basic principles of governance were not followed by the government as well as the governed. Economic well-being and social welfare of the people found an important place in the government's duties as narrated by Bhisma to

16 Yudhistira. Here we have a glimpse of the comprehensive idea of Good Governance as understood in ancient India. The Greek political philosophy, in general, also underlines the importance of making the life of citizens good and virtuous. Plato and Aristotle held the promotion of "good life" as the goal of the state. During the medieval period the great scholastic St. Thomas Aquinas, again, held that promotion of common good was always the concern of the government. Similarly, the giant political philosophers of the seventeenth to nineteenth century like Locke, Rousseau, Bentham and Mill have all given adequate attention to provide safeguards to individual freedom and social welfare as the goal of political life. The basics of the idea of Good Governance, in a different language, have received support of the western political thought. Contemporary Meaning of Good Governance The concept of Good Governance, however, became a buzzword for administrative reforms towards the end of the twentieth century in the context of the chronic misgovernance in the Third World countries. The public bureaucracy in these development-seeking countries continues to demonstrate trained incapacity, isolation from the people, misplaced faith in the capabilities of the Government functionaries and inability of the administration to adapt to the socio-political changes. Governance, administration and management lost relevance and were reduced to mere avenues of ruling over the people and embezzling public funds. Public offices were unscrupulously exploited for self-aggrandisement. These developing countries of the Third World are mostly densely populated, widely habitated by malnourished, underliterate, and least gender-sensitive people. Their economies are characterised by large-scale poverty, high unemployment, underskilled labour force, and lack of capital. This scenario convinced Mahbub-ul Haq, the eminent Pakistani economist and an important pioneer in formulating the UNDP's Human Development Index, that the root cause of the failure of the Third World countries in the sphere of responsive, efficient and effective government lies in their system of mis-governance, which includes non-feasance, mal-feasance and over-feasance in their public administration and management process. In the post-War period the newly independent, development-seeking countries of the Third World received financial aid and technological assistance from the developed, industrialised countries as well as the international aid-giving institutions like World Bank, International Monetary Fund, OECD,

17 Asian Development Bank and such other institutions. Soon the donor countries and the aid-giving institutions realised that the aid-receiving developing countries could not effectively utilize the aids properly because of their inability to manage properly the aids they received for the benefit of their people. The discourse of Good Governance emerged in the context of this experience of mismanagement of development aids. In order to overcome this problem the donor countries and institutions began to lay down certain conditionalities to their offers of aid, such as adjustments in the structure of administration, liberalization of administrative rules and regulations in order to minimise government control as far as necessary, more democratization of the polity, decentralization of political and administrative power, improvement of human rights records, greater transparency in public affairs management, introducing competition and marketization in production and distribution system, improving public accountability of decision-makers in government and administration and so on. The concept of Good Governance came into use in this context, putting less importance to administration (that is, exercising control) and more importance to management (that is, making the best use of the available resources). There is hardly any unanimity in what is meant by the term 'Good Governance'. Most of its definition is structural in its ambit. Governance, in all its aspects, with national ethos and national capacities dug deep in its outward framework, is seldom considered. The span of governance extends to the entire canvas of the life of a nation. It involves not only administrative or managerial capacities but also the social, political, intellectual, cultural and moral capacities of the system. The best governance machinery is the one that harnesses all these capacities and directs their focused beam on the resolution of the problems that confront the nation. If, for example, the culture of a nation does not generate values of honesty, dedication, compassion and the like qualities of mind, the quality of governance will suffer, no matter how perfect its institutional arrangements are. It is necessary to make simultaneous efforts to upgrade all the capacities of a system. If one concentrates on a few capacities and neglects the others, the result would not be wholesome. The concept of 'Governance' was specifically highlighted for the first time in 1989 in the World Bank document on Sub-Saharan Africa. The emphasis was shifted from the traditional concept of 'government' as an institutional machinery for public decision-making and implementation of decisions to

18 the new concept of 'governance' as a process of managing the affairs of the society by government and non-government agencies in order to achieve good of the people. 'Governance' may be said to be that part of the process by which a society manages itself through the mechanism of the State and non-State actors. Very soon the expression 'Good Governance' came into use in the early 1990s to mean, at that time, sound development management. Four key dimensions of good governance were identified viz. (i) public sector management, (ii) political accountability, (iii) rule of law and legal framework for development, and (iv) information and transparency. From its lending experience in the developing world, the World

Bank came to realise that good governance is

central to creating and sustaining an environment which fosters strong and equitable development, and it is an essential complement to sound economic policies. [

see World Bank publication Governance and Development, 1992.] Subsequently, the World Bank identified three aspects of governance viz. (a) the form of political regime, (b) the process by which authority is exercised for managing economic and social resources for development, (

c) the capacity of government to design, formulate and implement policies and

discharge functions. It argued that authoritarian or military regime is not conducive to good governance, that democratic process of management by associating the people with development enterprise yield better result, and that government's functioning improves if transparency in decision-making is achieved and respect for human rights is observed. [see World Bank's Experience (1994)].

Good governance aims at creating and sustaining an environment which quickens effective and equitable development. It is

a process which leads the people to a peaceful, orderly, reasonable, prosperous and participatory living. From another point of view, good governance is identified with political accountability and transparency in respect of dissemination of information and cooperation between government and society. In any way, then, good governance devotes a citizen-friendly, citizen-caring, responsive and transparent system which feels for protecting human rights and is committed to deliver goods and services to citizens without jeopardising their democratic entitlement and violating their human dignity. The Organization for Economic Cooperation and Development (OECD) has summarised the concept of good governance by identifying its essentials

19 as democratization of the polity while confirming people's participation in the development process, preservation and protection of human rights of the individual. Thus OECD underlines an equitable, transparent, non-discriminatory, socially sensitive and accountable administration having capability and effectiveness for achieving the goals of good governance. The United Nations Development Programme (UNDP) has defined Good Governance in terms of (i) people's participation, (ii) consensus-orientation, (iii) responsiveness, (iv) effectiveness and efficiency, (v) accountability, (vi) transparency, (vii) equity, (viii) rule of law, (ix) strategic vision. The Institute of Governance (Canada) has identified the following principles of Good Governance, viz. (i) democratic legitimacy of the regime, (ii) people's voice in decision-making, (iii) clear vision in governance, (iv) performance– level of the administration, (v) accountability, and (vi) fairness. Taking the essence of these different ways of defining Good Governance, the following principles may be identified as the universally acceptable core ingredients of Good Governance, viz. (i) effective people's participation in decision-making through decentralization (ii) transparency in administration (iii) responsiveness of administration to people's needs (iv) consensus-orientation in decision-making (v) equity and inclusiveness in state policy (vi) rule of law (vii) effectiveness and efficiency in service delivery (viii) accountability in administration (ix) strategic vision in administration (x) absence of violence in policy implementation. Most of these principles are crucially value-laden and they constitute the bedrock of genuine democracy. Neo-liberal political theory presents another dimension of good governance. Essentially the neo-liberal approach presents a strong case for "rolling back the state", meaning thereby withdrawal of the State from its commitment in redistribution of the society's wealth for the purpose of realising social justice. Coincidentally, the neo-liberal agenda in the 1980s in economics and politics, as found in the writings of Milton Friedman and Robert Nozick, was very much influential in formulating public policies of the advanced capitalist western countries. The neo-liberals advocate the case of the State's withdrawal

20 in favour of the market mechanism and voluntary agencies for making and implementing policies of socio-economic change. The shift of focus from public bureaucracy and State-leadership to voluntary sector and free market has been justified as an opportunity for 'participatory development', which is referred to as an important component of Good Governance. In India the conference of Chief Secretaries of the States (November 1996) admitted that public administration and civil services in India were passing through a crisis period owing to a number of factors viz. erosion of capability and effectiveness of civil services; the nexus of politicians, bureaucrats and criminals; low level of honesty in public service; lack of transparency in public administration; and failure of the administration in ensuring effective delivery of services to the people. This Conference in its agenda note admitted that "the public administration and the civil service at all levels are passing through difficult times in terms of eroded credibility and effectiveness of the civil service, growing public perception of an unholy nexus between certain elements among politicians and civil servants and criminals (as elaborated in the Vohra Committee Report), and increasing criticism of the low level of honesty, transparency and accessibility to the political and bureaucratic elements in charge of administration." It was felt that "the need of the hour is to assure the people of India of an efficient, open, responsive, accountable, clean and dynamically adjusting administration at all levels." The conclusion and programmes suggested by the Chief Secretaries Conference was endorsed by the Chief Ministers' Conference in 1997. It was admitted at this conference that immediate steps needed to be taken and reforms introduced in India's public administration in order to fight against the prevailing rampant corruption and clear the administrative mess created over the decades. It was also recommended that appropriate measures be taken to make administration citizen-friendly and citizen-caring, and to introduce effective accountability of the policy-makers and administrators. Good Governance and Civil Society Despite a number of administrative reforms and innovations in recent time in India, it is the common experience that there has been virtually no appreciable and favourable impact on the quality of governance. The new approach to achieving Good Governance is to create conditions facilitating pressure from the citizens on the governance system to improve. Some well-known initiatives which have been taken in this direction include Right to

21 Information Act, Consumer Protection legislation, Citizens' Charter, Whistleblower Protection, e-Governance, Report Cards, Democratic Decentralization, Public Interest Litigation and so on. Pressure now comes from the civil society crying for good governance. For Example, Lok Satta, a Hyderabad-based social activist organization, submitted to the Government a petition signed by over a million villagers demanding greater devolution of powers and resources to the panchayats. The civil society's functional contribution to good governance could be of the following types, viz. (i) Watchdog : against violation of basic human rights as well as short falls and deficiencies in governance, especially at the implementation stage through social audit and other exposures. (ii) Advocate : of points of view of the weak, voiceless sections of the society. (iii) Agitator : as an assertive representative of the aggrieved citizens when all other normal, legitimate methods of representation fail. (iv) Educator : educating not only citizens on their rights and entitlements and their civic and statutory responsibilities but also educating the government about the actual state of affairs at the cutting edge and the pulse of the people. (v) Service provider : delivering services like education and health to areas and sections of people not reached by official efforts or as an agent of government. (vi) Mobiliser : mobilising public opinion and participation for a good policy/programme for or against a wrong policy/programme, mobilising support for good initiatives by government in literacy, family welfare, child immunisation, environmental protection. (vii) Agent of the State : acting in the delivery of services, especially in situations where the inflexible arm of the government is ineffective and a personal, soft touch is needed. (viii) Organiser of 'social capital' : Civil Society acts through what is known as social capital, i.e., capacity of people to act together willingly in their common long-term interest. Social capital is strong when a society is homogeneous in terms of socio-economic access and opportunity, and it is weak when a society is not egalitarian (mostly feudal) and is fractured in terms of caste, religion, language or any other narrow sectarian, short-term interests. A weak civil

22 society is unable to play its full potential role in enforcing good governance. Operationally, civil society has to be structured into compact, focussed organisations each based on strong social capital in order to interact effectively with the huge political-bureaucratic machine of the government. Civil society organizations are known by various generic names such as voluntary organisation (VO), non-Govt. organization (NGO), civil society organization (CSO) and so on. Many such organizations are found to be the fiefdom of some powerful person or group mainly interested in having national and/or international funding. In order to be really capable of having an impact on the quality of governance (which is, after all, their *raison d'être*), such organizations need to have the requisite qualities like selflessness, commitment, grassroots experience and competence, objectivity, transparency, integrity, leadership, accountability and internal democracy. It is the active role of the civil society which would ensure that public interest is defined from a truly public perspective. Civil society organizations generate the need of the people. The strength of the civil society rests squarely on its social capital. It is the duty of citizens to see that society is not fragmented on the basis of narrow, self-centred loyalties weakening the social capital. Government of India's National Policy on the Voluntary Sector (2006) envisages the following approach : I To encourage, enable and empower an independent, creative and effective voluntary sector, diverse in form and function, so that it can contribute to the social, cultural and economic development of the people of India. I The voluntary sector to play a role in finding innovative solutions to poverty, deprivation, discrimination and exclusion through awareness campaigns, social mobilisation, service delivery and advocacy. I To identify systems by which government may work with the voluntary organizations on the basis of mutual respect and trust, and shared authority and responsibility, such as consultation, collaboration and funding. I To liberalise the provisions of Foreign Contributions (Control) Act so as to enable good voluntary organizations to attract foreign funding.

23 | The voluntary organizations to have an effective self-regulatory mechanism. The Indian Scenario The actual experience of India in recent time shows that the nation has failed to understand, by and large, to recognise the vital role that cultural and moral capacities of the system play in determining the quality of its governance. Unless the system produces constructive urges and is propelled by values of fairness, justice and compassion, its governance will not improve. Till now, the political leadership has not paid any serious attention to achieving Good Governance and that too has been devoted only to the framework of administrative machinery and management procedure. That is why, contemporary Indian administration is neither being propped up by intellectual vigour nor fertilised by the culture of service, dedication, probity and cleanliness in public life. The structural framework of Indian governance, too, has many infirmities and its administrative and managerial capacities need to be improved substantially. The political leadership has failed to create a reservoir of high ideas and ideals that can lubricate the governance process. The perspectives of the World Bank, UNDP and other agencies suggest that good governance could be perceived to lie in healthy democratic polity, transparent and accountable public administration and management, economic efficiency, political stability, social advancement, just and speedy machinery of conflict resolution, equity, and overall multidimensional sustainable development. But the crucial question is how to create the socio-economic and political environment conducive to realisation of the principles and goal of good governance. A World Bank Report of 2007 has observed : "India, a country with low initial inequality, is headed for one of the fastest increases in income inequality anywhere." In a country where millions remain hungry and diseased, the combined wealth of 36 richest Indians had touched \$ 191 billion in 2006. [Jagmohan, 'Good Governance', The Statesman, 23 May 2008]. Secondly, it is true that Indian democracy has managed to survive since 1947 whereas India's neighbouring countries and a large number of the Third World countries have not achieved any creditable record of democratic functioning. But India's electoral system and the forces that propel it have proved to be the major culprits insofar as the true spirit and the ambience of democratic governance through exchange of ideas, cooperation and accommodation of

24 competing agents of democratic consensus have been alluding the expectations of the founding-fathers of Indian democracy. The role of big money and anti-social mafia, and of the politicians-bureaucrats-businessmen nexus has been fast taking Indian democracy, to quote T. S. Elliot, "... farther from God and nearer to Dust." Political stability of the democratic regime is under constant threat of the twin forces of political-administrative corruption and domestic as well as international terrorism. Rule of law is far from reassuring. Lord Wavell's observation that "India could be governed firmly or not at all" seems to be correct. The soft and permissive style of the State functioning is reflected in what has come to be known as the "broken window syndrome" in the governance-literature : "If a window is broken and left unrepaired, people walking by will conclude that no one cares and that no one is in charge. One unrepaired window is an invitation to break more windows, and lawlessness spreads outward from buildings to streets and then to entire communities." The net conclusion is inevitable that the prospect of establishing good governance in India is not that bright. After all, political instability and directionless weak governance militate against Good Governance. Questions : 1. Discuss the concept of government in ancient Indian society. 2. Analyse critically the meaning of Good Governance. 3. Explain the relation between 'Good Governance' and 'Civil Society'. 4. Critically evaluate the relevance of 'Good Governance' in contemporary India.

25 Unit 3 q Good Governance and Public Administration in the Third World Good governance became a buzzword for administrative reforms towards the close of the 20th century in view of the chronic laxity of the governments in the Third World to carry forward the goals of development to the grassroots level. The idea of Good Governance sprang from the challenges of development in the Third World countries where bureaucracy continues to demonstrate on a chronic basis "trained incapacity, isolation from the people, excessive concern for personal gains, misplaced faith in the capabilities of the administrators and inability to adapt to the socio-economic changes." In these newly-independent, development-seeking countries, politics in the sense of power game became the means to gain and retain governing power and control over government machinery including the military. This is nothing but a crude manifestation of the power-elite's quest for overall domination over society, economy and government. In most of the Third World countries governance, administration and management lost relevance and were reduced to pseudo-democratic or authoritarian techniques for ruling of groups and vested interests over the people. Public offices became places of self-aggrandizement. A number of countries in Asia and Africa, which attained formal independence in the second half of the 20th century, still are densely populated, largely illiterate and malnourished. Large-scale unemployment, poverty, disease and sufferings are their common characteristics. Their economies suffer from a "vicious circle of poverty." Mahbub-ul-Haq, the eminent Pakistani economist and the pioneer of Human Development Index and Human Development Reports of the UNDP, concluded that the root cause of the failure of the governments in achieving responsive, efficient and effective governance lies in the crisis of governance. [See the Inaugural Issue of South Asia Politics, May 2002, especially the article by N. N. Vohra.]. The case for Good Governance in the Third World countries rests in the context of misgovernance there, which includes non-feasance, overfeasance and/or malfeasance. [For elaboration of this point, see Asok Mukhopadhyay, "Reinventing Governments for Good Governance", Indian Journal of Public Administration, XLIV (3), July-Sept. 1998.]. The main disease of governance found largely in the Third World countries is the practice of swindling of public funds for private gains of the rulers

26 and political party leaders. Misuse of political power, legal and moral fraud, chicanery and embezzlement of public funds in the name defence and development expenditure by the leaders of governments and their minions are the order of the day. Misgovernance pervades in all segments of the polity and economy. Against this background of widespread mismanagement in public administration, Good Governance gains immediate relevance in the Third World. The World Bank and the aid-giving, developed countries of the West, therefore started laying various conditionalities for structural adjustment in public administration and economic/industrial investments in these countries since the late 1980s, and especially in the 1990s. This programme aimed at establishing "good governance" as understood by the developed donor countries. Bad governance came to be seen as the root cause of underdevelopment and poor management of economic and public affairs in the Third World. Later the International Monetary Fund (IMF) also insisted on Structural Adjustment Programme as a conditionality of receiving grants and loans. Subsequently, the IMF recognised that good governance is also important for countries at all stages of development.

In its declaration of "partnership for sustainable global growth", the IMF

identified promoting good governance in all its aspects, including ensuring rule of law, improving efficiency in management of public sector undertakings, and tackling political and administrative corruption as the essential elements of good governance. A parallel development in political theory took place in the 1980s and 1990s. It was the Neo-Liberal school which recommended the concept of "rolling back the state", that is, reducing the sphere of state activity and expanding the role of the private sector in economy and management of public affairs. This perspective of growing market-dependence and privatization adds a new dimension to the concept of Good Governance in the Third World countries. It has been argued this policy of promoting the "market" and encouraging the voluntary non-government organization would bridge the gap between the community and administration by creating widening scope for people's participation in development process and in the management of socio-economic and human resources. Questions : 1. Write a brief note on the developing trend of Good Governance in the Third World countries.

27 Unit 4 Critique of Good Governance In whatever way it is defined, the concept of Good Governance differs from one country to another. Its meaning and implications depend on the living standard of the people concerned, the pattern of government, social institutions and cultural values of the people as well as the political culture of the society. This concept cannot have a universally acceptable connotation. What is accepted as normal routine in the governing process in, say, Britain or United States, is regarded as instances of good governance in the developing countries. It is almost an established practice in many South Asian countries to give a number of concessions like reduction in tax rates or availability of additional civic facilities at the time of elections at the local, regional and national level. But strangely, some of the concessions and facilities are either withdrawn or they are simply discontinued without any further notice. This practice is followed in many service sectors like transport, hospitals and health centres, primary education, literacy programmes, roads and communications, public distribution system and so on. Secondly, political, electoral and administrative corruptions are so pervasive in the developing countries that they are considered part of the culture and habits of the people. The prevailing political culture hardly frowns upon corruptions of the political leaders and bureaucrats, high or low. Good Governance, virtually speaking, has become a popular rhetoric only in such kind of society. Even when corrupt practices are detected and revealed in the press, the allegedly corrupt persons do not feel ashamed. The people and the media also easily forget about such misdeeds of the politicians and bureaucrats. Thirdly, absence of Rule of Law has become a quite common experience in many developing countries. The political and economic elites mostly do not experience discrimination and consequently do not suffer. The politically unprotected and economically underprivileged sections are destined to suffer the consequences of the absence of Rule of Law. Good Governance is impossible to achieve in those societies where the minimum norm of the Rule of Law is not observed at all. That is to say, bias in decision-making is widely prevalent at both the higher and lower levels of administration. If citizens are viewed as consumers of public services, Good Governance would entail that they receive the services they are entitled to. All the constituents of the Establishment viz. the ruling party, the opposition and the bureaucracy and also those who can influence power bases, do not seriously take the issue of meeting the needs of the people. The Establishment is hardly seen to bother about the needs of the tax-payers and also of the down-trodden and underprivileged people. The governing system makes it very difficult for citizens to get access to services. The condition of the people in some South Asian countries is so pitiable that they would consider it an experience of good governance if they are not harassed by the power-holders. The fiscal and welfare policies do not necessarily reflect the will of the people. The ideology of Good Governance brings no succour to the people in these countries. Next, good governance, for its success, has to depend on the State, although the World Bank relied to a large extent, on the uninhibited functioning of the private sector. This is an impractical assumption so far as the developing economies are concerned. The private sector in these economies generally has still now exhibited the ethics of promoting public good. It is hardly seen to consider the needs of the unprotected and underprivileged sections of the people. In the context of the Third World countries, good governance and market economy are not synonymous. The state, in these countries, must not withdraw from decision-making for economic development. In order to check the unhindered exploitation of the socially and economically vulnerable people by the profit-motivated private sector, the State must assume its moral responsibility of reining in the rapacious private sector, especially the monopolists in the service-providing areas of economic and social activities. Because of the low standard of social ethics and individual morality, it becomes easy for the giants in the private sector to influence the media, the bureaucracy and even the people's representatives elected on various decision-making bodies. Higher growth rate and increasing size of the GDP provide no dependable indicator of good governance. The pre-condition of Good Governance is not only democracy but effective democracy. A healthy and democratic political culture is the sine qua non of good governance. The actual experiences in most of the developing countries show that this vital pre-condition of Good Governance is woefully absent there. If the relationship between the ruling party or coalition of parties and the parties in opposition is based on mutual hatred, good governance is next to impossible. The cases of Pakistan, Bangladesh or a number of African countries provide a good point. Good Governance is affected by the internal and external dependence of the state. In many cases in the post-war era the States are found to be heavily dependent on some interest groups operating within the country. In

29 some countries it is the strongly entrenched agricultural or business interests, trade unions or mafia groups which prevent the State authorities to introduce reforms facilitating good governance. Again, in some other countries, the interests of the donor countries always pressurize the ruling power to follow in their footsteps in respect of choosing the path of development and institution-building. In some cases, the State is totally helpless in combating the self-seeking interests. Only a strong civil society can effectively put pressure on the State apparatus and the parties in power for serving the larger interests of the nation. Just like the businessmen–politicians axis, the military also plays an equally detrimental role and prevents achieving good governance. A number of Afro-Asian nations eminently illustrate this point. Politics in Pakistan and Bangladesh, for example, provide examples of how good governance has been frustrated, the military subverts the democratically elected government and, if necessary, stages a coup for capturing power and imposing its own variety of governance. Both the business class and the military, wherever necessary, foster and promote the ‘mafia’ groups and organized musclemen. India is no exception, especially since the late 1960s. In such a context, good governance is given a special meaning of serving the interests of the ruling classes only. The normal development goals are displaced and parochial interests are promoted and thereby Good Governance loses its relevance. No initiative comes forth to build up capacity to realise particular developmental goals. Strong civil society movements are needed to establish that ‘good governance’ is a citizen’s right. It is the responsibility of the State to keep the people happy as they are the clients of the State. In the absence of good governance, widespread public dissatisfaction can lead to anti-government movements and political de-stabilization. This has been the experience always in all the developing countries. Unless the civil society is strong, good governance cannot be achieved. The meaning of “civil society” tends to acquire nuances varying with the history of a country. The status and sophistication of civil society vary with the nature of civilian supremacy over military dominance and the cultural preparedness of the people at large, including the media. In the socio-political context of the post-colonial societies, “civil society” is mostly equated with democratic society prepared to uphold the basic values of libertarianism and egalitarianism and to ensure effective participation by the people through their elected representatives in administration at all levels. For ensuring realization of the principles of 30 good governance, guarantees for citizens' liberty and equality of opportunity for all must enjoy immunity from the vagaries of political processes. If the State itself is made to relinquish more and more its responsibilities for protecting the dignity of the individual and meeting the basic minimum needs of civilised life, it is rendered incapable of sustaining a democratic society. As a consequence, the chances of establishing good governance become weak. The situation can somewhat be saved if the print and electronic media is freed from government influence and control. The independent and responsible media can then play a pivotal role against human rights violation, other forms of injustice, institutional abuse and politico-administrative corruptions, and thus facilitate good governance. Along with the need for increasing governmental capacity, good governance would require genuine decentralization of political, administrative and financial powers from the central to the local level and from the bureaucracy to the people's representatives without violating the fundamental principles of justice and equity. Good Governance must ensure transformation of the centralised bureaucratic State into the democratic polity in the real sense of the term. Mere introduction of adult franchise without ensuring electoral probity and safeguards does not make a polity “democratic” in the real sense. Electoral corruptions and misconduct make a mockery of democracy and create insurmountable difficulties for Good Governance. The experience of India and some African countries show that the over- ambitious and dishonest politicians have evolved a system over the years where they can rule the roost with the help of a pliant bureaucracy. Decentralization has to be genuine and comprehensive, otherwise it is nothing. Hesitant and limited decentralisation amounts to betrayal of the people’s faith in democracy and good governance. Here again, informed citizenry and a vibrant and powerful civil society, appropriately supported by the independent judiciary, would serve as the best bet for Good Governance. Unless democratic freedom is culturally developed and goes into the thinking and habits of the ruler and the ruled, Good Governance would have no chance of being a successful experiment. When people and their elected representatives at the local level are effectively empowered, Good Governance would have a hospitable ambience. Informed and empowered citizenry would determine the quality of governance. Only when this condition is full-filled, the polity becomes autonomous and conducive for Good Governance. When the basic elements of Good Governance such as accountability, transparency and popular participation in decision – making are realised in actions and

31 processes of democratic governance, Good Governance enriches democratic polity and protects the rights and interests of the people. The model of Good Governance, as recommended by the World Bank, prescribes an enhanced role of NGOs. But the problem is that the role of NGOs under specific conditions in many countries is not above criticism. The effective accountability and transparency of NGOs cannot always be ensured. For example, many NGOs import tax-free equipments, printing machines to establish business. In Bangladesh, where thousands of NGOs are in operation, the total capital of NGOs exceeds in amount the total capital of the private sector. The latter cannot compete with the former. This system is neither ethical nor conducive to healthy socio-economic development. Many NGOs are actually involved in business activities, though their charters do not permit it. The lack of accountability and transparency of the NGOs create an ambience of corruption in public life, which amounts to a negation of good governance. The World Bank model of good governance relies greatly on a system of autonomous and vibrant local government which is supposed to fully reap the benefits of decentralisation. Local government is expected to function as an important vehicle for ushering in effective good governance. But India's experiment and experience of panchayati raj, even after the much-trumpeted 73rd Constitution amendment (1992), belie the hope that it would help realize transparent and accountable governance at the grassroots and ensure people's participation for good governance. The laws are good and well – intentioned but the motives of political parties are not always clean and corruption – free. Development projects are badly implemented and corruption thrives with every additional dose of development investment, be it in ensuring employment or housing or basic education for the poor people. People's participation in planning and development has been frustrated by political and administrative corruption. Even the grand scheme of empowering women in local government, to a large extent, has failed thanks to either overbearing caste system or suffocating regimentation and centralised control exercised by the political parties. Either the women representatives are mostly mistreated and abused or they are intimidated. Good Governance, however, clearly requires the functioning of effective and autonomous political institutions at all levels, but particularly at the local level. Local power abuse, political and bureaucratic corruption, social harassment of the poor and of the women have largely made a mockery of Good Governance at the local level. The local government institutions could develop as a pro-people and welfare- oriented grassroots organization and thereby promote good governance

32 if the civil society concerned is sufficiently conscientious and virile to protect and promote accountability and transparency in local governance. Democracy can strike deep roots with congenial development at the local level. Everything said and done, good governance is threatened is to be defeated by two phenomena viz. first, threats of military dominance and second, religious fundamentalism. The process of militarization of society and government militates against the healthy and democratic growth of civil society, and is therefore inimical to Good Governance. Religious fundamentalism has, in reality, little to deal with issues of genuine religion. Most often it is practised for capturing power by any means. It finds a good soil in developing societies by appealing to prejudices of the people and exploiting their economic vulnerability. India is free from the danger of militarization of society and government, but the danger of religious fundamentalism poses threats to Good Governance. Pakistan and Bangladesh experience threats from these two dangers for Good Governance. It is the techno–managerial approach of the neo-liberal economic globalization which finds importance in the dominant discourse of Good Governance promoted by the World Bank, IMF, OECD and such other institutions. This approach focuses on decentralization, transparency and report cards as the methods to ensure macro-economic management of the “Bretton Woods Mandarins”. It is interested to enforce accountability of the national governments for economic and political conditions imposed on them. The main agenda in the idea of Good Governance mooted by the multilateral and bilateral trade agencies like the World Bank, UNDP, OECD, ADB, JBIC etc. was to ascertain the success of their projects. Their major thrust is on structural adjustment and necessary economic reform programmes consisting of liberalization, de-regulation, privatization and state withdrawal from economic spheres. What is ignored in such discourses is the fact that ‘governance’ is a broader concept. It is essentially about power relationship within and beyond institutions and organizations and is based on the notion of accountability and answerability. Governance seeks justice through justice delivery system and helps build up the institutional means to protect the rights of the people. It mediates between citizens and government and seeks accountability. Therefore, a workable paradigm of good governance must address the issues of budget tracking, participation, monitoring, planning process, citizens' charter, report cards, women's empowerment, public hearing, grievance redressal and public interest litigations. This theoretical understanding of Good Governance calls for people's empowerment, participation, public

33 accountability, transparency, human rights and legitimacy based on the principles of democracy. One point that must be underlined is that Good Governance is a dynamic concept which needs periodic review, rethinking, and necessary remodelling of institutions of governance, enhancing accountability and transparency, so that political as well as socio-economic justice can be realized in real life. Although the Constitution of India declares high principles of democracy like liberty, equality, justice and dignity of the individual and gives “directives” to the state at all levels to ensure equitable distribution of material resources to subserve the common good, these grandiose goals have been lost in actual governance. Good Governance in India – as in many other countries – has become a casualty by vacuity of vision, absence of mission and faulty leadership. Wretched living conditions of a significant section of the people at the lower rungs of the social class structure, menacing spread of political, administrative, economic and moral corruption all around, sharp deterioration in the quality of policy-makers, dominance of the money bag and the musclemen in political and electoral processes, spread of caste feelings and religious communalism bordering fanaticism, and unprincipled and hence unholy populism practised by the political parties in order to garner votes in any conceivable way, fast-eroding ethics of educational institutions, and finally, growing trends of violence, terrorism, subversion and sabotage have collectively contributed to the destruction of the better and desirable aspects of Good Governance in India. This kind of scenario is not uncommon in many other countries. But another serious aspect of the Indian experience that needs special mention is the deplorable political and administrative culture of the country. It throws a huge challenge to the ideology and practice of Good Governance. The foremost challenge comes from low public morality in politics and administration. In the eyes of the people, at both the individual and mass levels, no wrong-doing and crime evokes universal and effective condemnation, especially if it brings in electoral success and huge monetary gains. This kind of political psychology offers a serious hindrance to good governance by facilitating deterioration in individual ethics and institutional governance. Because of the huge dimension of corruption in public life, especially in electoral and administrative processes, integrity and autonomy of educators, journalists, law-makers, administrators, and even judges are on the decline. The obnoxious understanding prevailing between politicians, businessmen and musclemen has effectively destroyed the ambience of good governance. Uninhibited interference of the politicians in almost all cases of decision-

34 making in the national life for the exclusive goal of reaping partisan benefits has ruined the very basis of good governance. It is very hard to find anything called public ethics. Good governance is bound to be the first victim in any system affected by mass-scale corruption, electoral malpractices, criminalization of politics and politicization of crimes. If electoral victory, by hook or crook, is taken as license to abuse power and misuse influence, good governance will have almost no chance to bear its fruits. Defective accountability and inadequate transparency facilitate the process of reducing the good governance formula and its strategies to a farce. The fate of the Lok Pal bill in India provides a telling instance in this regard. A nascent plant growing out of good variety of seed would have no chance of surviving and bearing fruits if the climatic environment and infrastructural support like irrigation and fertilizer prove to be inhospitable and inadequate. Good Governance will have no chance to succeed unless there is a national commitment to establish a largely corruption-free politico- economic order and willingness of the political leadership at the highest level to establish genuine accountability and transparency in utilising the human and material resources of the country. It is a fact that successful reforms introduced in the governance process in the United Kingdom, New Zealand, Malaysia and Singapore in recent time were politically driven at highest level. [For elaboration of this point, see Mohan Kaul, “Civil Service Reforms : Learning from Commonwealth Experiences”, Indian Journal of Public Administration, XLIV (3), July - Sept. 1998.] Everything said and done, a viable strategy of good governance has to be relevant to the needs of the society concerned and needs to be ethically capable of addressing sustainable human development and enjoyment of human rights with positive support of the political leadership at the highest level. Questions : 1. Explain briefly the role of the state in conditions of Good Governance. 2. Discuss the importance of civil society in establishment of Good Governance. 3. Describe the scenario of Good Governance in respect of Local Government in India. 4. What are the different causes that are putting Good Governance under a threat?

35 Module - 2

36

37 Unit 1 q Accountability and Good Governance Introduction Political, administrative and ethical accountability of the government to the governed is a basic condition of achieving good governance. Accountability holds the government functionaries and organizations responsible for their performance, action and inaction. The goals of accountability can only be achieved with a wide-ranging people's participation. That is to say, people would have to act as watch-dog over government's activities and use of national resources. A continuous process of administrative reforms need to be followed in order to keep the administrative machinery efficient. In a democratic system people are politically sovereign hence the political and administrative system is to render account of its commissions and omissions to the people. In a democratic polity, the holders of public offices should always remember that exercise of public powers always carry with it a responsibility of exercising that power justly, reasonably, fairly, transparently and, of course, without violating the Constitutional norm. In a parliamentary system of government, the council of ministers is jointly and severally responsible to the legislature. The legal and moral responsibility or liability for the actions taken or not implementing actionable decisions, misuse of powers and administrative misconduct and misappropriation of public funds rest solely on the Minister and the Secretary in charge of a Department of government. Their responsibility is not only to the legislature as a part of traditional Constitutional doctrine of ministerial responsibility, but also the public accountability for actions or conduct in performance of public duties. The 'public policy' as such cannot be a camouflage for abuse of power and trust laid on a public authority or public servant in performance of public duties. Responsibility for public interest, public purpose and public accountability good is always carried and implied in the discharge of public duties. The holder of a public office is said to have misused or abused his/ her position when he/she exercises public power for personal gain to satisfy avarice. The unauthorised, improper, extra-legal, extra-constitutional and disproportionate exercise of public power takes place whenever the holder of public office does something which crosses the permissible limit of his/ her political and administrative competence. In the democratic system of

38 governance, the minister and the secretary or the director of an administrative agency must not violate the Rule of Law. This is the minimum and mandatory obligation of a public functionary who is expected to discharge duties in an honest and uncorrupt manner. This principle, called public accountability, holds true for all those who are the repositories of public power and trust. Two Case Studies from India In the following two cases the principle of public accountability prominently came to the forefront to underline the indispensability of this principle for establishing Good Governance. These two cases came to the Supreme Court as Public Interest Litigations under Art 32 of the Constitution in the same year viz. Common Cause (a registered society) vs. Union of India & others (1996), and Shiv Sagar Tiwari vs. Union of India & others (1996). In the first case, Capt. Satish Sharma, the Union Minister of State for Petroleum and Natural Gas, was involved; and in the second case, Smt. Shiela Kaul, the Union Minister of Housing and Urban Development, was involved. In the Satish Sharma case, it was challenged that the allotment of retail outlets for petroleum products (petrol pumps) made by the Minister in exercise of the powers of the Union Government in favour fifteen persons had been arbitrary and biased by extraneous considerations. The allottees were related either to politicians or officials in the Ministry. The apex court, after going through the relevant official records, found that the allotments had been made in a cloistered manner. The petrol pumps, which are public property, had been doled out in a wholly arbitrary manner. The applications were not officially received by the Ministry and there was no receipt-entry on any of the applications. The applicants seemed to have approached the Minister directly. The Minister did not follow any reasonable criterion while making the allotments and there was no guideline in the process of allotment. Six of the allottees were related to officials working with the Minister, two were related to politicians, and seven were either members of the Oil Selection Board or their relations. The Court found that the Minister was personally interested in making allotment in all the cases and the Court held all the allotments as wholly arbitrary, nepotistic and motivated by extraneous consideration. [For details, see S. S. Singh, "Public Accountability and Misfeasance in Public Office", Indian Journal of Public Administration, XLV (1), January – March 1999]. In the Shiela Kaul case, popularly known as housing scam case, the apex

39 court directed the CBI to inquire into the matter and the CBI submitted four interim reports. The CBI reported that the Minister had allotted all the six shops / stalls in question to her own relatives, employees, domestic servants of her family members and family friends. The Minister had adopted ten different categories but even this categorisation was not adhered to while making allotments. [For detail, see S. S. Singh, op.cit.] In both the cases, the main question before the Court was whether allottees were selected in accordance with law. The actions of the Ministers were judged on grounds of legality as well as procedural propriety. The allotments were wholly arbitrary and speak of misuse of power. The Court applied the principle of personal accountability and imposed exemplary damages of Rs. 50 lakh on Capt. Satish Sharma and Rs. 60 lakh on Sheila Kaul, to be personally paid to the Government exchequer. Implications It was emphasized by the Supreme Court in both the cases that the government, as a welfare state, provides a large number of benefits to the citizens, and distributes largesse in the form of allotments of plots, houses, petrol pumps, gas agencies, mineral leases, contracts, quotas, licences etc. A Minister, as an executive head of the Department concerned and holding a trust on behalf of the people, has to deal with people's property in a fair and just manner while distributing these benefits and largesse in a bonafide manner and in conformity with law. Secondly, even the discretionary power of the Minister or the relevant functionary must be exercised in accordance with the established procedure and criteria and on bonafide intention and relevant considerations. The discretion must not be exercised on extraneous considerations, arbitrarily, nepotistically and unfairly. The exercise of discretion must be transparent, just, fair and non-arbitrary. Non-transparency in the exercise of discretionary power promotes nepotism and arbitrariness. The public authority cannot enjoy absolute discretion and use it deliberately in a discriminatory manner. Absolute discretion is, by definition, an anathema to Rule of Law, and therefore, ipso facto, vitiates Good Governance. Thirdly, the abuse of public office by public servant, while exercising discretionary power in granting State largesse in an arbitrary, unjust, unfair, and malafide manner would invite personal liability of the wrong-doer. The Supreme Court applied the principle of misfeasance in public office as one 40 of the recognised parts of the law of tort for personal liability even to the Minister, who is in a position of a trustee in respect of the public property under his/her charge and discretion. The Ministers and public administrators are under legal and moral responsibility to deal with people's property in a just, fair and unbiased manner, failing which they would be liable for criminal breach of trust. The Supreme Court in Lucknow Development Authority vs. M. K. Gupta case (1994) had earlier approved the concept of "misfeasance in public office" as a part of the law of tort. 'The same principle was reiterated in these two cases (1996) by its observation that "it is high time that the public servants should be held personally responsible for their malafide acts in the discharge of functions as public servants" ... who may be liable in damages for malicions, deliberate or injurious wrong doing. The point is that no public servant can arrogate to himself the power to act in a manner which is arbitrary. The Supreme Court had held in several cases between 1993 and 1996 that exemplary damages can be awarded in a case where the action of a public servant is oppressive, arbitrary or unconstitutional. If investigation reveals unconstitutional or arbitrary action by a public servant, court cases may be registered. These observations of the Supreme Court in the 1990s have lent clarity to the concept of public accountability and strengthened the principle of supremacy of the authority of law. Good Governance emphatically requires that public offices be protected from misfeasance and malfeasance in the interest of public good, public purpose and public interest. Public Accountability in the Developing Countries Most developing countries follow a system of accountability that is patterned on the European model. The system had been introduced by the colonial masters before they departed the colonies. In such a system, the civil servant is accountable to the minister only in a general way but the accountability is neither clarified nor made explicit. The relationship between ministers and civil servants manning the departments is only issue-based. Since accountability is not spelt out, it is left entirely to the incumbent minister to interpret the accountability in a manner that is most convenient to him. Legislatures in developing countries have not been able to exercise their function of enforcing accountability with regard to the executive in economic policies and budgeting. Although, the opposition parties and group in the legislature make much noise against the government, the criticism tends to

41 be unfocused and uninformed. This has been noted by the World Bank. The legislators do not have access to critical information that is required to effectively oversee executive action. Economic policies and the budget are presented to the legislature shrouded in such technicalities that they are beyond the comprehension of the average legislator. The legislators in the developing countries of the Third World, unlike their counterparts in the developed western countries, do not have privileged access to independent information such as analytical and investigative reports in the mass media, libraries and reference journals, skilled committee staff, and independent consultants. The legislatures in the developing countries are reduced to being formal clearing houses for proposals emanating from the civil service. Developing countries have not spawned the kind of informed consumer organizations, professional associations or independent research organizations that could propose competing alternatives to the policies of the government. The industry's associations tend to be informed and organized but do not seek to confront the government, having learnt from their experimental woes that there are some effective ways to make the government see their point of view in individual cases. The trade unions in the developing countries occasionally offer some resistance but they are organized along political lines and are unable to take an objective and apolitical view of most policy initiatives. The development of mass media has been weak in the majority of the developing countries. The radio and television networks in most developing countries are owned by the government. Only some sections of the print media is the solitary institution of civil society that tries valiantly to enforce public accountability but is handicapped by its lack of access to vital information about the processes of government. The print and electronic media tends to be weak in financial and economic analysis, and, as a result, it is not possible for them to challenge the stranglehold of the bureaucracy over economic policies and the budgetary process. So far as the accountability of the civil servants to the user public is concerned, it is conspicuous only by its almost total absence in the developing countries. This is natural because public utilities are managed by bureaucrats and have a monopolistic presence in production and service delivery of most basic necessities. Terms like "user public" or "client public" are not in currency in describing the consumers of government goods and services. Instead, the term "beneficiary" is used in administrative parlance, making it clear that what is being distributed is largesse and therefore, the question of accountability does not arise. This is an issue of administrative culture of

42 the developing countries. Good governance in these countries depends, to a large extent, on the desired changes in the public administration's attitudes towards the client public or the users of public services. Questions : 1. What are the ways in which the democratic system shows its accountability to the people? 2. Discuss briefly the Satish Sharma case and the Shiela Kaul case in regard to Good Governance. 3. What were the main points highlighted by the Supreme Court in relation to the Satish Sharma case and Shiela Kaul case. 4. Discuss the scenario of public accountability in the developing countries.

43 Unit 2 q Transparency and Good Governance Introduction Transparency denotes governmental functioning in openness as much as possible and also citizens' right to know about the government's transaction. Enforcing accountability is facilitated if the government machinery and the governance procedure are made responsive to the needs and demands of the people. In order to make responsive governance possible, new laws need to be enacted, regulations framed and procedure made simpler and transparent. All these arrangements are especially necessary for serving the interest of the weaker and poorer section of the society. Secrecy and lack of openness in governance is the symbol of feudal and authoritarian administration. Openness and transparency are absolutely needed to make governance responsive. Only when this is achieved, can there be people's trust in governance, and corruption in administration can be reduced and brought to the minimum. Nature of Transparency For achieving transparent governance, accessibility to information about decision-making procedure and decisions taken in public affairs need to be ensured. The government records and papers are to be made open by suitably amending the law governing official secrecy. The very fact that information is accessible to the people helps in building people's trust in the system of governance. For achieving this purpose, the governmental structure and governance procedure require to be improved by making rules for negating political interference in administration. Codification and simplification of procedures need to be ensured for the sake of good governance. People's participation at the grassroots level helps increase transparency in governance by bringing out facts and throwing full light on administrative discretion used. Transparency in governance is promoted further if judicial administration is made open, speedy and efficient. Governance is, after all, a tryst with people's trust, and a commitment of the people for the people, a social compact for achieving the greatest good of the society. It becomes effective and fruitful when the people are institutionally and ethically allowed to develop a stake in protecting and promoting public interest at large. In order to ensure good governance, transparency is one of the important

44 elements by which honest attempts can be made to curb politico- administrative corruption. Transparency demands availability of information to the general public and clarity about government rules, regulations, and decisions. The public as the stakeholders should not be kept insulated from the mainstream activities of the government. In fact, the principle of people's participation is derived from an acceptance of the point that people are at the heart of the development process and its management. They are not only the ultimate beneficiaries of development but are also the agents of development. Since development is both for the people and by the people, there is need to ensure public access to the institutions that promote representative democracy. This political approach and philosophy of democratic administration has been reflected in the 73rd and 74th amendments (1992) to the Indian Constitution. In the provisions for Gram Sabha in panchayat administration and Ward Committee in municipal administration transparency and democratisation have been sought to be realised. Through those institutional mechanisms the democratic process has been taken to the grassroots level. Public administration in most developing countries lacks transparency and openness. Bureaucracies have traditionally been closed shops. Their stranglehold over information and refusal to part with it, has been, in a true sense, the real source of their power. This is what is known as bureaucratic "self-enclosure", which is usually sustained under the rubric of secrecy and confidentiality. [For farther discussion on this point, see David Beetham, *Bureaucracy*, Milton Keynes : Open University Press, 1987, p. 114] In the developing countries, bureaucratic self-enclosure is carried to ridiculous extremes. Policy formulation tends to be a closed and executive- centred activity. It is considered an internal matter decided by the senior civil servants. Large parts of the population, whose lives and incomes are affected by these policies, do not have access to information, with the result that they are not in a position to influence the policy formulation and implementation process. This point has been elaborated by Merilee Grindle in the article "The New Political Economy : Positive Economics and Negative Politics" [see, Gerald Meier (ed), *Politics and Policy-Making in Developing Countries*, San Francisco : ICS Press, 1991] One of the best example of "bureaucratic enclosure" is found in the handling of the industrialisation policy of the Government of West Bengal in 2006 – 07 in respect of the Tata's small car project in Singur. The agreement signed by the West Bengal

45 Government with the Tatas has been treated with utmost administrative secrecy. To quote Thomas Jefferson, it is the people who are the "safe repository of the ultimate powers of the society." Hence, people needs to be always aware of their position. With this goal, they should be properly enlightened in such a way that they be in a position to establish their claim to question everything concerning their interests which may be subverted by corruption in politics and administration. The goal of achieving transparency in government and administration can best be achieved by clean practices of the enlightened political parties, constructive Opposition, free and progressive media. One of the instruments necessary to a transparent ambience of governance is the Right to Information as a recognised civil right of the people in a democracy. Right to Information Good governance is facilitated if the people have the civil right to access what happens in government and administration. James Madison (1751 – 1836), the American statesman, said in 1822 that "

a popular government without popular information, without means of acquiring it, is but a Prologue to a Farce or Tragedy, or perhaps both."

Transparency and information constitutes one of the main specific items of "good governance" identified by the World Bank document on Governance and Development (1992). The citizens' right to information is increasingly recognised as an important instrument to promote openness, transparency and accountability in public administration. In this age of globalisation and liberalisation, secrecy in government has become an anachronism. Citizens, stakeholders in democratic governance, consumers of public services, beneficiaries of development programmes, civil society organizations, business world and commercial houses – all must have access to information they require from the "public authorities" relating to their operations, administration and decisions. Only when the public administration is made sufficiently accountable and transparent, the access to information would be guaranteed. It has been the common experience in public affairs in all countries that a system of public administration operating in secrecy is more prone to corruption as compared to a system which operates in openness. Transparency in government is an important means of combating political, economic and

46 administrative corruption and a significant step towards empowering the people in a democratic polity which needs to be based on the trust of the governed. Secrecy in governmental functioning invariably facilitates and promotes corruption, oppression, nepotism, and misuse or abuse of authority. The Franks Committee Report (United Kingdom, 1972) has rightly observed : "

A government which pursues secret aims, or which operates in greater secrecy than the effective conduct of its proper functions require, or which turns information services into propaganda agencies, will lose the trust of the people. It will be countered by ill-informed and destructive criticism.”

The contemporary theory of democratic policy underlines the urgent need for making the government citizen-centric, implying thereby that government should be not merely representative, but, more importantly, responsive to the citizens' legitimate needs, aspirations and grievances. The citizens, on the other hand, are required to be cooperative and vigilant. As Pericles, the eminent statesman of ancient Greece, had said, “eternal vigilance is the price of liberty.” And citizens can be adequately vigilant only if sufficient information about government functioning could be guaranteed. The right to information is the necessary instrument for producing enlightened and informed citizenry. The right to information removes unnecessary secrecy in functioning of public authority and thereby helps to improve the quality of decision-making in public policy and administration. By using their access to government documents and records of public administration, informed citizens can contribute to making better public policies, influence the process of policy formulation and decision-making in democratic governance. Right to information is a very useful tool to strengthen democratic governance at the grassroots and ensure people's participation in local governance and developmental activities. It can effectively bring local governance under public scrutiny and help the administration to avoid costly mistakes. Public accountability of the policy-makers and administrators becomes meaningless without transparency in public affairs. Proper accountability, backed by adequate transparency in public administration, help people fight for the kind of policies and actions that would create decent jobs, improve access to education and control corruption in a significant way. These are important items of the Millennium Development Goals enunciated in the historic Millennium Declaration adopted by 189 countries at the United Nations Millennium Summit in September 2000. The UNDP in 47 its Human Development Report 2003 emphasised the important role of civil society groups in implementation and monitoring of the progress towards the Millennium Development Goals by popular mobilisation through open, participatory political culture in order to sustain the political will to achieve the goals. Against this backdrop of developments at the international level, India's Tenth Five Year Plan document (2002) not only placed governance reform at the centre-stage of development planning but also recognised Right to Information as the key to achieving good governance. The right to information is immensely important in view of the fact that very often people do not even know what programmes and schemes are available and what facilities and benefits the people are entitled to. Also, policy and procedural reforms can be effective only when people know that such changes have been made. Right to information by itself is never the end in itself. It is the means to empower the people legally to have access to their other democratic rights. Such a legislation is helpful in strengthening grassroots movements and enhancing people's awareness and ability not only to access their entitlements but also to ensure effective implementation of development programmes. RTI : Indian Experience The Right to Information Act was passed by India's Parliament in May 2005 and received Presidential assent on 15th June 2005. In India the right to information was judicially recognised by the Supreme Court in the *UP vs. Rajasthan* case (1975) in its observation

that the right to information is implied in the right to freedom of speech and expression given under Art. 19(1) and the right to life and liberty guaranteed by Art. 21 of the Constitution. The apex court, again, reiterated the people's right to know every decision taken in a public way by public authority functionaries in the *S. P. Gupta vs. Union of India* case (1982). Meanwhile, the Commonwealth Human Rights Initiative, and international NGO, had been advocating the right to information for several years. The right to information gained the status of a full-fledged civil right in India towards the end of the 1990s when legislations on the right to information were passed in a number of States of the Indian republic. Between 1997 and 2004 as many as nine States had their own RTI legislations. These state legislations were mostly over-protective of the bureaucracy's unwillingness to disclose governmental information and provided no penalty for officials for either refusing to disclose information or delaying a decision without any justification.

48 The popular movement for the right to information began in Rajasthan under the banner of Mazdoor Kishan Shakti Sangathan (MKSS). Led by Aruna Roy who had resigned from the Indian Administrative Service to assist the rural folk in demanding benefits under development projects. She convinced the poor people that they must be agents of their own empowerment and they must act politically to achieve it. She and her co-activists in the movement realised that information relating to all aspects of policy-framing and implementation of development projects was the key to the uplift of the dispossessed and the marginalised sections of the society. The MKSS's sustained campaign finally led to the RTI enactment in Rajasthan. Subsequently, a few other states enacted their own RTI legislations, and very soon the need for a central legislation was felt. First, the NDA government enacted the Freedom of Information legislation in 2002. This Act, however, did not come into force because the necessary notification and the Rules under the Act were not made. While disposing some Public Interest Litigations, the Supreme Court held in early 2003 that the voters' right to know is vitally linked to the citizens' right to freedom of expression guaranteed by Art. 19 (1) of the Constitution, because the right to vote would be meaningless unless citizens were well-informed about the candidates' property interests and criminal background, if any. The next UPA government promised quick action on a better RTI legislation. The RTI Act 2005 came into force on 12th October 2005. [For details, see Asok Kumar Mukhopadhyay (ed), Right to Information, ATI : Govt. of West Bengal, 2007.] The RTI Act 2005 makes it obligatory for every public authority to publish all relevant information and data regarding its organization, functions, duties, role of its officers, the procedure followed in decision-making, its project-wise expenditure and so on. The Act provides that information which cannot be denied to legislature would not be denied to any citizen. Under this Act, the central government constitutes the Central Information Commission headed by the Chief Information Commissioner enjoying a semi-judicial status; and the State governments constitute the State Information Commission headed by State Chief Information Commissioner enjoying the status of the Chief Secretary. These Information Commissioners at the centre and state level have been given the powers of a civil court. In constituting the Information Commissions, and excessive reliance on bureaucrats has been noticed and virtually there is no representation of people with non-civil service background.

49 The RTI Act (2005) requires every public authority to designate the Public Information Officers (PIO) in all administrative units or offices to provide information to persons requesting for information. The PIOs are required to provide the information on payment of prescribed fee or reject the request, within thirty days of receipt of the request. The aggrieved applicant for information may prefer appeal against the decision of the PIO. The citizens' right to have information on demand would not however be entertained in matters relating to sovereignty and integrity of India; and the security, strategic, scientific or economic interests of the State; India's foreign policy management; incitement to an offence; contempt of court; parliamentary privileges; commercial confidence, trade secrets or intellectual property; individual's fiduciary interests; life or physical safety of a person; matters likely to impede the process of investigation or apprehension or prosecution of offenders; the cabinet papers including cabinet deliberations; privacy of the individual. Implementation Since the enforcement of the Act (2005) on 12th October 2005, its implementation has revealed some interesting additional dimensions because of judicial decisions. It has been revealed by the Central Chief Information Commissioner that the level of people's awareness of the RTI Act is not quite satisfactory, especially in States like West Bengal. (Ananda Bazar Patrika, 23.04.2008 and The Statesman editorial 25.04.08). Even the Prime Minister admitted that the public authorities still have a long way to go in proactive disclosures of information. The reluctance of the government departments to disclose information is widespread and very common. (Hindusthan Times, 04.11.2008). Voluntary disclosure of government information by public authorities is imperative for citizens to realise the full potential of the information legislation. The PIOs of public authorities, however, complain of inadequate staff and improper record-keeping systems as the biggest stumbling blocks in providing information to the public. The experience of the Information Commissioners suggests that they felt hindered in delivering justice in case of denial of information by the PIOs because of non-availability of enough funds and the overwhelming number of people using the RTI to settle personal scores. (Hindusthan Times, 04.11.2008). The Information Commission in West Bengal, even after three years of its foundation, remains structurally defective. It flies in the face of the RTI

50 Act which provides for a multi-member (not more than ten) commission, yet the West Bengal Commission still makes do with a "trustworthy" retired bureaucrat as the single-member panel. Moreover, as admitted by the CIC of West Bengal himself, the state is lagging behind primarily because information gets filtered and dished out to anxious citizens only on the government's terms. There is little doubt that any data that the ruling party and the government wish to suppress will not be disclosed. (The Statesman editorial, 25.04.2008). After three years of its foundation, it is found that the Central Information Commission, which oversees the RTI, has failed to provide even basic information like the number and status of cases and pending appeals. It has even been accused of not keeping any records of judgments and orders passed on RTI applications or of pending cases. Recently, The Central Information Commission has ruled, on a point of interpretation, that once the Cabinet "arrives at a decision" all papers pertaining to it are "disclosable". (The Statesman, 27.10.2008). Earlier, the Central CIC had called the bluff of the Union executive intent on manipulating a piece of parliamentary legislation and being evasive in disclosing information. The ruling makes it clear that "file notings are not classified information; they are, as they were meant to be, for public consumption." (The Statesman 04.07.2008). The relevant point is that any government would abuse its powers if it is permitted to function in secrecy, which is an instrument of conspiracy and ought not to be a system of regular government. Secrecy contributes to the disempowerment of ordinary citizens. The Calcutta High Court and also the Supreme Court have made it an obligation on the part of all universities, boards of examination and public service commissions to show the examined scripts to the examinees under the RTI Act. While deciding on the central government's plea that the information on immovable property of government servants is exempted from disclosure as such property is personal and has no relationship with any public activity or interest, the Central CIC has ruled that government officers and employees can be made to reveal details about their private properties under the transparency law (The Statesman, 30.5.2008). Recently, the Members of Parliament have been found to be intent on interpreting the RTI Act on their own terms. The MPs preferred that the applicants for information about the assets of the MPs should furnish reasons 51 for seeking information and that the Speaker should refer these applications to the Privilege Committee. That is, the MPs are seen to be keen on establishing a cordon sanitaire that will shield the elected representatives from an electorate demanding information. Unfortunately, the general standard of probity of the politicians is scarcely above board. The Central CIC has already directed all political parties to disclose their income tax returns in response to a request filed by the Association of Democratic Rights. The reported stand of Chief Justice of the Supreme Court that his office does not come under the purview of the RTI Act is also not acceptable to many quarters. Parliament's Standing Committee on Personnel, Public Grievances, Law and Justice has unambiguously asserted that the RTI Act applies to all Constitutional authorities, including the Judiciary, as they are "public authorities", and the Speaker has taken the same stand. (Times of India editorial, 07.04.2008, and Times of India, 30.04.2008). After some public debate, the Supreme Court judges have expressed their readiness to disclose their assets provided a new legislation defines "assets" and creates a legal machinery under which they could declare their assets (Times of India, 25.02.2009). Questions : 1. What is the importance of transparency in Good Governance? Mention the ways in which transparency in governance can be achieved. 2. Discuss the concept of Right to Information. 3. Describe the importance of Right to Information in the Indian context.

52 Unit 3 q Citizens' Charter The broad principles of Citizen's Charter are the wide publicity of standards of services rendered by public agencies and local bodies, assurance of quality of service, courtesy and helpfulness of the staff, consultation with the citizens, simplified and convenient procedure of receiving complaints and their time-bound redressal. Independent scrutiny of performance of the administration should be ensured so as to fulfil the commitments made to the people by the government. The measures initiated need to be brought to the notice of all concerned and the common people. The British System The Citizen's Charter was launched by the British Prime Minister John Major in July 1991 to raise the standard of public service by making civil servants more responsive to the wishes and needs of the users. The White Paper on Citizens' Charter set out the principles to be followed in the public services and a comprehensive programme of specific improvements to these services. Next Year (1992) a minister of cabinet rank was appointed with full responsibility for implementing the programme and carrying it forward. The Citizens' Charter is based on the principle that all public services are paid for by citizens either directly or through taxes paid by them, hence citizens are entitled to expect high-quality services responsive to their needs, provided efficiently at a reasonable cost. The State's own functions like those of a regulating nature, levying of taxes, or administering justice have to be carried out fairly, effectively, and courteously. The Charter basically aims to empower the citizen. It is a statement of belief that citizens have a right to be informed and of choosing for themselves. It is meant to serve as a kit of initiative and ideas to raise standards in a way most appropriate to each service. It is based on the idea of the citizen as a 'customer' of public services. The Charter sets out a number of principles designed to emphasise this idea. According to these principles, every citizen is entitled to expect : (i) Standards of services and actual performance against these services. The government organizations should set and publish service standards for key areas of performance in a form which citizens can understand. The standards principle has three components viz. (a) setting of realistic standards, provided resources are available; these

53 service standards should reflect their priorities and be set in consultation with users and tested through customer surveys; (b) publishing of service standards, which should be given widest possible publicity for the users and potential customers; (c) performance information and information about monitoring of standards should be published; the shortfalls in performance, if any, together with details of corrective action taken should be published. (ii) Information and Openness : Full, accurate information should be readily available in plain language about how public services are run, what they cost, how well they perform, and who is in charge. Government organizations should provide individual users with all the information they need in order to be able to use the services available to them in a form that they can understand. This principle has the following components : (a) availability of information through leaflets, posters, media advertisement, and the Internet is to be ensured; literature for special groups like disabled people and minorities should be produced and publicised. (b) Customer comprehension of the published information should be tested through surveys, focus groups, and routine monitoring. (c) Choice and consultation : Users' views about services, and their priorities for improving services have to be taken into account while deciding on standards. The government organization should regularly consult customers about services, monitor customer reaction to these services and receive services accordingly. While doing this, the government organization should ensure that customers have some choices on services and the method of service delivery. (d) Courtesy and Helpful attitude are expected from public servants. Services should be run to suit the convenience of customers and made accessible to all irrespective of sex creed or disability. The name badges of the staff should be openly displayed. The staff-members should be given training in customer services. The methods of service delivery should be altered to make life easier for customers. (e) If something goes wrong, appropriate apology, explanation, and swift and effective remedy should be in place. The complaint procedure should be easy-to-use. While attending to complaints, responses should aim at solving problems rather than clearing officials of blame. The effectiveness of the complaints procedure should be continuously reviewed by some

54 independent agency in order to improve services. (f) Value for Money : Government organizations should have the necessary systems in place to trigger and monitor a progressive improvement in the value and quality of service. Achievements should be objectively assessed. This principle has the following components, viz. (i) The organization should be able to provide cost-effective services by market-testing or contracting out certain services. (ii) The formal planning process of the organization should recognise, reward and measure performance of individuals who support the organization's quality objectives. (iii) The government organization should give a commitment to seek savings generated under 'value for money' programme. (iv) Claims and achievements should be validated by external audit or survey data.

The Citizens' Charter stipulates that the basic requirement is to define the job in terms of outputs and then to work out the modalities of how to do it in the best manner possible. It is the centre-piece of British Civil Service reform in the 1990s. The Citizens' Charter Unit, has been located in the Cabinet Office. There is an advisory panel drawn from business, consumer affairs and education for tendering advice to the Prime Minister. The Citizens' Charter seminars are regularly held in the presence of the Prime Minister for assessing the progress of the programme. In 1994 there were as many as fourteen Citizens' Charters issued by fourteen Government departments and agencies. Impact of the Charter in Britain

The introduction of the Citizens' Charter has led to an overhaul of the organization of the Civil Service and the manner of its functioning. Most government departments and agencies have achieved results by specifying outputs and standards to be met under the Citizens' Charter and focusing on how best to deliver services within the resources available. The records of improved functioning are quite good in respect of British rail, National Health Service hospitals, schools police and prison inspectorate, Inland Revenue Department, Customs, Police, Fire Brigades, Prison Service and Post Office. British rail pays compensation for failure to meet specified standards. Similar practice has been in place in respect of gas, electricity and telephone services. Within two years of the introduction of Citizens' Charter, 55 it has been possible to achieve annual cost savings of over 400 million pounds. There has been a distinct paradigm shift in British public administration from the conventional paradigm of the administrator and the administered, to the new paradigm of the administrator and the user. The Citizens' Charter has distinctly improved the civil servants' accountability to the public, the user and the citizen. Case for Citizens' Charter in India Till recently the concept of civil servants being accountable to the "user public" is absent in Indian public administration. There is no replication of the British practice of drawing a Citizens' Charter of a public organization like government departments and public enterprises. There is no system of setting and regulating service standards, and of providing the user public with choices and giving them any "value for money". In fact, terms like "user public" or "client public" have not entered the authorised government vocabulary. The term "beneficiary" is used frequently, implying no measure of accountability for largesse handed out by the civil servants. The Planning Commission regretfully observed: "Lack of accountability of the implementing agencies either to the government or the people has been the single major cause for misappropriation of funds for development programmes" (Approach Paper to the Ninth Plan, 1997 – 2002, p. 19). Hence, in some form or other, some thing like a Citizens' Charter is considered very much necessary in the cause of good governance inasmuch as it helps improve administrative accountability as well as transparency in administration. Since the mid-1990s the Government of India has been especially concerned about the widespread frustration among the people of vulnerable groups regarding deteriorating standards of public services. Public administration and civil services at all levels have suffered in terms of credibility and effectiveness. The public perception of an unholy nexus between politicians, civil servants and criminals, as revealed in the Vohra Committee Report, has been growing. The media and the general public are being increasing critical about the low levels of honesty, transparency and accessibility of the democratic elements in charge of public administration. In order to restore people's faith in the fairness and capacity of public administration a Conference of the Chief Secretaries was held in November 1996 on "an agenda for an effective and responsive administration". Inaugurating the conference, Prime Minister laid stress on making public

56 service more efficient, clean, accountable and citizen-friendly by evolving a concrete action plan which would require strong political will and commitment of the Union and State governments. This conference was followed by the Conference of Chief Ministers in May 1997 to consider the recommendations of the Chief Secretaries' conference and suggest an Action Plan to provide accountable, responsive, transparent and clean administration. The Chief Secretaries' Conference (1996) noted that in order to attain the larger objective of improved public satisfaction and efficient performance, the following measures were needed : (a) Evolving long-term and short term plans by all public agencies having larger public interface; (b) Setting up of an in-built machinery in each ministry/department for independent system of auditing and performance monitoring; (c) Enlisting help of consumer organizations, citizens' groups, elected representatives to secure inputs in the process of formulation and scrutiny of performance; (d) Giving adequate publicity to empower citizens through Citizens' Charters; (e) Setting up of a core group under the Cabinet Secretary to monitor the process periodically. The Chief Ministers' Conference (1997) endorsed the recommendations made by the Chief Secretaries and suggested both one-time actions as well as long-term reforms. It was proposed that progress of the Action Plan be continuously monitored by the Cabinet Secretary and Chief Secretaries to (i) make administration accountable and citizen-friendly, (ii) ensure transparency and the right to information, and (iii) take measures to cleanse and motivate civil services. Basic Principles of Citizens' Charter The Government of India has taken steps to draft and publish Citizens' Charters of some Departments and service agencies having public interface. Though the Charters are not justiciable, they carry moral commitment of the government and the public authority to provide a framework for rendering public service and offer opportunity for evaluating standards of service by the people as consumer of services. Citizens' Charter seeks to present a complete manifesto of public service. It protects the public needs, instead of the government agency saying what

57 services it delivers. The people, who are not satisfied with the standards of service, can approach the consumer court and resort to public interest litigation (PIL). The Charter enables people to project their needs and demands. The basic principles of drawing and enacting Citizens' Charter are as follows : (a) wide publicity on standards of performance of public agencies and local bodies; (b) assure quality of services; (c) access to information along with courtesy and helpfulness of the staff; (d) choice and consultation with the citizens; (e) simplified and convenient procedures for receipt and acknowledgement of complaints, and time-bound redressal of grievances; (f) provision for independent scrutiny of performance with the involvement of citizen's groups. The concept of Citizens' Charter places the citizen at the centre of administration, instead of making him a passive recipient of services rendered indifferently with no concern for quality of services as well as their cost and timely-delivery. In other words, Citizens' Charter shows the level and quality of services which people has the right to expect and it indicates the steps the dissatisfied citizen can take if the services do not come up to the standards. The Charter is symbolic of the moral and political commitment of the government and public agencies to the service of the public. Model for Citizens' Charter An expert on the theme of Citizens' Charter in India has listed the important points in the preparation of Citizens' Charter and identified the general structure of guidelines, and also the highlights of what important points are supposed to be there in a Charter [source: C. N. Roy, "Citizens' Charters in India : An Overview", Indian Journal of Public Administration, XLIV, Oct. – Dec. 1998, pp. 808 – 09]. Model for Citizens' Charter adopted by Government of India 1. The Charter arises from the dissatisfaction of the citizen/consumer/customer with the quality of service that government offers.

58 2. To be useful, the Charter must be simple. 3. The Charter must be framed not only by senior experts but also through interaction with consumer/client associations and the cutting-edge staff who will finally implement in and with the users (individuals and organisation). 4. Merely announcing the Charter will not change the way it functions. Conditions will have to be created through interaction and training for generating a responsive climate. 5. To being with, a statement of the service(s) offered. 6. Place against each service the entitlement of the users, standard of services rendered and remedies available to the users in case of non-adherence to standards. 7. Procedures/cost/charges should be made available on line/display boards/booklets/inquiry counters, etc., at places specified in the Charter. 8. Indicating clearly that while these are not justifiable, the commitments enshrined in the Charter are in the nature of a promise to be fulfilled. 9. Framing of a structure for obtaining feedback and performance audit and fixing a schedule for reviewing the Charter every six months at least. 10. Framing of separate Charters for distinct services and for organisation/agencies attached or subordinate to the Ministry/ Department. General Structure of Guidelines 1. A brief statement regarding the concerned service. 2. Public interface of the concerned service to be addressed (e.g., reservation, passenger amenities by the railways, mail delivery, premium services by post, etc.). 3. Commitment to standards (time-frame and quality of service). 4. Staff : What to expect from them? Where are they located? 5. Keeping you informed: What information do you need? How to obtain?

59 6. If things go wrong: What could go wrong? Whom to contact? What to expect to set it right? 7. How you can help us? Illustration of Checklist on Charter Highlights 1. Preparation of draft Charter and its approval by Minister. 2. Publicity to Charter. 3. Agreement on Charter principles and follow-up action with the agencies. 4. Communication to agency staff at all levels and agreement on actions under the Charter. 5. Necessary training and orientation of supervisory and operational staff. 6. Sanction of budget for various improved services, computerisation, etc. 7. Appointment of or activation of Advisory Committee with representatives of consumer organisations and client groups, staff, etc. and periodic monitoring in Ministry. 8. Information to be given to the public and staff on procedures and activities of department. 9. Enquiry counter to be set up (computerised) for generating information, waiting list, etc. 10. Telephonic access to concerned officer/information centres inside and outside complex, voice mail for enquiry, etc. 11. Basic amenities of waiting rooms, water, drug store (for hospital), fans, assistance to old and handicapped, and provision for help through voluntary agencies. 12. Fixing of time limits for various tasks involving public interface, and flexibility of these timings. 13. Provision for independent scrutiny by citizen/consumer groups. 14. Grievance redressal procedures, delegation and decentralisation of financial and other powers. Actual Experience in India The Charters of some public agencies for delivering service in a number of spheres like hospitals, banks insurance companies and of some central 60 government ministries and departments like Central Board of Excise, Railways, Ministry of Petroleum, Natural Gas, Ministry of Urban Affairs reveal that every Charter is specially tailored to fit its organization's goal and sector needs. However, the issues of common concern can be identified. Most of the Charters mention the organization's mission and the quality of service it proposes to deliver, thereby revealing the entitlement of the service-users. Delhi Development Authority (DDA) and New Delhi Municipal Corporation (NDMC) commit themselves to a time-bound disposal of transactions. The Indian Overseas Bank commits itself similarly. NDMC and the Ministry of Public Grievances and Pension give details of days, timing, particular locations for dealings with the public, names and phone numbers of the concerned functionaries so that they could be made accountable and responsible. However, the Charters of Life Insurance Corporation (LIC), Central Public Works Department (CPWD), Bank of India do not indicate delegation of responsibilities by name of the functionary. It would be far more desirable to give a systematic, department-wise and section-wise account of activities and public dealings for the sake of openness, transparency and raising awareness level of the public as users and consumers of service. Most Charters seek cooperation of the public and their feedback. DDA expects its "clients" to ensure timely deposits of dues. The feedback in the form of complaints and suggestions coming from the service users and "clients" would help the authorities to maintain efficiency standard. The Union Ministry of Consumer Affairs is the only organization which takes public participation to the grassroots by forming committees for monitoring and stock-taking. Vigilant and active citizenry helps the system of protecting consumers' interests and makes the system transparent and accountable. The right to information about the functioning of any organization is an important aspect of Citizens' Charter. LIC's Charter seeks to educate the customers regarding various options available in the area of products and services. Ministry of Consumer Affairs insists in its Charter that each outlet must display information of stocks received and disbursed, procedures to lodge complaints regarding quality and quantity of service and product. The strengths and weaknesses of the Citizens' Charter examined by the expert analyst has been given in the matrix given below.

61 Content - Preamble, quality of services (time-bound transactions) - Access to information through: guidebooks mass media - Grievance redressal - Consumer's obligations - Gives department-wise details of public dealings in time/ days/locations and time bound-transaction expected, e.g.: - Building Plan - Civil Engineering Department - Road maintenance - Water Supply: Complaints Connections - Building Maintenance: Commercial Staff Quarters - Commercial Department - Swimming Pools - Stadia - Education - Estate - Entitlement - Fair-price Shop - Ration Cards - Inspection and Checking Right to information, i.e., display of information and procedures regarding quality and quantity - Vigilance and public participation - Training - Citizens' responsibilities Sl. Organisation No. 1. Delhi Development - Authority 2. New Delhi Municipal Committee 3. TPDS, Ministry of Consumer Affairs Remarks - Very brief Charter giving department-wise information about activities, procedures not provided. - Right to approach highest level for redressal. Also has a "Public Grievance Redressal Card". - Seeks cooperation of citizens and their feedback. Says: "Please report non-compliance". - Name of functionaries/ contact person given - Very detailed - Department-wise information provided - Good Charter - Contains model procedures - Time-schedule for services - Spade-work done for adoption of Charter at state-levels - To increase awareness about procedures, a 20-point Charter suggested - Public participation is the unique aspect of the Charter. It provides formation of committees at different levels—Panchayat Ward level, taluka level, district level, etc. Character Matrix review of some of the existing Charters in India (as in July 1998)

62 - Mission - Values - Commitment - Standards for general procedures - Standards for industrial approvals - Assessing conformance to standards - Guidance and help - Complaints - Preamble - Standard for general procedures - Standards for industrial approvals - Assessing conformance to standards - Grievance redressal mechanism - Responsibility of user - Information to be provided by the LDO - A brief note on quality of service (time, process, money) - Brief redressal mentioned - General Information, like doctor and support staff per bed, dress code, etc. - Types of information provided —location and timings of specialised facilities, priorities, responsibility of HOD—and general guidelines, food, fees, availability of 1 special clinics, OPD and indoor treatments, and types of diagnostic service available - Blood Bank - Miscellaneous facilities— stretcher, wheel chair, lifts, ambulance, telephone, canteen, water, etc. - Responsibility of the user - Preamble - Pledge - Details of front office services - Single page model charter to be displayed for customers - Useful addresses for redressal provided - No comment on concept of payment-for non-compliance - No details provided - Needs to be upgraded substantially - Needs to be specific and more detailed - Information on the services available - Quality of services expected is listed - Redressal mechanism mentioned - Not much on maximum time of waiting - Gives a good framework - A general strategy of transparency and openness 4. Department of Industrial Policy and Promotion 5. CPWD 6. Ministry of Urban Affairs & Employment L & DO for Lessees 7. Dr. Ram Manohar Lohia Hospital, New Delhi 8. Bank of India

63 - Details of back office services - Grievance redressal - Mission, values, and commitment - Standards of general procedures - Standards for policy servicing - Standards for easy access to information for customers - Preamble - Standards for reservation - Manual booking, refunds (lost, torn or mutilated tickets, cancellation charges), and concessions - Special trains, enquiry and dissemination of information, catering services, cleanliness, passenger amenities: Off board On Board. - Public grievances redressal - Procedure in case of theft of passenger's luggage, vigilance organisations - Compensations—and assistance in case of accidents and unusual occurrences - General responsibility of railway administration - Cooperation of passengers sought - General principles that are followed; - Quality of services - Assistance to subscribers - Relation between subscriber and employee - Billing - Leased line connections - Right to choose the service provided - Redressal of complaints - Obligation of subscriber 9. Life Insurance Corporation of India 10. Passenger Services in Indian Railways 11. Department of Telecommunications suggested - No contact persons mentioned - Needs to be more specific - Responsibilities not allocated to any officer - Very detailed - Mentions time-specific procedures, alternatives and non-compliance payments - Independent railway claims, tribunal exists to make suitable awards for loss and death - Very detailed-charter - Systematic but does not address non-compliance compensation

64 Gray Area The Right to Information Act (2005) has been an important legislation to help citizens in many fields. So far as the Citizens' Charter is concerned, it is likely to help citizens as consumers of service by making necessary information about public agencies and government departments, but till now its implementation is not quite satisfactory for a number of reasons. Implementation of the programme of Citizens' Charter also suffers from two drawbacks : non-compliance and complaint ignorance. No specific provisions are available in various Charters about the remedial actions that can be taken by an individual who feels that the organization's commitments have not been fulfilled. The consequent loss or hurt caused needs to be addressed and compensated. The only Charter which mentions payments on account of non-compliance is the Indian Railways Charter. The Railways has independent Railway Claims Tribunal to make appropriate awards for any monetary loss and death suffered by the railway's clients and customers The Charters of organizations that provide basic services need to address this issue in order to uphold the true spirit of the basic concept of Citizens' Charter. The Department of Telecommunication has produced a very detailed and systematic Charter, dealing with all areas of public interface but turns a Nelson's eye to the issue of compensation for non-compliance. Redressal of citizens' grievances cannot just remain a paper commitment without gearing up the office machinery to address the problem. Questions : 1. What is Citizens' Charter? Mention the principles of the Charter. 2. Discuss the role of Citizens' Charter in relation to Indian governance. How far do you think that the concept is accepted in our system. 3. Discuss the model for Citizens' Charter adopted by Government of India.

65 Unit 4 q Public Grievance Redressal The foremost test of good governance is the degree of "public satisfaction" and easy accessibility of the people to the channels of grievance redressal. Public grievances primarily arise out of the inaccessibility of officials, failure to acknowledge applications, non-enforcement of any kind of time-limit about the job entrusted to the agencies, unsympathetic attitude of officials towards people at various levels. Necessary steps need to be taken to project the people-friendly attitude of the public functionaries entrusted with the duty realising good governance. For this purpose, it is necessary, first, to welcome public complaints and, then, to provide the people with physical facilities and basic information, and to take a time-bound schedule of redressing the grievances. In parliamentary system of government Parliament is the highest political – constitutional forum to ventilate public grievances. Members of Parliament (MPs) were long ago described by Edmund Burke as "the ambassadors grievances of the people." This role is played by the MPs by exercising their ancient and inherent right to put questions to Ministers. Excepting special cases, Ministers are generally bound to answer the parliamentary questions as supplied by their concerned Departmental officials. As the functions of the welfare state increase, the activities undertaken by public functionaries increase and accordingly there has also been a corresponding increase in the incidences of public grievances. Parliamentary Questions In India the British practice of having redressal of public grievances redressed through parliamentary interpolations (questions and supplementary questions) has been followed. But this method of redressal of public grievances has some limitations, especially in a populous country like India. Generally, in India an MP represents an electorate of ten to twelve lakh voters. It is simply not possible for an MP to maintain contact with his voters and be aware of their grievances. Secondly, usually the MPs do not have their well-staffed personal office capable of handling hundreds of letters and phone-calls of their voters. Moreover, the MPs are mostly very busy politicians who can ill afford time to maintain contact with his vast constituency. In parliamentary procedure also there are limitations for the MPs in

66 satisfactorily playing their role as the ambassador of public grievances. There are two methods available in this respect : first, the zero-hour, and second, the normal notice for raising questions. In 'zero-hour' (that is, one hour specified before the lunch break) opportunities are limited in the sense that there is a sort of competition among the MPs for catching the attention of the Speaker to raise any question, and the time available is short. The MPs can best expect to have a general reaction and vague promise from the ministers during the 'zero hour' which is best used for propaganda purposes by the MPs interested in particular cases. So far as the normal notice period is concerned, there have been many cases when answers by ministers meant for the MPs are sent to the library or on laid on the table. On other occasions, it is found when the question comes to the House during the hour the concerned MP happens to be absent due to some reasons of his own. Ombudsman The shortcomings of legislatures in the redress of people's grievances have increased the attractiveness of the concept of the 'ombudsman' (a Swedish word meaning "Parliament's man"); meaning the defender of citizens' interests or the public-grievance man. This is a growing response to increasing governmental power and discretion. The institution of Ombudsman was first created in Sweden in 1809 as an officer appointed by Parliament and designed to function independently of the government for redressal of citizens' grievances against the public functionaries and government authorities. This administrative innovation has been a great success in Sweden in improving good governance and increasing citizen satisfaction. Since then it has been copied in various forms in more than a hundred countries of the world under different titles and systems. In Britain, for example, the designation of the Ombudsman-like institution is Parliamentary Commissioner for Administration (PCA) which was created in 1967 with a view to humanising the whole administration of the State by investigating and exposing any misuse of government power as it affects the citizens. [For a general overview of ombudsmen-type institutions, see Frank Stacey, *Ombudsmen Compared*, Oxford : Clarendon Press, 1978.] By the mid-1970s there existed in Britain three ombudsman-type institutions viz. Parliamentary Commissioner for Administration, Commissioner, for Health Service, and Local Commissioners for Administration—one each for England, Wales, and Scotland. A separate Ombudsman for Northern Ireland

67 was created in 1969 for considering complaints of citizens against the wrong deeds of the administration of Northern Ireland. In the wake of administrative reforms for devolution of powers the Welsh Administration Ombudsman was created in 1999 to hear citizens' complaints against maladministration. The Scottish Parliamentary Commissioner for Administration was created in 1999, but was replaced by a new office called Scottish Public Service Ombudsman created in Scotland in 2002 for investigating public complaints against the malfunctioning of Scottish executive and other public authorities dealing with devolved Scottish affairs. [For a detailed discussion on the grievance redressal machinery in the UK, see Ravindra Singh and Sewa Singh, "Grievance Redressal Machinery in UK", *Indian Journal of Public Administration*, 53(2), April – June 2007.] Indian Experience An analysis of public complaints made in 1964 by the Complaints Cell in the Union Home Ministry disclosed that 14 percent of complaints related to corruption, 6 per cent to harassment by officials, 40 per cent to delay, and the remaining 40 per cent to arbitrary decisions of officials to favour certain individuals. This picture shows the urgent need for measures to redress citizens' grievances against the administration. The Indian citizens in majority of cases are helpless victims of insolence of public authority. To streamline the governmental machinery for redressal of citizens' grievances and to provide drive and overall leadership to it, the Commissioner for Public Grievances was appointed by the Union Government in April 1966. Simultaneously, complaints cells were mandatorily set up in the ministries, each headed by a Joint Secretary, to attend to complaints and handle public grievances promptly. Later, the Commissioner for Public Grievances reported that the existing machinery for redressing public grievances were not adequate. Furthermore, the Commissioner wanted for his office "the same autonomy, power of independent investigation, security of tenure and access to Parliament" as the Central Vigilance Commissioner had. Without these powers and status, it was apprehended that the India's Commissioner for Public Grievances would be reduced to a glorified odd-job-man, leading to people's disenchantment with this office. The Commissioner reported that owing to certain inherent disabilities he could deliver nothing but promises. It is a fact in Indian public administration that although complaint officers are

68 appointed in the ministries, they do not examine grievances personally because of their other responsibilities. Moreover, they are afraid of investigating grievances against decision taken by officers senior to them. In the context of the inadequacy and effectiveness of government machinery, the demand for setting up an Ombudsman-type institution was, for the first time, raised in Parliament in April 1963. The first Administrative Reforms Commission (1966-70) was asked to examine the problems of redressal of citizens' grievances, viz. the adequacy of the existing arrangements and the need for any new machinery. The ARC, giving top priority to the problem, recommended in Oct. 1966 a two-tier machinery of Lokpal and Lokayukt, the former dealing with complaints against ministers and secretaries at the Union and State levels and the latter dealing with complaints against other officials. The ARC, however, pointed out that the setting up these authorities should not, however, be taken to be a complete answer to the problem of redress of citizens' grievances. They only provide the ultimate set-up for such redress as has not been available through the normal departmental or governmental machinery and do not absolve the department from fulfilling its obligations to the citizen for administering its affairs without generating, as far as possible, any legitimate sense of grievance. ...The ARC strongly advocated that "the responsibility of the [government] departments to deal adequately with public grievances must be squarely faced by them." [Interim Report of the Administrative Reforms Commission, October 1966, pp. 12-13.] The ARC insisted that the institutions of Lokpal and Lokayukta should be demonstratively independent and impartial and non-political, and their status should compare with the highest judicial functionaries in the country. The Commission recommended appointing Lokpal

at the national level and Lokayukta at the state level. The Government of India accepted the recommendations of the ARC, and accordingly introduced a bill in the Lok Sabha in May 1968 providing for Ombudsman in India. But the bill, though passed by the Lok Sabha, could not get through the Rajya Sabha. It fell through with dissolution of Parliament in December 1970. The bill was reintroduced in the new Parliament in August 1971 and referred to a joint Select Committee but it was not finally enacted. Similar efforts were made by the Janata Party government in 1977, but before it could be enacted the Union Cabinet resigned and Lok Sabha was dissolved in 1979. In 1985 Rajiv Gandhi's cabinet brought in a fresh Lokpal Bill but

69 again it fell through. New efforts were made in the 1990s, first in 1990 and again in 1996 by introducing new bills. There was no consensus between the Government and Opposition over the jurisdiction of the Lokpal. Moreover, because of the change of Government these bills could not be enacted. A fresh bill for setting up the institution of the Lokpal was introduced by the NDA government but it could not be passed; the same fate befell another bill introduced by the UPA government. This is the story of continuous failure of the efforts to make the political executive and the administration adequately accountable. However, some degree of success has been achieved in regard to the appointment of Lokayuktas in a number of States in India. Maharashtra was the first State to set up Lokayukta in 1971, followed by

Rajasthan, Bihar, Uttar Pradesh, Madhya Pradesh, Andhra Pradesh, Himachal Pradesh, Karnataka, Gujarat, Kerala, Punjab,

Haryana and

National Capital Territory of Delhi.

The efforts in Bihar were however marred by differences in the attitudes of the political parties, and non-cooperation of the State Government. In general, the Lokayuktas in the states have been ineffective against powerful politicians and high-ranking civil servants. These state-level ombudsman institutions have been created more for the purpose of political window-dressing than genuine redressal of major public grievances. They have failed in making any dent in state-level corruptions, but have been successful in providing relief to the ordinary complainants. The basic condition for successful ombudsman system is the ready cooperation of the government and the civil society, which is not always present in India. Questions : 1. Discuss the concept of Ombudsman. 2. Describe the ways in which public grievances are addressed in India.

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Hit and source - focused comparison, Side by Side

Submitted text	As student entered the text in the submitted document.
Matching text	As the text appears in the source.