

# 3

## Governance

### INTRODUCTION

3.1 The Eleventh Plan had emphasized the need for significant improvement in the quality of governance to achieve inclusive growth, reduce poverty, and bridge the many divides that fragment Indian society. It is commonly understood that good governance implies giving effect to the constitutionally protected right to elect governments at various levels in a fair manner. Additionally, accountability, transparency, elimination of corruption, and ensuring effective and efficient social and economic public services is integral to good governance. Equally important is the need for decentralization of power and strengthening Panchayati Raj Institutions (PRIs) and establishing firmly the rule of law both for individuals and for running businesses.

3.2 The strategy identified in the Eleventh Plan to achieve good governance included the following:

- Decentralization and strengthening of PRIs;
- A critical assessment of the performance of Centrally Sponsored Schemes (CSSs) and removing deficiencies and altering the architecture of these schemes;
- Development and strengthening of district planning;
- Participation and harmonization of community-based organizations with voluntary organizations;

- Shift in focus from inputs to outputs and ultimately to outcomes;
- Strengthening of the monitoring and evaluation mechanism;
- Promoting e-governance for better service delivery;
- Measures to reduce corruption;
- Civil services reforms;
- Strengthening the accountability of regulators and promoting their autonomy; and
- Strengthening the rule of law with reforms in police and judiciary.

### MEASURES TAKEN DURING THE ELEVENTH PLAN

3.3 Several measures have been taken during the Plan to ensure better service delivery and good governance. These are as follows.

- i. The Administrative Reforms Commission (ARC) has given 15 reports covering all facets of administration—Right to Information, unlocking human capital, crisis management, ethics in governance, public order, local governance, capacity building for conflict resolution, combating terrorism, social capital, refurbishing personnel administration, promoting e-governance, citizen-centric administration, organizational structure of the Government of India, financial management systems, and state and district administration. This is the second commission after Independence

- to take a comprehensive look at an entire range of administrative issues. Its implementation in the coming years would strengthen the governance structures.
- ii. Large expenditure of resources without commensurate outcomes in public services amounts to unconscionable waste of resources, apart from indicating sizeable leakages. Based on the recommendations of the Thirteenth Finance Commission (TFC), there is a proposal to give incentives to the states which are able to use the resources effectively. This provision for incentive grant has been made for local bodies and the general purpose grants to be given based on improved outcomes in infant mortality rates. Improvement in administration of justice through operation of morning and evening courts, promotion of alternative dispute resolution mechanisms, enhancing support to Lok Adalats, as well as legal aid are also covered therein. In addition, grants are to be given for promotion of innovation and increasing the efficiency of capital assets already created.
  - iii. The law on Right to Education has been enacted. This mandates right to free and compulsory education to all children in the age group of 6–14 years and the standards of services to be made available is also being prescribed. This will ensure further strengthening of the primary education system and reinforce the process of social inclusion.
  - iv. The Right to Information (RTI) Act has been gradually gaining support and effective implementation in most of the states. An independent study (June 2009) has shown the following outcomes:
    - The basic tenets of the act have been implemented and the institutional mechanism is in place and is in use by citizens.
    - The institution of the Information Commission has assumed a pivotal position.
    - Civil society organizations have been, and continue to be, active in ensuring the implementation of the Act in letter and spirit.
    - Civil society organizations and the media have started using the Act for bringing in transparency and objectivity.
    - The central and state government departments have initiated training of key functionaries to assume the responsibilities of PIOs and FAAs.
    - Government employees/public authorities are aware of the basic elements of the Act.
    - Various state governments have taken up initiatives which go beyond the stipulations of the Act, and further the spirit of the Act.
    - The judiciary has also taken several steps to provide information under the Act, including publication of assets of judges. This infusion of transparency will gradually help the process of governance.

### Box 3.1

#### Need for Enactment of a Law Mandating Timely Provision of Basic Services and Punishment for Defaulting Officials

Some of the most commonly required services for all citizens were emphasized by the Knowledge Commission in its report. These include easy availability of ration cards for needy citizens under the Public Distribution System (PDS), birth and death certificates, proof of residence, passport, land rights, and similar other services. In spite of various efforts made in the past, obtaining these basic documents is still inconvenient for citizens. Apart from the inconvenience there is corruption and harassment of people, especially of those who belong to the lower income groups. This cannot be acceptable if we want to develop an inclusive society. With the development of e-governance, it is possible to provide these services in a specified time frame. It will be, therefore, appropriate to enact a law which mandates a specific time frame for different services. Violation of this should attract penalty for officials who are expected to issue these documents. Such a law should also provide for extensive monitoring of its implementation. We could learn from the experience of the RTI Act and mandate improvements. The list of services to be covered under such a law could be widened gradually.

- v. A Performance Monitoring and Evaluation System (PMES) is being set up for central ministries and departments to ensure that work is more result-oriented. As part of this, each department will provide a Results Framework Document (RFD) consisting of the priorities set out by the concerned ministry. After six months, the achievements of each ministry/department will be reviewed by a Committee on Government Performance and the goals reset, taking into account the priorities at that point of time. At the end of the year, all ministries/departments will review and prepare a report listing the achievements against the agreed results in the prescribed format.
- vi. The NGO Partnership System, a web-based portal, has been designed, developed and put into operation by the Planning Commission in collaboration with the National Informatics Centre (NIC) and with the cooperation of the key participating ministries. The objective is to put in the public domain a data base of Voluntary Organizations (VOs) and NGOs who have signed up on the portal; details of grant schemes of key ministries/departments; and to provide the facility of applying for grants online, as well as a tracking system for VOs and NGOs to know the status of their applications. The database of VOs and NGOs that have signed up (state-wise and issue-wise) and schemes available for NGO funding is now operational and is no doubt very useful. However, making online applications and tracking these is yet to become a reality. Nearly 26,000 VOs and NGOs have 'signed up' with NGO-PS (February 2010). The civil society window initiative, which provides a platform for VOs and NGOs to present their activities and views on different development related subjects to the Planning Commission has also been well received.
- vii. As a part of the process of de-concentration of authority, the government has set up an extensive regulatory mechanism covering different sectors—IRDA for insurance, TRAI for telecommunications, SEBI for securities markets, and PFRAI for regulating pension funds. The latest among these is the Competition Commission of India which has been entrusted to ensure market efficiency and consumer protection—this is now

functional. For regulating the functioning of airports, an act has been passed. There is need to review and strengthen the regulatory regime for ports. With private investment going up in most sectors of the economy, there is a need for a strong regulatory regime and effective accountability to either the relevant ministry or the legislature. Laws and rules regarding this should be clearly spelt out. There is a need for enactment of law mandating timely provision of basic services (see Box 3.1).

3.4 In several other areas, however, the progress during the Plan has been slow. Some of these are:

- a. The change in the architecture of the continuance of new CSSs needs speedy implementation so that resources, which fund the flow and expectation at the local level, is strengthened.
- b. The process of Rehabilitation and Resettlement (R&R) and land issues related to it need to be further strengthened to meet the twin objective of making land available for development of projects and R&R measures getting a strong footing.
- c. Issuing of smart cards for service delivery. This process, however, may become feasible as Unique Identification (UID) is implemented.
- d. Re-engineering of processes to make the availability of services simpler even where these services are not being provided through e-governance. This is critical for efficient delivery of services to citizens and for reducing corruption.
- e. Civil service and judicial reforms need to be on a faster track.

3.5 The Mid-Term Review has elsewhere indicated developments on several other fronts. These are mentioned briefly in the following paragraphs.

#### DECENTRALIZATION AND PRIS

3.6 The Ministry of Panchayati Raj has been following up on the notification of activity mapping, opening of panchayat windows in state budgets, and assigning of funds and functionaries in accordance with the devolution of functions. The situation varies widely across states and significant devolution has been effected in only a few states. While a large number of

**TABLE 3.1**  
**Devolutions to Panchayati Raj Institutions by States**

The Ministry of Panchayati Raj assigned a study to prepare a 'devolution index' to the Indian Institute of Public Administration in 2009. The devolution index based on mandatory provisions in the Constitution and devolution of functions, finances, and functionaries ranked the states as follows:

Devolution Index (D) and Sub-indices							
Rank	States/UTs	D <sub>1</sub>	D <sub>2</sub>	D <sub>3</sub>	D <sub>4</sub>	D	
1	Kerala	92.59	80.76	69.62	61.25	74.73	
2	Karnataka	90.74	77.95	56.11	64.08	69.45	
3	Tamil Nadu	89.63	77.11	58.76	49.58	67.06	
4	West Bengal	96.30	70.90	61.56	46.25	66.51	
5	Maharashtra	73.52	65.52	62.78	44.17	61.49	
6	Madhya Pradesh	74.44	63.52	53.50	54.17	59.78	
7	Gujarat	54.44	59.78	51.56	44.58	53.07	
8	Andhra Pradesh	70.74	45.01	53.77	35.83	50.10	
9	Sikkim	87.04	59.11	24.59	40.17	47.43	
10	Himachal Pradesh	88.15	53.89	25.30	43.83	47.01	
11	Haryana	51.67	44.66	40.15	40.17	43.23	
12	Orissa	67.04	56.76	27.17	31.67	42.93	
13	Uttar Pradesh	80.00	42.47	35.31	23.17	41.73	
14	Bihar	73.33	53.98	22.69	30.33	41.20	
15	Lakshadweep	74.44	28.46	33.33	41.25	39.62	
16	Rajasthan	70.37	30.72	34.83	28.00	37.56	
17	Goa	64.81	29.78	25.81	34.17	34.52	
18	Chhattisgarh	48.70	28.80	37.28	26.25	34.24	
19	Punjab	62.41	34.25	11.07	40.17	31.54	
20	Uttarakhand	41.67	28.75	22.52	30.83	28.92	
21	Assam	63.70	23.08	26.56	12.67	28.31	
22	Arunachal Pradesh	46.48	19.71	3.17	21.25	18.25	
23	Chandigarh	33.33	23.44	5.46	16.25	17.19	
	National Average	69.37	47.76	36.65	37.40	45.04	

*Note:* The following dimensions construct the sub-indices: D<sub>1</sub> = Mandatory Frames; D<sub>2</sub> = Functions; D<sub>3</sub> = Finances; D<sub>4</sub> = Functionaries.

The study shows that various states have moved with differential pace vis-à-vis one another. The study finds that no state has secured the same rank in all the dimensions. However, it also shows that high ranking states have shown a remarkable congruity in most of the indicators of devolution.

the states have transferred functions, the concomitant transfer for functionaries and funds has not been done. Thus, almost all the 29 subjects have been transferred in Arunachal Pradesh, Bihar, Himachal Pradesh, Karnataka, Maharashtra, Kerala, Manipur, Tripura, Uttar Pradesh, and West Bengal. In the case of Andhra Pradesh, only one power relating to secondary, vocational, and industrial schools has been given to the zila panchayats though the mandals have been given a larger number of subjects.

**3.7** A study of the status of devolution of funds (see Table 3.1) shows that the situation varies widely. In most cases, funds under Mahatma Gandhi National

Rural Employment Guarantee Act (MGNREGA) and the TFC grants alone have been released to PRIs. In Karnataka and Gujarat funds pertaining to all the functions devolved to PRIs under CSS are being transferred. The situation of devolution of functionaries is even weaker with departmental staff in most states answering only to their respective departments. However, again in Karnataka, staff of all the departments for which functional devolution has been undertaken have been devolved to panchayats on deputation, while in Tripura staff with respect to 21 departments has been deputed to panchayats. Transfer on deputation clearly does not establish accountability as much as creation of a cadre at the PRI level. In

Kerala, staff of 14 departments has been transferred and in Gujarat 2.2 lakh employees in 11 departments have been devolved to panchayats. There is a clear need to ensure transfer of all functions, functionaries, and funds relevant for governance at the panchayat level.

**3.8** Factors that constrain the effective working of the PRIs include:

- i. Inadequate capacity of panchayats and elected representatives to perform envisaged roles.
- ii. Limited manpower, infrastructure, and resources with panchayats for implementing their plans.

**3.9** Gram panchayats, block panchayats, and district panchayats must have the necessary infrastructure to function effectively. Panchayat bhavans or buildings are essential if the rural local bodies are to be seats of local governance as these would not only symbolize the importance of local governments but also provide physical space for offices so that records can be properly maintained and people can interact with functionaries and representatives for transacting the business of PRIs. As per the estimates of the Ministry of Panchayati Raj, out of the 2,32,638 gram panchayats, 78,868 have no buildings and 59,245 require major renovations. Adequate staff is also required, particularly as the quantum of funds flowing through the panchayats has increased exponentially. Often there is only one secretary serving a cluster of small gram panchayats. Although the total expenditure would appear to be large, it should be possible to fund the personnel through a percentage of allocation from ongoing schemes, which are routed through the panchayats. Thus, instead of having a separate set up for each scheme, the panchayats should have a secretariat with a pool of people.

**3.10** The 73rd and 74th Amendment Acts (Articles 243D [3] and 243T [3]) originally provided for 33 per cent reservation of seats for women. A major achievement has been the introduction of the 110th and 112th Constitution Amendment Bills proposing 50 per cent reservation of seats for women in PRIs and urban local government, respectively, in Lok Sabha in the Winter Session of 2009.

### DISTRICT PLANNING COMMITTEES

**3.11** District Planning Committees (DPCs) have been constituted in all the states, which are required to do so under a constitutional provision, except in Jharkhand and Uttarakhand. A key weakness of the existing system is the inadequacy of institutional and other infrastructure and multi-disciplinary teams with domain expertise, particularly at the district level. The skills required for designing appropriate programme guidelines, instruction manuals, and information to support the planning process are often missing or weak. A comprehensive support system for district planning is required and the district planning units should be positioned as technical secretariats of DPCs. This would also help the states to adhere to the timelines of the national level planning cycle so that district plans are prepared in time for the state plan exercise.

**3.12** The Planning Commission issued guidelines for district planning in August 2006. A task force was also constituted for preparing a manual for integrated district planning. The manual, which is a step-by-step guide for the preparation of district plans, was released in January 2009.

**3.13** An important aspect of the planning process, which has generally been overlooked, is the consolidation of urban and rural plans. Consolidation goes beyond compilation and implies value-addition through integration of local plans. Given the rapid pace of urbanization throughout the country, planning of space is critical particularly when there is a significant urban presence in the district, with strong pulls on infrastructure and resources. The constitutional imperative of preparing district plans cannot be achieved unless rural and urban local governments work together. An integrated district planning exercise would link plans of local governments and other planning units and would provide a platform for mutual consultation and collaboration between them.

**3.14** The main objective in the remaining years of the Eleventh Plan should be to ensure that district planning becomes an integral part of the planning process in the states and the draft state plans are based on district plans. Each district should prepare

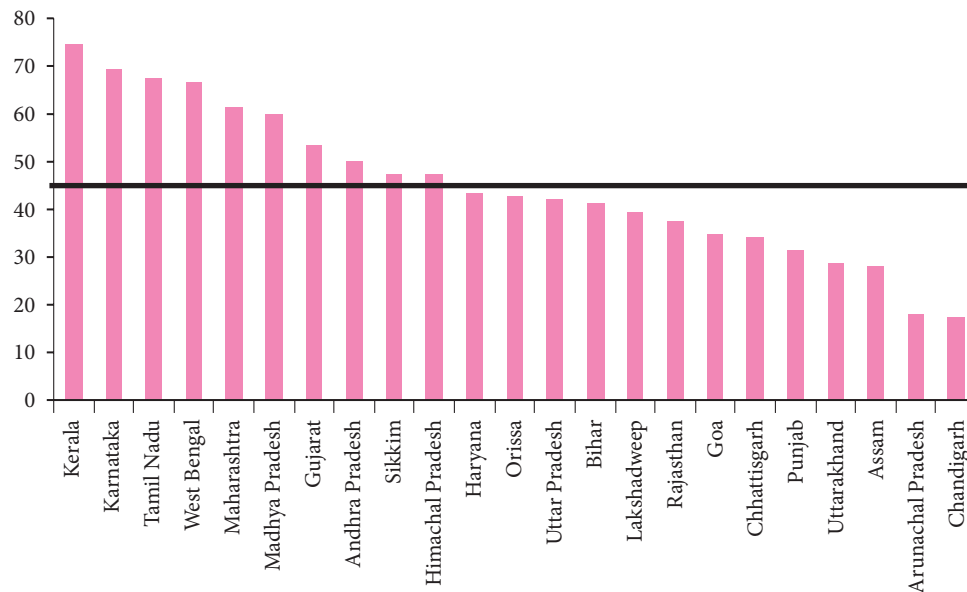


FIGURE 3.1: Overall Devolution Index

a participatory district plan as outlined in the manual. The plans would be consolidated by DPCs as mandated in the Constitution.

**3.15** The Planning Commission is also the National Coordinating Agency for the UN–Government of India Joint Programme on Convergence and is the implementing partner for the UNDP-assisted capacity building programme for district planning. The aim is to prepare integrated district plans for the 35 identified districts in seven states. In this endeavour, the programme would also focus on the capacities of DPCs and rural–urban integration.

### STRENGTHENING OF PRIs

**3.16** One of the major developments in strengthening PRIs has been the strengthening of the financial position of the institutions. With the recommendations of the Thirteenth Finance Commission, there will be a four-fold increase in the quantum of local body grants. This should enable PRIs to strengthen their structure and undertake development work far more effectively. Governance will be further improved by provision of incentive grants. Strengthening of their accounting systems should improve auditing.

**3.17** Some of the issues, which need to be addressed are as follows:

- i. Strengthening conditionalities of CSSs to facilitate and induce governments to further the process of decentralization.
- ii. Need for integrating policies of ministries dealing with PRIs' Urban Local Bodies/rural development/land and local natural resources to ensure congruence in law and policymaking, planning, capacity building, training, and implementation.
- iii. Strengthening the institution of the State Finance Commission (SFC) and timely implementing of SFC's recommendations.
- iv. State budgets should have a clear and detailed PRI window giving details of the budgetary transfers earmarked for each PRI. There should be a mechanism to ensure quick transfer of funds and a system to enable delivery of funds to prevent scope for corruption, parking, and diversion of funds.
- v. Ensuring that district planning becomes an integral part of the planning process in the states and the draft state plans are based on district plans. Each district would prepare a participatory district plan as outlined in the manual. The plans would be consolidated by the DPC as mandated in the Constitution.
- vi. An integrated district planning exercise would link plans of local governments and other planning units and would provide a platform for

mutual consultation and collaboration between them. It would also provide the framework for integrating the sectoral and spatial aspects of urban and rural plans.

**3.18** To strengthen local governments, the following measures are necessary to improve their organizational capacity.

#### ORGANIZATIONAL CAPACITY OF PRIS

**3.19** Capacity building has two facets in the context of local governments—building the organizational capacity of PRIs and building the capabilities of elected representatives and officials, who number 32 lakh and 10 lakh respectively. Currently, staff and other capacities have only been partially transferred to PRIs in order to implement the specific schemes entrusted to them. This is not enough for their effective functioning as local governments. The following steps must be undertaken immediately to build up the organizational capacity of PRIs:

- i. Estimating the number of functionaries required by PRIs to carry out the entire range of tasks assigned to them. They must then be transferred and made accountable to PRIs. This must be followed by creating local cadres, permitting lateral shifting of staff, provide flexibility to PRIs to outsource technical personnel from empanelled providers, strengthening the supervisory powers of PRIs over local staff, and increasing the proportion of women staff members.
- ii. Village panchayats urgently need staff and professional support to attend to their increasing functions. Each village panchayat must have a full time panchayat secretary, accounts assistant, office assistant, computer operator, and technical support for any extra responsibilities entrusted to them. In doing so, Panchayats may be appropriately resized striking a balance between intensity of representation and viability, the need for effective capacity building, and giving them a substantive own-revenue base.
- iii. At present, parallel and para-statal bodies set up by the state or Central Governments to plan and execute development projects in areas in the functional domain of local governments, compete

and usurp their legitimate space. Where these bodies function entirely within the territorial jurisdiction of a given PRI, they must be merged with the PRI, brought under its direct control, and made accountable to it, with professionals being retained and special procedures designed to insulate fund management and provide flexible functioning. If there are compelling reasons for giving para-statal inter-municipal or state-wide jurisdictions, the participating PRIs must have a controlling presence in their composition and management.

- iv. Community-based organizations (CBOs) formed through the societal process should be harmoniously synergized with PRIs and viewed as nurseries of learning for grassroots democracy and local planning and implementation. CBOs set up by government departments in the PRI domain must have a clearly-demarcated functional space and a well-structured working relationship with the PRI.

#### BUILDING CAPABILITY OF PRI ELECTED REPRESENTATIVES AND OFFICIALS

**3.20** Since there is a large turnover of elected representatives following elections to PRIs every five years, training has to be a continuous process involving meticulous planning and execution. Apart from a few exceptions, state institutes of rural development have not been able to handle this task well, as they themselves lack resources and capacity and are not centres of learning or excellence. Moreover, their focus is more on training for implementation of rural development programmes and not on training for local government functioning.

**3.21** The following steps must be undertaken to improve the reach and quality of training programmes for PRI elected representatives:

- i. Thus far, training content and strategy have been supply driven by institutions engaged in this activity. Training must evolve into a demand-driven system where PRIs are able to demand and obtain relevant and useful training at their convenience from a choice of institutions, both from within the government and outside.

- ii. The training infrastructure needs considerable improvement. Resource centres for capacity building must be established at every district and block and for clusters of village Panchayats (as per need), each equipped with necessary facilities and access to a strong data bank. Establishing and running such centres could be entrusted to collectives or associations of PRIs, CBOs, academic institutions, and NGOs. Universities and research institutions must be brought in to create the knowledge base for training and capacity building. A directory of such institutions must be created by an autonomous institution to be established within the Ministry of Panchayati Raj.
- iii. Along with training of PRI elected representatives and officials, there must be a strong focus on awareness building of citizens to put pressure on improving the functioning of PRIs.
- iv. From within the funds earmarked for administrative support in every CSS, a certain proportion must be separately allocated for training, evaluation, and research. In the case of MGNREGA itself, 1 per cent of the 6 per cent earmarked for administrative costs must be specifically allotted to training.

## PUBLIC ACCOUNTABILITY AND TRANSPARENCY

### PROLIFERATION OF CENTRALLY SPONSORED SCHEMES

3.22 The CSSs today account for more than half (56 per cent in 2010–11 BE) of the Central Plan budget. While the total number of such schemes is approximately 150, only 20 CSSs account for 91 per cent of CSS expenditure. This raises serious doubts about the relevance and desirability of continuing with other schemes. While ministries/departments continue to press for the introduction of new schemes, requests are hardly ever received for discontinuation of existing schemes that have lost relevance over time. In the spirit of zero-based budgeting, we urgently need to consolidate small and splinter schemes which cannot make any substantive difference on the ground. Any ministry/department which proposes a new CSS should also be asked to indicate which existing scheme it proposes to replace or consolidate as the new scheme

is introduced. A major rationalization needs to be attempted in the Twelfth Plan.

### ACCOUNTING AND AUDIT SYSTEMS FOR CSSs

3.23 Accounting and audit systems for CSSs leave much to be desired. Efforts are being made to evolve a comprehensive central monitoring and accounting system. All CSSs will be given minor budget codes which the Centre and the states will follow on uniform basis so that expenditure on CSS can be tracked and monitored through the financial systems till the end-point and it can also be related to the finance accounts prepared by CAG and the State Accountants General.

### RELEASE OF FUNDS FOR CENTRALLY SPONSORED SCHEMES

3.24 There is need to take a fresh look at the way funds for CSSs are released. Consideration should be given to moving away from a system of releases based on utilization certificates to a system of audit report-linked releases. Such audits could be done either through CAG or through empanelled chartered accountants in the country. While it is understandable that central assistance would be released in two instalments to take care of the cash management problem at the Centre, the instalments a state or a state agency is eligible for in a particular financial year should be computed on the basis of audited utilization of the second preceding financial year. Subject to this, the two releases in a year should be automatic and pre-declared. Discipline can be imposed a little later by temporarily holding back releases if audited results show large unspent balances from earlier releases. This will not only introduce certainty in assistance allocation in a given financial year, but also enhance financial discipline by preventing clustering of releases towards the end and false reporting through utilization certificates merely to prevent lapse of funds.

### INDEPENDENT EVALUATION OFFICE

3.25 The Development Evaluation Advisory Committee (DEAC), which is the apex body of the Programme Evaluation Organization (PEO) for taking decisions with respect to all aspects of programme evaluation, discussed and approved the proposal of



setting up of the Independent Evaluation Office (IEO) in January, 2010. The IEO would be an independent entity as a governance unit to be funded directly by the Planning Commission and not by the various line ministries whose programmes would be evaluated by it. It would be allowed to engage the services of leading social science research/other knowledge institutions to evaluate the impact of flagship programmes and place the findings in the public domain. The IEO will have a governing board chaired by the Deputy Chairman, Planning Commission and have as its members, inter alia, the Director General (IEO), Secretary, Planning Commission, representatives of the Prime Minister's Office (PMO), Ministry of Finance (MoF), chief statistician/secretary (statistics), and two experts from the field.

## E-GOVERNANCE

**3.26** Several governments across the world, including in India, have devised e-governance strategies and are employing technology applications in the delivery of public services. When implemented effectively, technology in government can fundamentally alter a citizen's relationship with the state.

**3.27** Within the Central Government, the Department of Information Technology (DIT) has been spearheading many projects including the computerization of passport applications and pension settlements. State governments have also undertaken mission-mode projects such as land record digitization and e-enablement of agriculture outreach initiatives. Parallel with these efforts, integrated initiatives like the Common Service Centre (CSC) scheme are being implemented across India to make all government services accessible to citizens. All these projects are tied to the larger vision of e-governance—using technology to improve governance and to transform the relationship between the government and its citizens.

**3.28** Despite efforts, e-governance projects in India have achieved only partial success. There are two key challenges that have constrained the effectiveness of our e-governance initiatives so far:

i. Insufficient emphasis on service delivery: Technology initiatives in India have largely concentrated

on the back-end, automating the internal functioning of departments and processes, rather than on improving service delivery for people. Existing initiatives have worked to automate department systems, creating efficiencies within the department. However, these changes have not trickled down to citizens in the form of improved access to information and services. The focus in these implementations has been on applications rather than on information flows.

ii. Inadequate emphasis on portability or scalability: Another important challenge for e-governance projects has been the customized nature of existing technology initiatives. The government in India has long functioned in silos, which rarely communicate with each other. Each department remains an island. Technology initiatives have been adapted to the existing design, built to handle the specific needs of specific departments. Such tailor-made systems are not portable outside the projects for which they have been developed, and are therefore badly suited for achieving expansion and scale. As a result, such projects cannot be expanded at a national level, inter-department collaboration is limited, and there is little learning from previous implementations and innovations. Departments and states are forced to repeat earlier efforts—and mistakes—in their e-governance initiatives. Many applications come with design and architecture limitations that make them rigid; they are unable to make changes in terms of addition of more citizen data, connecting to similar initiatives or expanding the scope of the system to include more services. This lack of emphasis on scale and portability in India has created a preponderance of 'showcase' projects or pilot implementations by governments that fail to take off due to their successes being limited to small, controlled environments.

**3.29** While governments have increasingly adopted a positive attitude towards technology, there has been a reluctance to embrace technology in its more transformational role. This, in a way, is a broader challenge. The focus of the traditional government organization in India has been based on files and individuals, with work proceeding along traditional,

hierarchical lines. In such a system, technology applications support the movement of files and the work of officials, but are not mission-critical. Such an approach views technology primarily as a means to improve efficiencies in the public sector, and as complementary to existing systems. However, as technology becomes more central to government functioning, it is necessary to reorient our approach, and rethink how technology can be used to improve the way government agencies interact, deliver services, and connect with citizens. In other words technology should be viewed as a tool that can transform and democratize the government.

**3.30** E-governance 1.0 has had its advantages—it has helped create a broad buy-in for technology in government. It is time to leverage this to usher in a more transformational approach to e-governance 2.0, one which establishes an interactive, responsive face of the government to the people.

**MOVING TO E-GOVERNANCE 2.0**

**3.31** A critical difference between e-governance 1.0 and e-governance 2.0 (see Box 3.2) is where the implementation begins. While technology efforts

in the former were top-down and driven from the back-end, e-governance 2.0 begins with the citizen, and involves public participation.

**3.32** The National e-Governance Plan was approved in May 2006 with a vision to ‘Make all Government services accessible to the common man in his locality, through common service delivery outlets and ensure efficiency, transparency, and reliability of such services at affordable costs to realize the basic needs of the common man’. The Plan is under implementation and various development such as e-infrastructure, common services centres, and implementation of mission mode projects are now discussed.

**STATE WIDE AREA NETWORKS**

**3.33** The government has approved the Scheme for establishing State Wide Area Networks (SWANs) across the country, at a total outlay of Rs 3,334 crore to be expended under a grant-in-aid of Rs 2,005 crore over a period of five years. Under this scheme, technical and financial assistance is being provided to the states and union territories for establishing SWANs to connect all state and union territory headquarters up to the block level via district/sub-divisional headquarters,

<b>Box 3.2</b>	
<b>Moving from E-Governance 1.0 to E-Governance 2.0</b>	
<b>E-Governance 1.0</b>	<b>E-Governance 2.0</b>
Primary goal is to improve internal administration	Primary goal will be to improve public service delivery
Applications are built on inaccurate citizen data with duplicate and ghost beneficiaries	Applications will be built on the foundation of a unique ID and have the most accurate resident data
Excludes end-beneficiaries from the system	End-beneficiaries will be at the core of the system
Applications exist in silos	Applications will be inter-operable
Adopts custom software	Will be based on web 2.0 technologies
Applications have limited applicability outside the scope of a certain project	Applications will be highly scalable and will require very limited localization
Technology is highly customized	Technology will be open and inter-operable
Systems are static and do not allow users to openly edit and share data	Systems will be dynamic and facilitate real time data updation among users
Discourages collaboration among government departments	Will encourage collaboration and information sharing among departments
Driven by technology vendors/developers	Will largely be user driven
Involves high setting up and maintenance costs	Will involve low setting up and maintenance costs brought about by cost amortization

in a vertical hierarchical structure with a minimum bandwidth capacity of 2 MBPS per link.

**3.34** SWAN proposals from 33 states and union territories have been approved, with a sanctioned total outlay of Rs 1,965 crore. Goa and Andaman and Nicobar Islands have implemented wide area networks outside the SWAN scheme.

**3.35** The SWANs in 19 states—Haryana, Himachal Pradesh, Punjab, Tamil Nadu, Gujarat, Karnataka, Chandigarh, Delhi, Tripura, Puducherry, Lakshadweep, Kerala, Jharkhand, West Bengal, Chhattisgarh, Uttar Pradesh, Sikkim, Maharashtra, and Orissa—had been rolled out as on 31 March 2010. SWANs in other states and union territories are in various stages of implementation. All the SWANs are expected to be completed by September 2010. Out of the sanctioned amount of Rs 1,965 crore, Rs 562.41 crore to 33 states and union territories has been released so far.

**3.36** To monitor the performance of SWANs, Third Party Auditor (TPA) agencies have been mandated for states and UTs. As on 31 March 2010, 11 states—Haryana, Himachal Pradesh, Punjab, Gujarat, Karnataka, Kerala, Tripura, Orissa, Maharashtra, Arunachal Pradesh, and West Bengal—had empanelled the TPA agencies for monitoring the performance of SWANs.

#### STATE DATA CENTRES

**3.37** The State Data Centre (SDC) scheme for establishing data centres across 35 states/union territories across the country was approved by the government on 24 January 2008 with a total outlay of Rs 1,623 crore towards capital and operational expenses over a period of five years. It envisaged creating SDCs for the states to consolidate infrastructure, services, and applications to provide efficient electronic delivery of G2G, G2C, and G2B services. These services can be rendered by the states through a common delivery platform seamlessly supported by core connectivity infrastructure, such as the SWAN and CSC at the village level.

**3.38** SDCs would serve as central repositories of the state, provide secure data storage, provide online

delivery of services, manage citizen Information/services portal, state intranet portals, remote management, and service integration.

**3.39** Since the approval of the SDC scheme, DPRs for a large number of states have been approved involving a total expenditure of Rs 1,379 crore. Request for Proposals (RFPs) has been issued by many states and have also been approved. The process of bid evaluation is on and some states have already awarded the contracts. It is expected that about 12–15 SDCs will be operational by the end of 2010 and the rest will be completed by the end of 2011. As the network becomes larger, there is a need for creating enhanced levels of secure and reliable storage. This is imperative in order to ensure real-time and online availability of data and services to citizens.

**3.40** The Department of Space currently implements Village Resource Centres (VRCs) in about 473 locations and it will be necessary to integrate this facility with the SDC scheme.

#### COMMON SERVICES CENTRES

**3.41** The government has approved the CSC scheme for providing support for establishing one lakh CSCs in villages. The scheme envisages that these CSCs will operate as delivery points for public and private services to rural citizens. The scheme has been approved at a total cost of Rs 5,742 crore with contribution from both the central and state governments as well as the private sector, which is expected to bring in a bulk of the funding.

**3.42** It has been decided that CSCs will be suitably positioned to being a network of panchayat-level Bharat Nirman Common Services Centres. The CSCs will be leveraged for various services for Bharat Nirman and other flagship programmes, such as MNREGA, NRHM, and SSA. Necessary steps have been initiated to establish CSCs in all of the 2.5 lakh Panchayats over the next three years.

#### MISSION MODE PROJECTS AND INDIA PORTAL

**3.43** Projects that have been successful relate to income tax, customs, banking, and insurance. The amendments to the IT Act made in December 2008

(especially Section 6A) have enabled delivery of services to private sector service providers and allowed them to retain service charges. Over the last three years, MCA21, a new electronic reporting format for public and private limited companies, has been fully implemented and has created a large database which is useful for both the business entities concerned as well as for the government.

**3.44** The India Portal project has been taken up under NeGP to provide a single-window access to all information, services, and levels of government for the general citizen, business entities, and overseas Indians. The India Portal hosts a large archive of retrievable forms, details of services as well as acts and other legislative information.

**3.45** Steps have been taken to use technology in improving the provision of judicial services to citizens. Under the first phase of this project, a total of 1,600 courts in metro and capital cities have been computerized. This is expected to be extended to all other locations. In the second phase of this project, citizens will be able to obtain greater information including judgments, case lists, and the like from this facility. Transport departments are also proposed to be interlinked with this network for the purposes of vehicle registration, driving licenses, registration certificates, and the like.

## FINANCIAL INCLUSION

**3.46** The report of the Committee on Financial Inclusion, chaired by Dr C. Rangarajan, (January 2008) has dealt with the current status of financial inclusion in depth and identified a future course for developments. It is widely appreciated that the availability of capital is important in lifting productivity and incomes at every level of the organization. The report finds that using a reasonable definition of exclusion, as much as 51 per cent of farmer households are outside the credit network. Access to banking facilities extends to only one quarter of the farm population. The constraints obtain both on the supply as well as on the demand side. The conventionally supervised credit model of the banking system is not very suitable when it comes to small credit, especially to small rural credit. There are also associated issues of security and collateral.

However, at the same time, a wealth of alternative institutional channels, such as micro-finance—non-banking finance companies, Self-Help Groups, and credit cooperatives—have sprung up across the country with differing success rates. Technological change is also opening up new solutions that involve much lower cost overheads and offer a potential escape from the conventional limitations of documented security and collateral. Clearly, if there are better ways of knowing the customer, both as an individual and as a member of a statistically well-defined cohort, it becomes possible to take informed decisions in a different manner. Innovations, such as the treatment of warehouse receipts as negotiable instruments, further enrich the possibilities that may become available. Finally, the large initiative taken up by government in setting up the Unique Identification Authority (UIA) offers the prospect of an entirely new information network, on which many of these financial solutions can be layered.

**3.47** One of the major innovations in financial inclusion can be through the use of mobile technology for delivering basic financial services. This proposal assumes significance considering the growing number of mobile subscribers among the rural population and the disadvantaged sections. With mobile subscribers in rural areas far outnumbering bank account holders, a large section of the rural population now has access to mobile telephony but not to financial services through banks. With the rural mobile subscriber base expected to grow significantly over the next few years, a delivery mechanism that enables provision of basic financial services on an individual's mobile phone would be a major step in the direction of reaching out to the 'unbanked' population of the country.

**3.48** An Inter-Ministerial Group (IMG) set up by the government for this purpose in November 2009 evolved a framework for leveraging mobile technology for financial inclusion. In March 2010 IMG submitted its final report proposing a model that enables basic financial services to be made available in every location in the country covered by mobile telephony irrespective of whether there is a bank branch in the immediate vicinity of the village. The model allows persons with mobile phones to deposit and draw cash

instantly into or from their ‘mobile-linked no-frills’ bank accounts through a Banking Correspondent (BC) having a mobile phone in the village. Also, the model enables any two mobile users, irrespective of the bank or mobile operator providing services, to transfer money to each others’ no-frills accounts specifying only their mobile numbers without the necessity of any intermediary, including BCs. When fully implemented, the model would enable the same BC in the village to be shared by all the banks for supporting basic deposit and withdrawal transactions. The model would allow even users without mobile phones to undertake such transactions using biometric-based authentication through a BC. This framework based on mobile phones and biometric-based authentication can form the core micro-payment platform for electronic benefit transfers, micro-payment services, and financial inclusion for the target groups of social sector programmes.

#### UNIQUE IDENTIFICATION

**3.49** The inability to identify end-beneficiaries of public services and to detect the existence of duplicate and ghost identifies are major stumbling blocks in delivering public services in India. The UID project can help deal with this problem by providing accurate and de-duplicated data on all residents. It is also the only project that can positively establish the identity of every resident through biometric authentication, thus transferring the burden of proof from the individual to the government. Ease in identification through a UID number would improve access to services; it would also pave the way for better information access by residents. The UID can be the bridge between front-end technology applications and back-end digitization in public services—data can be linked across a department’s internal processes using the UID number, so that residents can get information on their application, delays, and other concerns. UID would also provide public services with a single view of the resident, enabling governments to make application and service delivery seamless for individuals across departments. Once the UID number allows governments to identify residents uniquely and with confidence and enables applications for seamless delivery of services, governments can

deliver benefits directly to residents. Individuals can collect these through UID-linked bank accounts once they biometrically authenticate themselves. Such an approach would allow the Indian government to tailor public services around resident choices, and respond effectively to varying demands and aspirations.

**3.50** The Unique Identification Authority of India (UIDAI) was created on 28 January 2009 to implement the programme of issuing unique ID numbers to residents of India. Uniqueness of the IDs will be assured through the use of biometric attributes (such as photographs, finger prints, and iris) which are unique to a person. The Authority plans to issue UIDs to residents through agencies in the government, both at the state and central levels, which interact with residents in course of their own activities.

#### STRATEGY AND APPROACH OF UIDAI

**3.51** The primary focus of the UIDAI’s strategy is inclusion, especially of the marginalized sections of society with a view to effectively targeting service deliveries to them. The approach proposes to leverage the technology and existing infrastructure at the state and the central levels to enrol residents into the UID system. There are a number of existing databases in the country, like the Election Commission’s database of voters, BPL databases, and PDS databases in some of the states. The existing databases suffer from two major problems, as both ‘duplicates’ and ‘ghosts’ exist in them. Both the problems are proposed to be tackled through use of biometrics and de-duplication technology. This will ensure that at the enrolment stage itself the system rejects all duplicates.

**3.52** The broad features of the strategy areas follows:

- The UID number will only provide identity
- UID will prove identity, not citizenship
- A pro-poor approach
- Enrolment of residents with proper verification
- A partnership model
- The UIDAI will emphasize a flexible model for registrars
- Enrolment will not be mandated
- The UIDAI will issue a number, not a card

- The number will not contain intelligence
- The Authority will only collect basic information on the residents

**3.53** The first UID numbers have already been issued. In March 2010, the government approved the creation of the National Population Register (NPR) alongside the Census 2011 operation. This exercise includes the collection of biometrics for the entire adult population. The work on the NPR commenced in April 2010. Collection of biometrics is expected to commence by August 2010 and is expected to be largely completed in the next 12 months. This would ensure near complete UID coverage of the adult population. The numbers will be issued through various 'registrar' agencies across the country.

**3.54** Once a large part of the population is covered, it will be possible to leverage the power of this number to accelerate electronic benefit transfers, financial inclusion, and micro-payment services to the target groups of social sector programmes. Online authentication facilities, which UIDAI promises to put in place, will enable and drive the micro-payments platform. UIDs are also expected to result in substantial reduction in leakages in various development programmes.

**3.55** The UID project promises to be a transformational initiative that could be leveraged to reach government benefits to the unreached. Reaching the unreached through this initiative must be the focus of all agencies involved in this national endeavour.

## CORRUPTION

**3.56** The biggest challenge in improving governance is to act against corruption, which has permeated the entire social fabric and has led to large-scale

mis-utilization of resources. Over the last three years, while several measures have been taken, there is little evidence that corruption has gone down. The Transparency International Index ranks India at the 84th position. The index of corruption identified by them has improved from 2.7 (2002) to 3.4 (2008). Since then it has recorded very little growth and remained stationary at around this level.

**3.57** The ARC has made a series of recommendations which are being processed. These measures, it is hoped, will address two issues:

- A quick identification of those guilty and quick decisions and deterrent punishments for corrupt officials or persons.
- Identifying processes which take away discretion in decision making and bringing more transparency to the process. Enactment of the Right to Information law has somewhat helped in developing these processes.

**3.58** A series of measures were suggested in the Plan covering various facets of corruption. Unfortunately very little progress has been made with respect of most of these suggestions. These and a number of other suggestions mentioned by ARC needs to be considered urgently. The degree of corruption associated with the electoral process, and its implications for the political system, also has to be addressed firmly.

**3.59** The various measures enumerated in this chapter would go a long way in improving the quality of citizen-centric governance. This would also help in strengthening the delivery mechanism, facilitating inclusiveness as envisaged in the Eleventh Plan.