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Dilemma of Development

By

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The election results for the 14th Lok Sabha suggest that though most of the development indices were positive and also got accelerated during the last years of the 13th Lok Sabha these have not caught the imagination of the people. This, inspite of substantial expenditure incurred by the NDA Govt. to convey messages of its success to all sections of the population. Ultimately the battle of ballot was fought and (won or lost) on almost the same issues as in the previous elections with development plank being accepted only by the elite, limited in numbers and with general disinterest in politics and voting.

The lesson is that though there has been all-round development it has been lacking in its depth and outreach. It has not touched the lives of the masses specially those located in rural settings, which constitute more than 2/3rd of the Indian voters. The suggested agenda for the present Government and the 14 Lok Sabha, therefore, is to deliver development to the masses. At present it is limited to finance, management, technology, organised industry and commerce, all elite.

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The results have clearly established that macro success is not sufficient for securing votes. The success has to be at the micro level and should reach the majority. This micro outreach of the development process will require capabilities and interest of the local organs of the State Governments. Municipalities, Panchayats and other institutional frameworks which function at the local level have to be sensitised. And here people at the grass root level are feeling much frustrated by bureaucratic apathy, neglect and corruption.

There is every reason to believe that the battle in each and every constituency has been fought on local issues and very little attention has been paid to national issues or macro performance on economic or political front. Success in the global context including building up of foreign exchange reserves, good relations with neighbours and similar factors have played very limited role in election results. Perhaps this performance has only helped in restricting anti-incumbency votes. These elections have established that name, fame, image, celluloid or otherwise does not matter as far as electorates are concerned. They want delivery at grass root, micro and local level, which voters can see and benefit from.

The new development is that country will be increasingly represented at national level by individuals with limited vision and experience which may in some cases be limited to the well being of a district or at best a region or particular groupings. Such individuals and issues which are highly localised will take precedence over national issues and requirements. Thus, functioning of the new coalition through future years will be further constrained because of a larger ideology mix and more parochial and local pressures. How national interest is serviced and national perspectives

maintained in such a scenario will require great wisdom and sagacity on the part of the Prime Minister who leads such a coalition.

In this background it will be very useful if the new Govt. puts all newly elected members of parliament through a training course which raises their perspective from local to national and even international so that while attending to local issues and problems, which are an important factor in winning an election in this country, also have an understanding national and of the requirements both by way of pressures and global possibilities. This will enable all members of parliament to see all future legislation in proper perspective and contribute to taking into account national and international requirements.

Coalition politics, however, is not to be decried altogether. Coalition is coming together of different ideologies. It also has the advantage of carrying different ideologies with it when it comes to legislation. The legislation framed by a coalition has already had the approval of diverse ideologies. It reflects the will of what may be described as a Parliament within Parliament. For such legislation which has been scrutinized and approved by a number of constituents with different ideologies would have an easy passage through the parliament because by and large ideologies of most of the opposition parties are also reflected in the ideology of one or the other of the constituent members of the coalition supporting the Government.

Though a new coalition Government is in place, by and large, India is entering a phase of uncertainty which is expected to have considerable impact on decision making in the areas of investment and finance till such time that the new Govt. shows merit in terms of providing stability to the

socio-economic firmament of the country. Most institutions will be on a kind of hold with respect to bold and innovative decision making and for sometime at least much will proceed as per routine.

It is apparent to the new Govt. that urban and elite orientation of reforms is not the route to winning elections. That route lies elsewhere, where delivery of progress is extremely difficult for several on the ground reasons. Changing on the ground situation and making it progressive enough to be a) able to participate in development b) absorb development to the benefit of the less privileged and disadvantaged is the challenge that the new gov't. faces.

To deliver development at grass roots level substantial funds will be required. How these funds are raised will require considerable ingenuity. The suggested 2% cess on all taxes will add to the tax burden which can only be described as regressive. It will also add to the inflation which is already getting heated. In this background, a large part of funds to be utilised for social sector development in far-flung areas may have to be secured from elsewhere.

It was P.V.Narasimha Rao's gov't. with Manmohan Singh as Finance Minister that took pride in securing foreign funds for investments so that domestic funds are diverted to social sectors. In a limited sense this was a sound approach and did succeed. But it became obvious that funds required for social sector development across the country are much larger than savings of the rest of the world are willing to finance. Therefore, attention was diverted to gradual disinvestment of domestic assets to fund social development.

More recently, a golden goose was found in disinvestment of profit making public enterprises. Some progress was made by the outgoing government to secure funds by sale of public sector enterprises with the stated objective of re-directing resources to social sector development. The system did work to some extent but then has been stalled by the results of the 2004 elections.

There are sufficient reasons to believe that most of the profit making units in the public sector are profit making to a large extent because of what may be described as rental incomes. These are incomes earned by virtue of being monopoly or oligopoly player or having certain other concessions including that of having been early starters with State funds and State blessings. As the competition will multiply these units are bound to lose some of their prerogatives and, therefore, part of their rental incomes. They will gradually shrink in terms of their profitability because they cannot bring about structural reforms within the organisation, which largely hinge on labour reforms. Already several of the profit making PSEs are loaded with excess labour and levels of wages which for the substantial labour base exceed that of some of the affluent private sector units. These conditions of functioning cannot subsist for very long and sooner than later these units will find it hard to maintain their levels of profitability. Some may even go red. It is, therefore, important for the new Government to consider its disinvestment options seriously and use resources generated by increased participation of private funds in public sector for social development, an area of action so dear to the left parties which are important to the newly formed coalition.

Loss making units are not likely to contribute much to the kitty for diversion to social sectors. To wait for the profit making units to become loss making before becoming eligible for disinvestment is not a very helpful proposition. It will therefore be appropriate to take up disinvestment when it is optimum to do so rather than wait till their management's go broke or breakdown under pressures including that of labour unions. Labour reforms are important for the survival of PSEs and since these reforms are not very much on the agenda of the present government we may at least have restructuring including part privatisation of PSEs as an important objective.

But more important question will be re-structuring of the system of delivery of development at the grass roots level. Several previous experiments both by way of delivery of food and financial support through direct assistance to poor households and delivery of development through transfer of capital (concessional finance, loans etc.) have not shown very positive results. There is something structurally wrong with delivery of development at the grass roots level. An important element in this is that bureaucracy working at the grass roots level is totally immune to the consequences of their actions, which are often intended to stall development rather than deliver it. Both power to plan and implement and the available funds at the local level are limited and diffused and their effectiveness is limited. Results obtained are far less than planned or expected. Add to this the element of corruption. Though at local levels small in quantum it has a large multiplier effect in terms disenchantment and frustration to both agents of development (NGO's etc.) and their beneficiaries. Delivery of development through a non-sensitised bureaucracy at micro level both for rural and urban poor has not proved to be a feasible option. Development friendly environment is important for any development to take seed and this is an area where State

Governments have to play an important part. And they are not inclined to do so.

To conclude, extensive development at a grass root level is a non feasible proposition since (a) adequate funds required for the purpose are unlikely to be available; (b) whatever funds become available will be dissipated because there will be need to allocate these funds to a large number of possible objectives to please as many constituencies as possible and (c) because of leakages enroute including misgovernance and corruption at the grass root level which has become part of the system that is currently engaged to deliver development to the poor and the needy.

We are at cross roads. The development the way it is progressing has not been found acceptable because trickle down has failed to deliver progress to the poor and the disadvantaged. The alternatives, as the experience suggests, have also not been very successful. These have been useful in taking pain out of poverty and give some support to the poor but have failed to provide a base for a sustainable development process as available and useful to the poor. In these circumstances to expect India to join the league of developed countries is more a wishful thinking unless some serious and positive steps are taken by the Government of the day. Alternatively we have to depend on some miracle. They do take place sometime. Let us hope for one.

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10.6.2004