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May 2006

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Summary

This study analyses govemance reforms in two southern states in India's federal system, Karnataka and Andhra Pradesh. Two reforms are considered in each state: one rural and one urban. In Karnataka, we examine the *Bhoomi* programme, which used information technology to provide farmers with land documents, and the Bangalore Agenda Task Force, which changed the operations of several municipal agencies. In Andhra Pradesh, we examine the reform of Metro Water, the body that oversees the provision of water to the state capital, Hyderabad, and the Development of Women and Children in Rural Areas (DWCRA) programme, which sought to provide rural women with credit in order to gain greater skills, confidence and autonomy.

The first three initiatives achieved a substantial degree of success. The fourth, DWCRA, met with significant problems, but entailed enough change for the better to qualify as a partial success. The first three programmes were mainly intended to improve service delivery, but also had positive impacts in other areas, such as strengthening the capacity of state agencies. All were designed to avoid undermining fiscal stability.

The four initiatives varied in their breadth (that is, the number of sectors or agencies they were intended to affect), and in the degree of change they sought to induce within them. Two of the four programmes examined – those from Karnataka – were entirely new initiatives, which other state governments are now considering replicating. The other two cases, from Andhra Pradesh, saw the state government pumping new energy and resources into pre-existing programmes. Three of the four initiatives (the exception being *Bhoomi*) entailed, to varying degrees, attempts to catalyse modest or substantial participation by ordinary people and demands from them upon government.

All four initiatives qualify as programmes rather than sweeping macro-systemic policies for reform, and they entailed incremental rather than radical changes; both these factors made them comparatively easy to pursue.

Keywords: governance; rural; urban; participation; India.

Contents

Acknowledgements

Abbreviations

APMAS	Andhra Pradesh Mahila Abhivrudhi Society
BATF	Bangalore Agenda Task Force
BJP	Bharatiya Janata Party
DFID	UK Department for International Development
DPIP	District Poverty Initiatives Program of the World Bank
DWCRA	Development of Women and Children in Rural Areas
GONGO	Government-organised non-governmental organisation
IFI	International financial institution
NGO	Non-governmental organisation
RTC	Record of Rights, Tenancy and Cultivation
TDP	Telugu Desam Party

1 Introduction

This study analyses governance reforms in two southern states in India's federal system, Karnataka and Andhra Pradesh. Two reforms are considered in each state: one rural and one urban. In Karnataka, we examine the *Bhoomi* programme, which used information technology to provide farmers with land documents, and the Bangalore Agenda Task Force (BATF), which changed the operations of several municipal agencies. In Andhra Pradesh, we examine the reform of Metro Water, which oversees the provision of water to the state capital, Hyderabad, and the Development of Women and Children in Rural Areas (DWCRA) programme, which sought to provide rural women with credit and thus greater skills, confidence and autonomy. The first three of these initiatives were substantially successful. The fourth, DWCRA, encountered significant problems, but entailed enough change for the better to qualify as a partial success.

The first three programmes were mainly intended to improve service delivery. But all of them had some impact in other areas as well. All were designed to avoid undermining fiscal stability, and the two urban initiatives resulted in improvements in the management of public finances. The BATF also brought some improvements in tax policy. All three initiatives strengthened the capacity of state agencies – significantly in the two urban programmes but only modestly in the case of *Bhoomi*. Public accountability was greatly enhanced by the BATF and the reform of Metro Water.

The main aims of the DWCRA programme were to strengthen the capacity of rural women, to persuade them to become more proactive in the public sphere, and to equip them with the means necessary to do so. But where it worked well, it also improved the delivery of microcredit and other benefits to them (some of which took the form of services), and it enabled them to become at least somewhat more effective at holding government actors to account.

These four initiatives varied in their *breadth* (that is, in the number of sectors or agencies which they were intended to affect) and in the *degree of change* that they sought to induce within them.

Breadth: Only one initiative – the BATF – addressed more than one sector (it engaged with every important municipal service provider in Bangalore). The Bhoomi programme was limited to the provision of land documents, the Metro Water scheme tackled only that agency, and DWCRA confined itself mainly to microfinance (although the women who joined DWCRA groups were often invited to assist the government in other spheres).

Degree of change: The BATF sought to induce incremental change within an array of municipal agencies, and yet despite this, its impact in several of those was quite substantial. The *Bhoomi* scheme introduced just one change to the way land documents were delivered – replacing village accountants with a computerised system – but this produced significant improvements in a crucial area for farmers. The Metro Water programme proceeded incrementally, but over time generated a thoroughgoing overhaul of that agency's operations. The DWCRA initiative produced changes that, in any single village, seemed relatively modest and incremental. But it was expanded rapidly and massively, so that it impinged on a vast number of localities.

We also encounter variations in the arenas within which these reforms occurred, and in the groups that were drawn into the negotiations over changes. The BATF and Metro Water programmes entailed extensive negotiations within municipal agencies – between high-level politicians and bureaucrats on the one hand, and agency employees on the other. But in both cases, consumers and civil society organisations were also drawn into increasingly open policy processes as proactive participants. The BATF made unusually systematic use of civic associations, and brought in external actors (operating on a *pro bono* basis) and voluntary contributions of funds from the private sector, without resorting to privatisation. The changes made by the *Bhoomi* scheme occurred entirely within one government agency and did not entail an enhanced role either for citizens or for civil society organisations. The DWCRA

programme did not directly trigger a change in the operations of bureaucrats, but its swift and enormous expansion placed existing operations under severe strain. Its aims were partly to draw village women into the programme as participants, but mainly to enable them to become more proactive and effective as participants in the public sphere more generally.

Only one of the four initiatives was linked to elected local government institutions. This was the BATF, which engaged extensively with Bangalore's urban council. *Bhoomi*, the other programme in Karnataka – where successive state governments have pursued democratic decentralisation more enthusiastically than have their counterparts in most Indian states – had no connection to elected rural councils. This was not a sign of official hesitancy towards those councils. Rather, it was a result of the nature of the programme – it entailed a technical change in the means by which land documents were delivered to ordinary folk. It is not surprising that the two initiatives in Andhra Pradesh lacked any connection to elected councils at lower levels, since the state government there was more hostile to democratic decentralisation than almost all of its counterparts elsewhere in India. The fact that three of the four programmes were not connected to elected local bodies should not be seen as evidence that democratic decentralisation is an unpromising partner for such reforms. It can clearly assist mightily with such initiatives, as it did in the case of the BATF, and as it has done in other Indian states – with, for example, the remarkable Education Guarantee Scheme in Madhya Pradesh.

Two of the four programmes examined here – those from Karnataka – were entirely new initiatives. They therefore qualify as 'firsts', and in both cases, other state governments in India are now considering efforts to replicate them. In the two cases from Andhra Pradesh, the state government pumped new energy and resources into pre-existing programmes. But the fact that they were not 'firsts' should not be allowed to diminish their importance. Some of the most important achievements by governments in India in recent times – for example, the widely praised *panchayati raj* programme in West Bengal – occurred because a new government breathed life into pre-existing initiatives.

All four of these initiatives qualify as programmes rather than as grand, over-arching macro-systemic policies for reform. They entailed incremental rather than radical changes. Both of these factors made them comparatively easy to pursue – which is to say that they represented 'low-hanging fruit'. They involved significant but far from radical changes in the political 'pacts' or settlements with important interests which provide the underpinnings of the political and policy processes. For this analyst, this does not, however, imply that they deserve only a lukewarm welcome. As we shall see in the conclusion of this study, three of the initiatives (the exception being the rapid, massive enlargement of the DWCRA programme) were designed to be practicable amid the political realities that leading politicians faced. They produced patent gains. In each state, they were pursued as elements of a broader array of governance reforms that offered some promise for macro-systemic change. And the successes that they achieved (again, with the possible exception of DWCRA) created both political momentum and popular belief in the legitimacy of governance reforms that could facilitate further efforts in that vein.

Three of the four initiatives discussed here (the exception being *Bhoomi*) entailed, to varying degrees, attempts to catalyse modest or substantial participation by ordinary people and demands from them upon governments. This is somewhat surprising, since most governments in less developed countries, and all state governments in India's federal system, have long suffered from demand overload.

During the two decades before 1990, that overload caused serious problems because the instruments (both formal and informal) that were available to senior leaders to respond to these demands lacked adequate capacity. The formal administrative machinery was quite slow, hierarchical, and mired in red tape. And most informal party organisations had either undergone decay (in the case of the Congress Party) or (in almost all other cases) had never developed much substance.[1]

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1   See, for example Manor (1983).

Since the early 1990s, these problems have been greatly compounded by a further, acute difficulty: severe fiscal constraints in virtually every Indian state. Given all of this, it is hardly surprising that state governments have been thrown out by voters more than 70 per cent of the time since 1970. And if we remove the state of West Bengal from the reckoning, (where a Communist-led government has been re-elected on every occasion since 1977), the figure increases to around 90 per cent.

It might thus seem politically unwise for state governments to catalyse demand, but that is what has occurred in three of the four cases in this study (the exception being *Bhoomi*). And yet their inclusion here indicates that they qualify as successes. How did this happen? There are six main strands to the explanation.

1. These reforms enhanced, to some degree, the capacity of formal and informal instruments to deal with demands in a responsive manner.
2. They opened up the political and policy processes to ordinary people and enabled them to benefit from them, but also (to widely varying degrees) to exert some leverage on those processes.
3. They were also intended to enhance (to varying degrees) the autonomy and capacity of ordinary people and groups.
4. They have therefore tended, to varying degrees, to be popular with groups that had previously been disaffected or apathetic towards the state administration and the ruling party – so that the popularity of the latter increased (although as we shall see, the net effect of the DWCRA programme was the opposite).
5. They inspired little serious opposition from important interest groups.
6. They helped to establish the proposition that well-crafted initiatives – that is, initiatives based not only on sound technocratic principles, but also on shrewd political calculations – can succeed, even when they stimulate greater demand, even amid demand overload.

The second point in the list above requires a little more comment. The opening up of policy processes in these Indian states has tended to occur, mainly or entirely, at the 'implementation' stage. State governments have tended to keep the policy process quite closed at the earlier 'design' stage. This tendency in India resembles that in Uganda, but stands in marked contrast to Brazil. A separate study of these three countries, which focuses on pro-poor reforms, notes that pro-poor reformers in Brazil find it advantageous to *open up* the policy process in order to achieve reform. They do so because pro-poor interests are well organised and formidable in the public sphere. In India, pro-poor reformers – and the architects of political reforms more generally – have done the opposite, because pro-poor and pro-reform interests are not yet well organised and formidable. So to open up the process at the design stage is to invite defeat early in the game.

A little more basic information on India is required here. It is a consolidated democracy and in most of the 28 states in its federal system, open, multi-party political systems operate reasonably well. Criminalisation, strife, spite and brutishness – of which we hear much in the media – have substantially overtaken democratic processes in only a small minority of states. The two states examined below are not completely free of these problems, but they are less evident.

The major parties in these states differ little on matters of ideology – pragmatism greatly outweighs ideology. This again enhances the likelihood that constructive policies and initiatives will be sustained amid changes of government. The major parties in Karnataka lack strong organisations capable of penetrating below the sub-district level to the grassroots.[2] The same is true of one of the two major parties, the Congress, in the other state, Andhra Pradesh. But the Telugu Desam Party (TDP) in that state – which was mainly responsible for the reforms assessed here – acquired such a capacity in the years after 1995.

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2   It is often claimed that the Bharatiya Janata Party (BJP) is a cadre-based party that has penetrative capacity, but in almost all Indian states – including these two – this is a myth.

This was remarkable, since the only other party with a penetrative organisation in India is the Communist Party of India (Marxist) in just two states, Kerala and West Bengal.[3] But the TDP's strong organisational base did not prevent it from losing the state election in April/May 2004 – and that result suggests that its penetrative capacity has been overestimated.

Differences among the major parties in these states also arise on two other fronts. First, they differ in the degree to which individual state-level leaders have dominated ruling parties. Within the TDP in Andhra Pradesh, the leader exercised utter domination. But in the others (whether in power or in opposition), the parties as institutions – however ramshackle they may have been – possessed significant autonomy and substance, so that leaders could not dominate them so thoroughly. Such parties make it more likely that constructive policies and initiatives can be sustained beyond a particular leader's time in power.

Second, these parties differ in their postures towards power centres that the ruling party cannot control – power centres within the government, such as the bureaucracy, the courts, regulatory agencies, etc., and outside the government, such as civil society organisations. One of these parties – again the TDP in Andhra Pradesh – sought while in power before May 2004 to exert control or potent influence over alternative power centres, and where it could not achieve this, it sought to marginalise them. All of the other parties were less illiberal and more accommodating towards alternative power centres within and beyond the government. (The two 'successful' governance reforms in Andhra Pradesh entailed efforts towards accommodating social groups, but the more important of these – the DWCRA programme – was in part accommodating in order to enhance the capacity of the ruling party to exert not just influence, but control, in local arenas.)

2 Karnataka

2.1 The context

This section sets the scene for the analysis of two policy initiatives in Karnataka. It focuses first on contextual features found in Karnataka that are similar to those in the other Indian state examined later, Andhra Pradesh. It then considers features of the two states that differed.

Similarities: The administrative instruments that are available to leading politicians in Karnataka are quite formidable by the standards of most less developed countries. Politicians here have not subjected talented, well-trained and resourceful civil servants to the kind of brow-beating and abuse that has done huge damage to the bureaucracy in certain north Indian states[4] and in many other less developed countries. Only one chief minister in the state's 57-year history has engaged in the kind of normless behaviour that has corroded the administration for long periods in many other states – and he lasted for only two years in the early 1990s. Karnataka's chief secretaries – heads of the state civil service – have been as distinguished as those in any other state (again, with one exception in the early 1990s), and more distinguished than in most. The bureaucracy is certainly not free of inefficiency, stagnation, complacency and corruption. But these problems are less severe than in most of the rest of India.

The histories of party politics in Karnataka and Andhra Pradesh are extraordinarily similar.[5] Nearly all of the comments that follow apply to Andhra Pradesh as well as Karnataka. The

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3   It is arguable that the Dravida Munnetra Kazhagam, a regional party in Tamil Nadu, has such an organisation. It once did, but it has undergone significant decay over the last 20 years.

4   This comment applies to only some north India states. It is not true of Rajasthan and Madhya Pradesh.

5   These are discussed in greater detail in Manor (2004).

Congress Party ruled in a 'dominant party' system in Karnataka from independence in 1947 until 1983. The enlightened actions of a Congress chief minister during the Emergency (1975–1977) saved the party here from the election defeat it suffered across most of India in the immediate aftermath of that episode (Manor 1978). In 1983, the damage wrought by Indira Gandhi upon her own party in the interests of personal rule opened the way to an election victory for the Janata Party in that same year. It was re-elected two years later, and thereafter, Congress and Janata alternated in power at three state elections. That pattern was broken in 2004 when those two parties formed a coalition government in a hung state assembly, after a formidable showing by the Bharatiya Janata Party (BJP). But between 1983 and 2004 (including the years analysed here), Karnataka had a 'two party-plus' system. Congress and Janata were the main players. While the BJP at times appeared to pose a threat, until 2004, it lacked the broad appeal and the organisational strength of the two main parties – so that its role was essentially marginal (Manor 1998).

By the late 1990s, a major economic boom was underway in and around the state capital, Bangalore, driven by private firms specialising in information technology and outsourcing. They were able to flourish largely because Karnataka had generated large numbers of well-educated people, who were at ease in English – a rarity outside southern and western India. But rural areas, where a large majority of voters lived, were largely untouched by this. One large sub-region (southern Karnataka) was reasonably prosperous, thanks to (among other things) extensive irrigation for agriculture. But the other two main sub-regions to the north – where less irrigation was available – were either (in one case) somewhat under-developed, or (in the other) distinctly under-developed.

Differences: Karnataka's administration contains within its senior ranks more civil servants who are sympathetic to bottom-up participation in the policy process, and to decentralised, open governance, than almost any state in India. This is true because many of the bureau-crats who have occupied senior posts since the mid-1990s worked for long periods during the 1980s as chief executives of elected councils at the district level. Those councils were more generously funded and empowered than all but one of the other Indian states (and than almost all other less developed countries). That experience persuaded these officials of the developmental and *administrative* benefits that flow from more open government. The bureaucratic culture of Karnataka is thus unusually congenial to attempts to promote more responsive governance, and to the engagement with civil society that is sometimes part of that process. The reforms examined below fit that description.

The state's chief minister in the period examined here, S.M. Krishna (who led the Congress Party), did not utterly dominate the policy-making process during his time in power between late 1999 and May 2004. He restrained himself – most of the time – from attempts to do so, partly because he had a strong personal aversion to confrontations with other politicians in his own or other parties. But he also felt compelled to permit other senior ministers to play important roles for three reasons. First, a small number of his senior colleagues had strong political bases in their own right. Second, they were effective administrators. Third, he had been brought onto Karnataka's political scene from the national level quite late in the lifetime of the previous government (when his party was in opposition), *after* two other senior Congress leaders had ably rebuilt the party. He thus believed that it was appropriate to give them and some others substantial roles in the policy process, and his ego was sufficiently under control to permit him to do this.

He did, however, play the dominant role in devising and implementing the two reform programmes analysed below. In the case of the BATF, he was able to do so mainly because it was an urban initiative, and most of his ministers were heavily preoccupied with rural areas, where two-thirds of the voters reside, where state elections are won and lost, and where they had their political bases. In the case of *Bhoomi* – a rural initiative – this was also developed at Krishna's behest, and it encountered almost no opposition from other politicians since it addressed a widely perceived urban bias.

Both of the reforms in Karnataka which are assessed below were – unlike the two reforms in Andhra Pradesh – entirely innovations. They were designed from scratch and then

implemented by the Krishna government. In undertaking them, the government relied upon financial and human resources *internal* to the state. It had sufficient financial resources available partly because these initiatives were not especially expensive, and partly because it had pursued a more prudent fiscal strategy than almost all other governments in India – certainly including Andhra Pradesh.[6] It was able to find the human resources from within the administration, but also from the private and voluntary sectors in Bangalore, because those latter sectors have flourished there to an extraordinary extent by comparison with most other Indian states and less developed countries. Those sectors were also capable of generating the ideas that shaped these initiatives.

2.2 The Bangalore Agenda Task Force and key urban agencies

Between 1994 and 2003, seven key government agencies in the city of Bangalore achieved remarkable increases in public approval ratings for service delivery. The rise in ratings was especially steep in the period between 1999 and 2003. Much of the change in the latter period occurred as a result of the agencies' interactions with an advisory and oversight body constituted by Chief Minister Krishna, called the Bangalore Agenda Task Force (BATF). The seven agencies, together with their abbreviations (used in Figure 2.1 below), were as follows:

- Bangalore City Corporation (or *Mahanagara Palike*) (BMP)
- Karnataka Power Transmission Corporation (BESCOM)
- Bangalore Metropolitan Transport Corporation (BMTC)
- Bangalore Police (Police)
- Bangalore Water Supply and Sewerage Board (BWSSB)
- Bangalore Development Authority (BDA)
- Bangalore Telecom (BSN)

The increases in citizens' satisfaction, as plotted in surveys conducted by the non-governmental (NGO) the Public Affairs Centre, are set out in Figure 2.1 below.

Figure 2.1 The rise in satisfaction levels in Bangalore[7]

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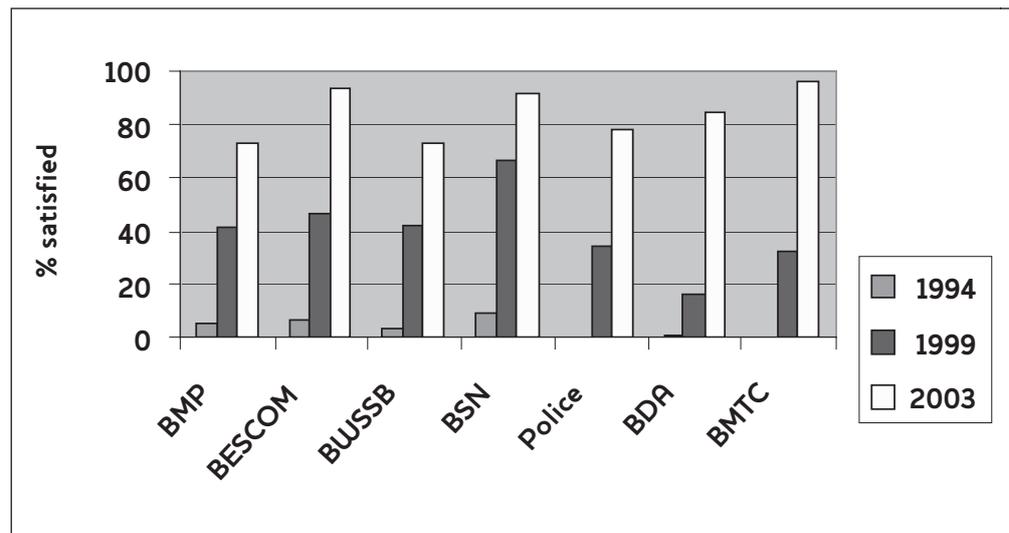
6 This is based on interviews with a senior official at India's Planning Commission who is associated with neither of these states (New Delhi, 30 April 2004), and with a former finance secretary and chief secretary of the Government of Andhra Pradesh in Hyderabadm 3 May 2004.

7 These figures come from stratified random sample surveys conducted by the Public Affairs Centre, Bangalore. They have previously appeared in a World Bank Institute publication, *Development Outreach*, March 2004, p.12.

The increases in satisfaction are so extraordinary that some analysts in Bangalore suspect that they exaggerate.[8] But even if those critics are correct – and they offer no evidence to support their suspicion – the change is so extreme that substantial gains in popular satisfaction clearly occurred. These figures are reinforced by another finding. Respondents were asked whether they paid bribes or "speed money" to expedite routine transactions with urban agencies. The percentages that had done so were as follows.[9]

1994	20%
1995	23%
2003	11%

Thus, between 1999 and 2003, a marked improvement in service delivery was matched by a dramatic reduction in petty corruption. Taken together, these results add up to a significant 'success'.

To explain this success, we need to examine institutions at two levels. First, the work of the BATF can be seen in itself as an initiative or a reform. But it also operated as a catalyst for a cluster of further initiatives at a second level: within the seven government agencies in Bangalore. The two levels were so closely bound up that it is impossible to examine them separately, but the distinction between them needs to be kept in mind throughout this discussion.

It is important to recognise that the increases in public satisfaction between 1993 and 1999 occurred *before* the BATF was established. Those early gains were substantially inspired by the survey or 'Report Card' on municipal agencies' performance published by an NGO in the city, the Public Affairs Centre, in 1993. The dismal figures in that initial report shocked government services and triggered some efforts to improve their responsiveness. That ensured that when the BATF began its work in 1999, it was assisted by a well-established awareness within Bangalore's government agencies that action to enhance performance was a priority. They were in the market for ideas of the kind that the BATF could provide. However, the still more marked increases in public satisfaction between 1999 and 2003 – and the decline in petty corruption that had not occurred before 1999 – indicate that the BATF had a significant impact.

The BATF was established and entirely appointed by the Karnataka chief minister. It consisted in part of senior figures, several of whom came from the business community (and among whom people linked to the huge information technology company, Infosys, loomed large). But it also included an eminent nuclear scientist, a distinguished educationalist, and the head of the Public Affairs Centre that had developed the Report Cards. A significant number of younger people – many of whom had backgrounds in the private sector – were also drawn into the BATF, and they played the main roles in its day-to-day activities, on a *pro bono* basis. The chief executives of the seven government agencies were also members, as was the chief minister. The BATF was chaired by Nandan Nilekani, Chief Executive Officer of Infosys.

Critics have noted that elected representatives were not appointed to the BATF, and that it reported only to the chief minister. Elected members of the City Corporation were invited (along with many others) to attend the twice-yearly public meetings of the BATF, but they were 'largely silent spectators'. The critics argue that the intention was to insulate the BATF from the political process,[10] although the link to Krishna, who stood at the apex of the political system, placed it squarely within that process. But it is correct to say that the chief minister saw to it that BATF members were seldom constrained by short-term political concerns.

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8   This is based on interviews with social scientists and retired senior civil servants with experience in relevant ministries, Bangalore, 10–13 May 2004.

9   These are again drawn from the Public Affairs Centre survey. See *Development Outreach*, March 2004, p.12.

10   Pani, N., 'Icons and reform politics: the case of S.M. Krishna', unpublished manuscript, p.17.

The BATF was charged with three tasks:

- to design a process to upgrade the city's infrastructure and systems

- to help raise additional resources from citizens and companies

- to focus on the quality of life by enhancing the effectiveness and responsiveness of service delivery, by building the capacity of service delivery agencies, and by suggesting best practices from elsewhere.[11]

Two basic assumptions lay behind the establishment of the BATF and the strategy that it developed. The first assumption was that government on its own cannot meet urban citizens' aspirations, so that problems must be addressed in conjunction with civil society and the private sector. The second assumption was that existing government institutions have potential – and thus that the presumption of state failure should be rejected.

These assumptions were crucial in shaping the BATF's strategy. It did not seek to have the government cede major tasks to the private sector, and it gave only limited emphasis to the contracting out of government services to private companies. Instead, it suggested how practices commonly used in the private sector might be constructively internalised by government agencies. It also used BATF members' own funds to cover the cost of the contracting-in of skilled people who could provide knowledge and expertise for a time, free of charge. And in several cases, BATF members themselves provided these things on a *pro bono* basis.

In other words, the BATF was a public-private partnership (which also drew civil society organisations into the process). But unlike many such partnerships, it was not for the most part intended to shrink the state in favour of market forces. Instead, its main aim was to improve the performance of government institutions. At times, it even entailed expansions of the roles played by those institutions. The BATF was determined to work within existing government agencies, because they were seen to have potential. It rejected the idea that parallel institutions should be created to bypass those agencies – a widely used device in many Indian states.

Finally, the BATF's strategy was anchored in a brand of realism that bred limited expectations and a decidedly pragmatic approach. Nandan Nilekani, the software entrepreneur who chaired the BATF, constantly stressed that constructive change was bound to be incremental and would inevitably be attended by ambiguities and imperfections. To wait for a perfect solution to a problem was to guarantee that nothing would happen. The best should not be allowed to become the enemy of the good. The BATF therefore sought to develop initiatives that might be sub-optimal, but that would make things better. Experiments of this kind would enable everyone involved to learn things by trial and error – and that would enable them to make adjustments for the better thereafter.

To facilitate constructive change, the BATF developed two instruments. First, every six months the BATF conducted surveys on the lines of the Public Affairs Centre's Report Cards to gather information on public satisfaction or dissatisfaction with various aspects of the seven state agencies' performance. This was intended not just to monitor performance, but also to track citizens' priorities, which were found to change frequently. Second, an accountability platform was established, in the form of public meetings or 'summits' every six months. The media were invited, and most meetings were attended by 700–800 people, including civil society activists. At each 'summit', senior bureaucrats in the seven government agencies set out their plans for the half-year ahead (providing targets to be met), and reported on their agencies' work over the preceding six months (to indicate whether earlier targets had been reached) (*Ibid.* p. 3).

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11 Nilekani (2003). Mr. Nilekani was the chairperson of the BATF and the chief executive officer of Infosys Technologies Ltd.

Chief Minister Krishna chose civil servants to head the seven municipal agencies with which the BATF worked who, for the most part, were known for their effectiveness. He then did his best to shelter both the BATF and the bureaucrats from political crosswinds. In this, he substantially succeeded.

In discussions with members of the BATF, those civil servants were exposed to ideas drawn from the voluntary and (more crucially) the private sector about how organisations could be run more efficiently, transparently and responsively. The BATF members had little knowledge of urban governance, but they offered suggestions for more effective control of agency budgets and initiatives, and more 'customer-friendly' practices – both of which might enhance service delivery. The bureaucrats' interactions with the BATF, and occasionally directly with the chief minister, produced four main results.

- They felt that they were under *pressure* to achieve significant change. But three other things provided more than ample compensation for this.

- They felt that the BATF supplied them with fresh *ideas* and access to new policy blueprints, and to valuable new *resources, human and material*.[12] They put government agencies in contact with people whose technical skills (often provided free of charge by the BATF) could help to make new policies work, and to other forms of *financial support* which some BATF members provided from their own resources.

- They felt that they had acquired unprecedented *leverage* over their agencies – thanks to the eminence of the BATF members and their close ties to the chief minister – which might make change possible.

- In some cases, their association with the BATF also lent them sufficient *credibility* to attract *further financial resources* – loans from banks and funding from donor agencies in support of new initiatives.[13]

The last three points above were attractive to senior figures in the city's government agencies, but the twice-yearly 'summits', with the chief minister attending and supporting the new process, clearly put pressure on them to interact with the BATF. Those interactions may have consisted mainly of gentle urging and diplomacy, of which BATF representatives usually speak. But those representatives also possessed considerable influence, thanks to the involvement of the chief minister. The publicising of the 'summits', and the periodic surveys conducted by the BATF, brought further pressure to bear, from below.

Despite this, however, the seven agencies retained substantial power and autonomy. BATF spokespersons are correct to stress that the delivery mechanisms in this exercise always remained the agencies themselves. The only exceptions were a small number of independent and self-funded projects that BATF people established. But the main contributions made by the BATF were to provide free advice, policy designs and technically skilled personnel in key areas *to the agencies*, for initiatives that *they themselves* preferred. When suggestions were made by the BATF, they were usually set out in *general* terms. In most cases, officials in the agencies were left to work out details for themselves.

They were free to reject proposals from the BATF, and on numerous occasions they were permitted to do so[14] because the chief minister and the BATF understood three important

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12 Nandan Nilekani, who chaired the BATF, provided more than US$1 million of his own money. Others also gave funds generously. Still others gave their time on a pro bono basis.

13 Interviews with four of these civil servants, Bangalore, 10–14 May 2004.

14 For example, BATF members tried to persuade the city's transport authority to abandon a destination-oriented approach to its bus lines, in favour of a direction-oriented approach. This would have meant that passengers had to change buses more often than before, but it would have ensured that buses arrived every five minutes or so. This proposal was rejected, but BATF members were able to assist the transport authority in putting many more buses on the roads – hence the improvement in public approval ratings in a sector that largely affects poor people.

things. First, agency officials were far more familiar with the details and complications that had to be tackled in order to implement changes. Second, the officials would end up as the main bearers of blame or credit for any decisions made. Third, allowing them to choose which suggestions to accept would ensure that they had a sense of ownership of new approaches, and that would help to institutionalise them and make them more sustainable.

Despite its preoccupation with improving service delivery from the *supply* side, the BATF also generated pressure for better services from the *demand* side. The state government gave wide publicity to the improvements in service delivery that were achieved, and to surveys showing rising approval ratings. Somewhat in the manner of a similar experiment in Ceara state, northeast Brazil (Tendler 1997) – of which people in Karnataka were unaware – this yielded three results. It lifted the morale of employees in the upper and middle reaches of the state agencies, which compensated somewhat for sometimes painful changes in their work routines and enhanced their commitment to their tasks; it enhanced popular appreciation for and (in some sectors where this was important) cooperation with employees of those agencies; but it also raised popular expectations, which produced – alongside greater appreciation – greater pressure on agency employees to perform well.

BATF used the findings from its twice-yearly opinion surveys to press bureaucrats for changes in policy. Pressure from below was thus used, gently but systematically, for change. This acquired greater focus when one young member of the BATF established a non-governmental organisation called *Janagraha* (people's force) to catalyse demands from ordinary residents of Bangalore – a development that caused significant resentment among elected members of the City Corporation or council.

But the BATF used carrots as well as sticks. On several occasions, it provided reinforcement to government agencies – again, using evidence from its opinion surveys. For example, in January 2000, potholes surfaced as a key issue. Once agreement was reached with a city agency to tackle the problem, the BATF funded a publicity drive to highlight efforts being made to fill potholes. The combination of that effort and the publicity removed potholes from the list of important popular concerns by June 2000.

The seven government agencies could also take comfort from constant comments by BATF members that they did not see the private sector as superior to, or indeed as an alternative to, government. They couched their suggestions in congenial and pragmatic terms. They argued, for example, that government salaries were too low to attract people with certain valuable skills – which were consequently expensive – skills that were needed to make crucial systems work. When such skills were needed by government agencies, they encouraged some outsourcing of important functions, or (more often) they funded the contracting-in of people with such skills for limited periods. This practice had the virtue, from the agencies' point of view, of enabling them to maintain their integrity and more or less full control of the reform process.

It took time for agency officials' suspicions about the BATF to wane, as collaborations proved reasonably congenial, and as experiments with new approaches yielded some improvements. It also took time for BATF members to learn how to work with the agencies and what their problems were, and to devise proposals that might address those problems. It thus took roughly 18 months for full-blooded cooperation to develop.

When we consider this alongside the political fortunes of the chief minister over the same period, we encounter a significant limitation on the successful working of the BATF initiative. During those first 18 months, the chief minister's political stock was very high. But he eventually became embroiled in serious problems. The embarrassing kidnapping of a vastly popular local film star by a forest brigand took months to sort out; an intractable dispute with a neighbouring state over river waters triggered protests against the government; and other problems mounted. These difficulties gradually undermined the chief minister's political influence and distracted him (sometimes considerably so) from pet projects like the BATF. Much headway was nevertheless made during the four years that this initiative was pursued, but problems such as this – which inevitably arise in democratic polities – need to be considered when we assess efforts at governance reform.

In a study of this length, it is impossible to provide a comprehensive picture of the advances made by the various government agencies in Bangalore, in concert with the BATF. But two examples will provide some sense of the trend that developed among all seven.

● The Bangalore *Mahanagara Palike* (the elected metropolitan council) introduced – at the suggestion of the BATF – a new approach to the collection of property tax, a critically important source of revenues. A BATF member played the key role in the design of the new scheme on a *pro bono* basis. Property owners were invited to file self-assessment forms from which their tax obligations were calculated through the use of a clear, simple formula. Their payments were then accepted on a 'no questions asked' basis. This liberated taxpayers from intrusive enquiries by tax inspectors, and from the negotiation of bribes to the latter in exchange for allegedly reduced payments. Property tax rates increased a little at the same time, but investigations by journalists indicated that self-assessment still pleased most taxpayers. BATF members estimate that the new system cut out bribes totalling between Rs100 million and 150 million (US$2.12 million and 3.18 million) *each year*. Revenues soared, which made it possible for the municipal council to undertake numerous development projects.

● The financial systems of several city agencies were computerised, and a fund-based accounting system was introduced – again, designed free of charge, thanks to funds provided by a BATF member. This made it possible for those agencies to see things that had been invisible before – empowering them, which they (even employees at middle levels) welcomed. The number of account heads used by the metropolitan council was reduced from 600 to 30, and now it is able to provide a full picture of the accounts just 10 days after the close of each quarter.

● The new system makes it easier to spot leakages and malfeasance, and the new data that it yields trigger action to tackle those things. For example, it revealed that the council was providing a heavy subsidy for the rent of a Mercedes Benz showroom. A city inspector had been receiving illicit payments for fixing the low rent. This arrangement and many like it were swiftly ended, and revenues to the council increased as a result. The new system has worked so effectively that India's Comptroller and Auditor General has used 80 per cent of it in its handbook on best practice.

The BATF initiative was patently a success. This is apparent from the opinion surveys cited above, and similar surveys conducted by the BATF. It should also be stressed that in the seven municipal agencies, most of the targets which were announced at the twice-yearly 'summits' were met, either entirely or substantially. The state election in April/May 2004 provided a telling popular endorsement of these reforms. The ruling Congress Party, whose chief minister had launched the BATF, lost ground to rival parties across much of *rural* Karnataka, but in Bangalore – a traditional stronghold of one rival party – the Congress won 11 out of 14 seats. The BATF and the achievements of the seven agencies were crucial to that result.

It was not particularly difficult, politically, for Chief Minister Krishna to proceed with this initiative, and to enable it to produce significant results. He was largely free to act on this front, for several reasons. He was the pre-eminent figure within his party and the state government throughout his time in power. Unlike some other state-level leaders in India (including some within his Congress Party), he did not face serious factional challenges from within the party or unwelcome intrusions from its national leadership. Second, other ministers in his cabinet left Bangalore almost entirely to him – not least because he gave them very substantial control over and responsibility for their own ministries. They had plenty on their own plates because the chief minister permitted them to make policy in their spheres. Both ministers and ruling party legislators were principally concerned with rural constituencies where elections are won and lost in Karnataka, and thus paid only limited attention to the capital city. Some eventually expressed anxiety over a perception in rural areas that the government suffered from urban bias. But Krishna was able to contain this by stressing that the BATF and consequent reforms in the city did not require a significant diversion of resources from the rural sector – and by developing initiatives for

rural areas such as the *Bhoomi* project analysed below. Elected urban councillors from his party chafed at first about their relatively limited role in these reforms. But when opinion surveys showed the changes to be popular, and when many of them won convincingly in a municipal election, most moderated their complaints. So Krishna retained, for the most part, a free hand in Bangalore.

He was also able to maintain sufficient leverage and persuasive power over senior and middle-level bureaucrats in the city's seven agencies to make headway. The combination of pressure upon them – and more importantly, the chance to achieve something significant so that their job satisfaction was enhanced – more than sufficed. The main losers in this episode were *low*-level government employees, some of whom had to make painful changes in their work routines which entailed the loss of opportunities for self-enrichment. (They are discussed further in the conclusion of this study.) But they had little political influence, they were fragmented into separate cadres within the seven agencies, and the forces that stood above them were too formidable and too united to resist.

The BATF initiative, like the *Bhoomi* project discussed below, coupled top-down actions and pressure with efforts to catalyse bottom-up demands and awareness. This two-track approach had far more promise than policies that were overwhelmingly driven from above by state actors, which had been the norm across much of India in previous years. It was easier to incorporate a bottom-up thrust into these programmes in Karnataka than in many other states, because since 1983, that tradition had formed an important element of state government policy. The initial impetus in that vein was the result of innovations during the 1980s by a government headed by the Janata Party – the main adversary of Krishna's Congress. But the Congress had seen the political and developmental uses of this approach, and had long since begun to compete with Janata on that front (Manor 2004 *ibid*). So it was not at all surprising that participation and pressure from below should have formed an important part of the BATF initiative.

2.3 The *Bhoomi* project

Villagers in Karnataka often make use of an official document called the Record of Rights, Tenancy and Cultivation (RTC) to show that they own or cultivate a piece of land, to obtain loans, and to identify themselves formally in order to gain access to certain benefits from the government. It is thus an exceedingly important document. RTCs have traditionally been issued in handwritten form, on behalf of the state's Revenue Department, by village accountants. That old system had long been plagued by harassment, lengthy delays, errors, inconvenience, and demands for bribes by those issuing the documents. Land records maintained by village accountants were closed to public scrutiny.

In 1999, the state government – at the urging of Chief Minister Krishna – began to develop a new system that would make it possible for rural dwellers to obtain RTCs quickly, conveniently and cheaply through computer kiosks in every sub-district headquarters. This was possible because during the 1990s, the government had made huge headway in the computerisation of land records.[15] With the chief minister pressing for prompt action and a committed, effective and technologically sophisticated civil servant in charge, 178 government kiosks were swiftly put in place, and by August 2002, the new system – which was given the name *Bhoomi* (land) – was fully operational.

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15 Nearly all of the state was covered during the 1990s, and full computerisation had occurred by 2002. This meant that government computers contained – for all 20 million plots of land – information on water rates, revenue assessment, classification of soil, the number of trees, the nature of the possession of the land, partitions of land, mortgages, liabilities, tenancies, crops grown, land utilisation, etc. Public Affairs Centre, 2004, *A Report Card on Bhoomi Kiosks: A User Assessment of the Computerised Land Records System in Karnataka*, Bangalore: Public Affairs Centre, Bangalore: p. 5. The discussion in this study draws heavily upon this document, which our investigation has shown to be an accurate assessment of the project. The preparation of the Report Card was funded by the Governance Knowledge Sharing Program of the World Bank.

A government employee was available full-time at every kiosk to assist those using the system, although it was simple enough to require little help (see below). Villagers had to pay a fee of Rs15 (US$0.35) for each RTC. This amount was sufficient to cover the cost of running the system, making it economically sustainable.[16] This was widely viewed as a reasonable sum, given the importance of these documents, and it cost a great deal less than people had usually paid previously in bribes (again, see below).

The chief minister backed the *Bhoomi* project so energetically because it enabled him to counteract two widespread impressions that posed political dangers to him. The first was the notion that he was too preoccupied with support for the booming information technology (IT) firms in and around the state capital, Bangalore, and that IT held no promise for rural dwellers who form the vast majority of the state's voters. The *Bhoomi* initiative was explicitly intended to demonstrate the utility of IT for villagers. The second was the idea that the chief minister harboured a strong urban bias – not least because of the attention he devoted to the BATF. This view posed special dangers to him because of long-standing suspicions of him among his caste fellows. Krishna is a member of the *Vokkaliga* community – the word literally means 'those who thresh' or, in other words, cultivators. They have substantial numerical strength in southern Karnataka, which is magnified by their control of much of the land there, and by their traditional dominance of village society (Manor 1976). The *Vokkaligas* – whose names often include the word 'Gowda' – have long been suspicious of members of their community who become too urbanised and cosmopolitan. Because of his studies at two American universities, Krishna had often been referred to by his caste fellows as 'US Gowda' or (more oddly) 'London Gowda'.

The *Bhoomi* project thus had immense political importance for the chief minister, and he threw his weight behind it very aggressively. He received enthusiastic support from the ministers and legislators in his own party. They had become deeply anxious about perceptions that the government was too focused on the urban sector, and that IT was of no use to the rural majority. He also found solid support from bureaucrats at the state, district and sub-district levels. They had nothing to lose from this initiative – in part, because they (like the legislators) seldom received a 'cut' from the bribes paid to accountants at the village level. The only losers in this exercise were those very accountants, but with the entire weight of the state government against them, they could do little about this. The simplicity of the new computerised process was critically important, since it meant that most users required little or no help from the village accountants to obtain RTCs.

The project worked very well. This is apparent from an independent survey of a reasonably representative sample of users of the new and old systems, to assess their views. The survey's findings are worth summarising in a little detail. Of the survey respondents, 80.3 per cent found the new system 'very simple' to use, and 9.6 per cent found it 'simple'. The total of 89.9 per cent stands in marked contrast to 44.1 per cent of users who had continued to obtain RTCs in the old way, by hand from village accountants. The survey found that 69.2 per cent of *Bhoomi* users required no help in obtaining their documents from kiosks – compared to only 25.4 per cent of those using the other method. It found that 42.4 per cent of those using the new system spent 10 minutes or less doing so, and a further 33.9 per cent spent between 11 and 30 minutes. Users of the old system met with far greater delays. Seventy-two per cent of those accessing the new system came away from their first visits to the kiosks with the job having been done, while a mere 5.1 per cent of those resorting to the old system achieved results on their first visits.

The survey found that 78.3 per cent of respondents used the kiosks without meeting any official other than the counter staff, whereas 81.3 per cent of those using the old manual system had to meet between two and seven officials, each of whom was a potential

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16   In the run-up to the state election of April/May 2004, the fee was slashed to Rs7, in order to win support
      from villagers. This fee means that the state government will have to provide a relatively modest subsidy to
      sustain the system.

rent-seeker. This provides much of the explanation for the decline in the paying of bribes. Ninety-seven per cent of those using the *Bhoomi* kiosks paid none, while 66.1 per cent of those using the old system had to resort to bribes. When this is considered alongside figures on the amounts paid, and multiplied by the total number of kiosk users, an estimated Rs895 million (US$19 million) in illicit payments was saved *each year*.

Respondents who had used the *Bhoomi* system received error-free documents 74 per cent of the time, as against 62 per cent of those who used the old manual system. When the former lodged complaints about problems with the service, prompt action was taken 57.8 per cent of the time, compared with 3.6 per cent of the time for those who used the old system. Over 84 per cent of those who used the new system rated the behaviour of the staff at kiosks as 'good', while *none* of those who used the manual system took this view of the accountants with whom they dealt (Public Affairs Centre 2004, *ibid.* p.3, pp.13–18).

Thus, the *Bhoomi* project clearly improved governance in one specific – but to rural dwellers distinctly important – sphere. It was also a comparatively easy reform to introduce and to operationalise. We need to consider the reasons for this. First, in logistical terms, the government possessed or could easily acquire all of the things that were needed to make the project work well.

● The computerisation of land records meant that the data required were already available.

● Computer networks reaching all sub-districts were largely in place, and full networking could be quickly completed.

● Computer software to run the system could be speedily developed and tested, thanks to the massive talent available in Bangalore, India's 'silicon valley'.

● Computer hardware for the kiosks was readily available for purchase.

● Thanks to prudent fiscal policies, the state government had the funds available to cover the initial outlay on software and hardware, and the modest fees charged to users would cover costs thereafter.

Second, in *political* terms, the project had several important advantages.

● This was an incremental (non-radical) change that did not require complex legislative innovations, which adapted existing practices and caused only limited disruption to them.

● The chief minister threw his very considerable political weight behind the project, and sustained an intense interest in it until he left office in May 2004.

● The balance of political forces was strongly in favour of the change. It was welcomed by every important interest group involved (from the state capital down to the villages), except the isolated and rather powerless village accountants.

● Those who benefited vastly outnumbered those who suffered losses.

3 Andhra Pradesh

3.1 The context

Here again, we first consider contextual features in Andhra Pradesh that were similar to those in Karnataka, and we then move on to those features that were different.

Similarities: The administrative instruments available to the state's chief minister were reasonably formidable. The civil service had not been seriously abused here, so the impressive skills of many senior and middle-level bureaucrats could be brought quite fully into play.

Andhra Pradesh, like Karnataka, has had a two party-plus system since 1983. That is, the Congress Party and the regional Telugu Desam Party compete for power and form governments on their own. Other parties, such as the Hindu nationalist Bharatiya Janata Party, leftist parties, and a sub-regional party, play marginal roles in the system. That has remained true even after the state election of April/May 2004.

An economic boom had been underway for several years in and around the state capital, Hyderabad, before the period analysed here, and it continued during that period. It was again driven by IT firms and outsourcing – although contrary to the state government's hyped claims, the city lagged well behind Bangalore in these fields. Despite the boom, however, two of the state's three sub-regions were under-developed – one moderately and the other severely.

Differences: Senior bureaucrats in Andhra Pradesh were somewhat less sympathetic than their counterparts in Karnataka to bottom-up participation, to open, decentralised governance, and to civil society. The state had had a reasonably robust system of elected councils at lower levels until the early 1990s, but they were then substantially disempowered. Some senior civil servants had worked with those institutions during the 1980s and this had made them amenable to decentralisation and participatory approaches. But politicians in the Telugu Desam Party (which was responsible for most of the reform efforts analysed here) were more hostile to civil society than any state government in India.[17] The party was also decidedly hostile to elected councils at lower levels (Manor 2002), although (as we shall see) it encouraged participation within institutions over which it could exercise substantial influence.

Policy-making in Andhra Pradesh was thoroughly controlled between 1995 and May 2004 by the chief minister, N. Chandrababu Naidu. His Telugu Desam Party had always, from its establishment in 1982, been dominated by its senior leader. During its first 13 years, it was led by a charismatic film star, N.T. Rama Rao – Naidu's father-in-law. But in 1995, after Rama Rao had alienated many legislators by his inaccessibility, autocratic behaviour, financially ruinous policies, and apparently delusional episodes, Naidu organised a revolt among them that ousted the old man. Thereafter, Naidu exercised the same sort of dominance that had been practised before. The decisions to pursue the two programmes discussed below were, like all other major initiatives of this government, entirely the chief minister's.

Neither of these two programmes was initiated by Naidu's government. Both had existed under previous governments headed by other parties. But in both cases, the chief minister injected an enormous amount of fresh energy into the initiatives, without which they would have languished.

In pursuing both initiatives, the state government relied on significant infusions of resources – financial, human and ideational – from *outside* the state. Its need for external funds owed something to lavish government spending prior to the 1999 election, although it was more restrained thereafter. But the pursuit of such funds was also powerfully driven not just by need, but by a sense of *opportunity*. The Naidu government knew that it could obtain such funds from the national government in great abundance – far more in proportional terms than any other Indian state. This was possible because various ruling coalitions in New Delhi between 1996 and 2004 relied upon Naidu's party for their majorities in parliament. The state government also received massive disbursements – hundreds of millions of dollars for a diversity of purposes – from the World Bank and the UK Department for International Development (DFID). External actors, most importantly the World Bank, also provided ideas, advice and consultants to drive these two programmes forward. And they exerted pressure which, most of the time, the chief minister welcomed because it enabled him to intensify pressure on the state machinery to get results.

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17 Interview with Rajesh Tandon, the head of PRIA [please spell this abbreviation out here] (one of India's most formidable and enlightened civil society organisations), New Delhi, 4 April 2002.

The first initiative assessed here was undertaken in the rural sector (where roughly two-thirds of the people of the state and of India reside), and the second in the state's largest city, Hyderabad. The first was mainly intended to engender the confidence and capacity among rural women to participate proactively in the public sphere, while the second aimed to enhance service delivery. The political manoeuvring in the first occurred largely in the space between state and society, while in the second case, it occurred mainly within the bureaucracy of the state government and its capital city, although pressure from interests outside the government helped to drive it forward.

3.2 The DWCRA programme

Like most other Indian states, Andhra Pradesh in the mid-1990s had long lent modest support to a nationwide scheme called the programme for the Development of Women and Children in Rural Areas, known by its acronym, DWCRA. Its purpose was to develop self-help groups among poor women at the grassroots, through microfinance. In other states, this programme would not qualify or would scarcely qualify as an attempt at governance reform. But in Andhra Pradesh, where the state government of Chief Minister Naidu pursued it on a far more massive scale after 1996 than anywhere else in India or indeed the world, DWCRA was undertaken with governance clearly in mind. The programme there was intended to achieve three main objectives:

● to change the character of governance processes at the grassroots by drawing huge n numbers of rural women into the public sphere for the first time, as purposeful actors

● to provide them with financial resources, and to enhance their capacity to manage them productively

● to elicit political support from them for the ruling party.

In other Indian states, only the second of these objectives loomed large. In Andhra Pradesh, all three mattered – and the first of them patently qualifies as an attempt at governance reform. Its importance is further magnified when we consider that the state government did not support elected councils at the village level (*panchayati raj* institutions), which constitute the principal governance reform at the local level in many other states. In Andhra Pradesh, by contrast, the main thrust in the governance sphere at the grassroots consisted of the DWCRA initiative together with the *Janmabhoomi* programme – a substantial effort to persuade ordinary villagers to contribute funds and labour to development projects partially funded by the government. The chief minister preferred this approach because he could exercise greater partisan influence over DWCRA and *Janmabhoomi* than over *panchayats*. But that should not obscure the fact that the DWCRA programme – in part because of its massive size here – had a potent impact on local-level governance.

In 1994, Andhra Pradesh had 10,000 DWCRA groups. But in 1997, the chief minister decided to establish multiple women's self-help groups in virtually every village in the state. Naidu pursued this with characteristic vigour. Incentives were promised for women who formed DWCRA groups, including subsidised connections to gas canisters, matching grants from the government for their savings, and the possibility of access to loans from a state-generated revolving fund and from state-owned banks.

The chief minister had little difficulty in mounting this initiative – thanks mainly to his utter dominance of the policy process and of state politics. It also helped that modest numbers of DWCRA groups had long operated in the state. This made it possible for what was in reality a significant innovation to be presented as a mere expansion of a pre-existing process. At first, central government funds were available for it, but when they dried up, the state government used its own resources and then abundant funds from the World Bank's District Poverty Initiatives Program (DPIP) to sustain it.

The benefits that were offered, and the state government's aggressive publicity for them, produced an astonishingly rapid proliferation of DWCRA groups after 1997.[18] Government

statements indicate that there were roughly 370,000 by 2001, approximately 400,000 in 2002, and 475,646 by 2004. The official estimate of the number of members of such groups by 2004 was 6.54 million.[19] As Jos Mooij has noted, Andhra Pradesh (a state with 7.6 per cent of the Indian population) contains over 40 per cent of the DWCRA groups in India, and 20 per cent of all of the women's self-help groups in the world – and most of them had come into being within the last seven years. This rapid expansion is both a remarkable achievement and, as we shall see, a source of problems.

It was no accident that Chief Minister Naidu sought to make the DWCRA a programme to reach huge numbers of rural women. Both categories – 'rural' and 'women' – are important here. Two-thirds of voters reside in rural areas, and his much-heralded enthusiasm for IT, which many rural dwellers saw as a source of strong urban bias, posed a potentially dangerous political threat to him (as it did to Krishna in Karnataka). The DWCRA programme was intended, along with several other rural initiatives, to tackle this problem.

Women were an even more crucial political concern. They had long lent far more support to his Telugu Desam Party than had male voters. But they had done so mainly because Naidu's father-in-law and predecessor, N.T. Rama Rao, had a mass following among women as a result of the wholesome and/or divine roles that he had played during his vastly popular career as a film star. Naidu had no such link to women voters – he is anything but a charismatic speaker. And there was a danger that his ousting of Rama Rao from office might alienate them. He therefore needed to find ways to cement their loyalty to the ruling party, and the DWCRA programme became his principal means of achieving this, at least for a time.

The programme offered women several attractions. It encouraged them to participate in the public sphere, often, in this conservative society, for the first time. It bestowed official approval and legitimacy on their participation, and – at least in theory, and sometimes in practice (see below) – it rewarded them tangibly by making resources available to DWCRA groups. Those resources enabled many women to develop a modest degree of material autonomy, again, for the first time.

The main impacts of the programme have been *psychological* and *social* rather than economic. Both residents and reliable analysts of rural Andhra Pradesh frequently comment on the dramatic and widespread change in women's views of themselves as actors in the public sphere. Many have acquired greater confidence and awareness. In smaller numbers and to a lesser extent, they have acquired greater skills, assets, connections to other women and to officialdom. They have thus become more assertive than their counterparts in most other Indian states. The analysts with the most detailed and authoritative evidence on local politics in the state argue that the politicisation of women's roles and the expansion of their public role were *the* most striking developments to occur in the villages under Naidut.[20] This does not add up to a transformation of society, but it is nonetheless an exceedingly significant change.

The DWCRA programme was initially designed for poor women, and the state government continued to describe it as such. But it appears that large numbers of non-poor women also became involved. The state's programme provides subsidies and loans for housing construction for women with an annual income of less than Rs32,000 (Commissioner of Women's Empowerment and Self-Employment, *ibid*, p.3), but social scientists and activists

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18 Jos Mooij found that estimates of numbers were rather approximate, since it was not always clear whether all self-help groups or only DWCRA groups were being counted.

19 Commissioner of Women's Empowerment and Self-Employment, "Note on Self-Help Groups in Andhra Pradesh" (Hyderabad, n.d.) p.1.

20 This comment is based on discussions with APMAS (Andhra Pradesh Mahila Abhivrudhi Society) representatives, and more crucially with Benjamin Powis, a doctoral researcher at the Institute of Development Studies, University of Sussex.

who have worked with these groups indicate that many in the scheme have incomes exceeding that. This is not surprising; the state government's need to sustain the support of rural women in general drove it to extend the reach of DWCRA beyond just the poor.

One might conclude from this huge effort to build self-help groups that the state government and the chief minister were enthusiastic about bottom-up participation and influence within the development process. This view is not entirely mistaken, but we need to recognise that their enthusiasm was limited to bottom-up processes that occurred on their own terms, in ways that enabled the ruling party to exercise a significant degree of partisan influence or even control. The state authorities were distinctly cool towards bottom-up participation that could not be controlled, or at least substantially influenced. Two things demonstrate that. First, this was one of the most reluctant state governments in India towards democratic decentralisation, and the empowerment of elected councils (*panchayats*) at lower levels (Manor, 2002 *ibid*). Second, leading civil society activists in New Delhi have stated that Andhra Pradesh has the most hostile state government in the country towards civil society organisations.[21]

The government preferred to foster self-help groups in a manner that would make them beholden to it, so that the ruling party could make its influence penetrate into local arenas. By encouraging the proliferation of DWCRA groups that are regarded in the state as 'GONGOs' (government-organised non-governmental organisations), it was creating new public space within which citizens could participate, contribute their energies to development projects and their own betterment, and make their influence felt. It was drawing these previously excluded people into the public sphere for the first time. But in so doing, it was also limiting the space for civil society organisations that were autonomous from the government, and crowding the already weak *panchayats* to the political margins in the villages.[22]

How did the extremely rapid expansion of DWCRA groups between 1997 and 2004 impinge upon their operations, and upon the women who joined them? Eminent and well-informed non-officials in the 'establishment' in Andhra Pradesh who are sympathetic to the state government tend strongly to the view that the offer of substantial benefits (matching grants, subsidies, bank loans, etc.) has damaged many DWCRA groups. It has changed their character – from self-reliant bodies that gain confidence from their own collective efforts and their group solidarity, to bodies that exist mainly to access largesse, rather passively, from above.

Researchers who have been more closely involved in grassroots studies of these groups echo these sentiments, but their analysis is more complex. On the one hand, they agree that accessing benefits has become the overwhelming preoccupation of most DWCRA groups, and that this provides the main explanation for the rapid rise in their numbers. They believe that the passivity that this inspires has undercut the ability or inclination of borrowers in DWCRA groups to make productive use of funds obtained. They add that the state government has ensured that so much money flows to many of these groups that they have found it impossible, logistically, to manage the funds adequately.

On the other hand, they believe that alongside this excessive generosity, there exists the opposite problem – the failure of the state government to provide sufficient, or indeed any benefits to many of the groups that have arisen since 1997. The number of new groups is so vast that the authorities have found it impossible to deliver on their promises to a majority of them.[23] And the emphasis on new groups has caused the government to abandon many older DWCRA groups. As a result, many groups, both new and old, felt cheated and angry. So both excessive generosity and a failure to be generous have done damage.

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21 For example, interview with Rajesh Tandon, New Delhi, 8 April 2002.

22 This view was quite plainly confirmed by two senior strategists from the Telugu Desam Party, interview, Hyderabad, 5 May 2004.

23 For example, DWCRA specialists at APMAS – the organisation that has worked most closely with DWCRA groups – estimates that only 25,000 to 30,000 groups out of a total of around 470,000 have been able to access loans from the government's low-interest revolving fund. The rest are left to seek loans from banks, where rates are higher.

Let us consider the reasons for resentment among women in a little more detail. Many older groups that had achieved some viability have been largely abandoned by their members, who join new groups because they rightly believe that this gives them a better chance of accessing benefits. That has undermined or wrecked many long-standing groups, and has inspired dismay among women who had begun to flourish within them. And yet many of the new groups to which women have flocked have been formed so hastily that they cannot achieve the things (a minimum number of meetings, etc.) that are needed to qualify for benefits from the government, so this has inspired dismay among women who switched groups.

To make matters worse, many members of both old and new DWCRA groups – including many that have fallen into serious difficulty – are being overburdened with other tasks. In some cases, these have empowered group members, but they often compound the problems that many face in managing the resources that have come their way. DWCRA groups have been appointed as implementing agencies in the state government's midday meals scheme for primary school students. They also often play roles in developing nurseries, managing watersheds, constructing sanitary latrines, building and maintaining minor roads, working with programmes for literacy, family welfare, education and immunisation. The best informed non-official analysts of DWCRA groups worry that these tasks require women to commit so much time to administration and meetings that they have too little time and energy to tackle their already serious problems in making productive use of whatever funds they control.[24]

When these activities are undertaken by healthy DWCRA groups, they clearly provide women with far greater influence than they have ever experienced before. But many observers worry that the main beneficiary from their involvement in such work is the government, which badly needs local assistance in operationalising these various initiatives. The same observers stress the utility to the government and the ruling party of monthly sub-district level meetings at which representatives of DWCRA groups receive training, briefings on cooperative societies and marketing for their products, news of fresh programmes and benefits, etc. Activists from the ruling TDP were reported to be present often in these meetings, the main purpose of which is 'mostly to organise the release of funds'.[25] Their association with the provision of benefits – in the manner of old fashioned patronage distribution – strongly suggests an effort to turn this massive programme to partisan advantage. That conclusion is reinforced by the personalised mailshot communications, which many members of DWCRA groups periodically received from the chief minister himself. Far from winning their support, this has caused many women who feel overburdened and used by the ruling party to direct their resentments against it.

Evidence of this is available from election data. At the 1998 parliamentary election, 45.7 per cent of women voted for the TDP and its allies, whereas only 36.7 per cent of men did so (Suri 2002: Table 5). At the state election in 1999, when the TDP was re-elected, women again lent disproportionate support. In the period thereafter, however, women's discontent mounted. At the 2004 state election, which the TDP lost, women voted against it in greater proportion than men[26] – and turned out in greater numbers than men to do so.[27] This was remarkable; the first occasion since the establishment of the TDP that women gave it less support than men.

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24 Commissioner for Women's Empowerment and Self-Employment, *ibid.* p. 4, and interview with analysts at APMAS, Hyderabad, 4 May 2004.

25 Interview with analysts at APMAS, Hyderabad, 4 May 2004.

26 The precise figures are, at this writing, disputed. But the fact that a greater proportion of women than men opposed the TDP is clear from the post-poll survey conducted by the most serious analysis of this election. This is the National Election Study, organised out of the Centre for the Study of Developing Societies, Delhi, to whom I am grateful for this information.

27 This was reported on an NDTV election telecast, 11 May 2004.

How, amid this litany of troubles, can a 'success' have occurred? There are two answers to this question. The first lies in the sizeable number of DWCRA groups that have managed to operate in a healthy manner, despite the problems. Members of the non-official 'establishment' in Andhra Pradesh reckon that perhaps one-third of the DWCRA groups are doing well, another third are in an ambiguous condition, and a further third are outright failures. Analysts who work most closely with these groups are far less optimistic. They argue that only 85–90 per cent of them are in 'dire' difficulty.[28] But that still leaves a significant number – 10 per cent being over 47,000 groups – that continue to function well. In those groups, women have acquired more autonomy in material terms, plus greater awareness, confidence and skills, and a willingness to assert themselves more fully in the public sphere. And still more importantly, the social and psychological impact of this has been immense.

Second, many of the women in the large majority of DWCRA groups that have run into serious difficulty have been galvanised by their discontents into political action. (Some of them have also become cynical and withdrawn from the public sphere, but those most closely involved with DWCRA groups believe that those who have withdrawn are outnumbered by those who remain active.) They reacted against the ruling party at the 2004 election – a fact that bears witness to the impact of the initiative, even though it was unwelcome to the ruling party – and retain an appetite for self-assertion in the policy and political processes. Amid huge ambiguities, this adds up to a greater 'success' than many more widely publicised but more disappointing programmes that might have been included in this study.[29]

3.3 Metro Water, Hyderabad

In the early 1980s, the management of the water supply for the city of Hyderabad[30] lay in the hands of an inefficient, unresponsive government agency dominated by engineers. It was in a wretched condition. The state government of the Telugu Desam Party, which ruled between 1983 and 1989 under Chief Minister N.T. Rama Rao, was interested in establishing a more dynamic and independent authority to manage water more effectively. At the same time, the government faced 'demands from the World Bank' for just such a change. It responded by formally abolishing the old agency, but in practice, the same people continued to mismanage it and very little changed.

It was not until 1989, after the Congress Party had taken power, that a new agency – Metro Water – was established under pressure from the World Bank and amid a 'sense of crisis' over rising demand for water, severe shortages of it, and operating deficits.[31] The new Metro Water authority was headed by a formidable civil servant who was not an engineer, and whose preoccupation was administrative change to enhance service delivery. Its board was chaired by the chief minister, which gave the new undertaking strong political support, and ensured that it would have greater operational autonomy within the government apparatus. Its organisation was restructured to enable consumers to engage

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28 Interview with analysts at APMAS, Hyderabad, 4 May 2004.

29 Some readers may wonder why this analysis did not focus on those other governance 'successes' by Naidu's government in Andhra Pradesh. There are two answers to this question. First, an extremely detailed analysis of most of these alleged successes in 2001 by this writer (an enquiry that was guided by three of the state's most learned and objective analysts) led him to the conclusion that most of the claims about these 'successes' were substantially false. (That study resulted in a confidential report to DFID, which was shared with other donor agencies.) Second, in 2004, several of the state's best informed observers of governance programmes (including several civil servants working close to the chief minister) advised him (i) that on close examination, other 'successes' would turn out to be major disappointments, and (ii) that the DWCRA initiative – despite the ambiguities noted in this text – had accomplished more than those other candidates for inclusion here.

30 Strictly speaking, the metropolitan area served included the twin cities of Hyderabad and Secunderabad, but for simplicity only the former is mentioned in this text.

31 Caseley (2003). This entire section on Metro Water draws very heavily from Caseley's study. Field research in the state in May 2004 corroborated his findings in almost every detail.

with the agency at single locations over problems of water supply, sewerage, billing and pollution control. This enhanced the accountability of the authority, and yielded some gains in cost recovery.[32]

During the early 1990s, key posts within the new authority were filled by people skilled in financial management, accounting, personnel matters and administration. There had previously been a severe shortage, or in some cases, even an absence of such specialists within the organisation. This restructuring enabled greater flexibility in the deployment of staff and a reduction in overtime, which many employees did not welcome. But some compensations were also provided – for example, improved promotion prospects – and the head of Metro Water undertook a prolonged diplomatic effort among members of staff to persuade them that the changes were in their interests. This and subsequent improvements in consumers' perceptions of the organisation eased their anxieties somewhat.[33]

Those improvements occurred because service delivery itself began to improve, but the process was by no means straightforward. Steps were taken in 1991 to streamline the approval process for connections to the system. This reduced inordinate delays and many employees' opportunities for self-enrichment. So did action to break a corrupt nexus between employees and private plumbers (Caseley, *ibid.* pp. 77–8). But for reasons that remain obscure, this effort was soon abandoned. The most likely explanation is that influential politicians were given a 'cut' of illicit profits that Metro Water employees could make from the old system.[34] But even these stuttering attempts at reform sufficed to awaken consumers to the possibility that the service could become better. Many of them came from the urban middle classes. These people were far more self-confident, politically aware, impatient and assertive than the rural women who were engaged by the DWCRA programme – and they began to make their discontents heard more aggressively. Their impact was enhanced by other innovations within Metro Water, despite setbacks on other fronts: for example, new arrangements for keeping an official record of customer complaints, and for responding to them (Caseley, *ibid.* pp.78–80).

These things occurred under the Congress Party's government, which was ousted at a state election in 1994. It was succeeded by the Telugu Desam Party, which was at first headed by N.T. Rama Rao, but he was himself ousted after a few months by his son-in-law and key lieutenant, Chandrababu Naidu, who remained chief minister until May 2004. The latter took up pursuit of completing the reform of Metro Water with characteristic vigour and attention to detail. He received important reinforcement from the World Bank, in terms of pressure that other senior politicians and Metro Water executives could feel, plus funding, advice and arguments that would prove persuasive to the organisation's staff. The exercise was largely World Bank-driven, but it has to be stressed that the chief minister persisted with this even during a relatively brief moratorium on World Bank involvement after India's nuclear tests in May 1998.

Chief Minister Naidu lent strong political backing to senior Metro Water officials who were pressing employees for more comprehensive reform. He also selected extremely able, adroit civil servants to fill key posts. He welcomed proposals from the Bank for the introduction of more 'business-centred concepts' into the running of the organisation, which entailed still more substantial changes in it. These included a further streamlining of its structures and procedures, the decentralisation of decision-making within it, and measures to check abuses by members of staff. But once again, employees were compensated somewhat for their loss of opportunities for profiteering by reduced workloads.[35]

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32 *Ibid.* pp.68–75; and interviews with three former executives of Metro Water, Hyderabad, 3 and 5 May 2004.

33 Caseley, *ibid.* pp.75–7. Interviews with two former employees indicated that, over time, increased customer approval reinforced the head's arguments by yielding greater job satisfaction to members of staff. Interviews, Hyderabad, 6 and 7 May 2004.

34 Interviews with two former employees, Hyderabad, 4 and 7 May 2004.

35 *Ibid.* pp.80–4. The quotations come from p.83.

A core element of this new approach was a much stronger preoccupation with the needs and views of consumers. A campaign was undertaken in 1998 to draw Metro Water's senior managers into face-to-face encounters with customers. Managers travelled to locations round the city in a symbolic exercise to reach out, beyond their offices. The twin aims of this campaign were to make managers more aware of concerns and pressure from citizens, and to bring the latter into the reform process by catalysing participation and demands from them. They responded impressively, much to the surprise of the managers, and thereafter Metro Water employees risked 'humiliation' if services did not become more responsive.

Attitudes within the organisation began to change accordingly and services improved, thanks in part to new customer complaints procedures, the use of data processing to feed complaints and views into the system, and the enhanced transparency and speed of responses that ensued.[36] As a result, the number of customer complaints grew dramatically in the period between 1999 and 2002; increases were 149 per cent over the previous year in 2000, 29 per cent in 2001, and 71 per cent in 2002. But customer satisfaction with the behaviour of the agency's employees also increased dramatically over the same period. This was evident from survey data on the speed with which issues were addressed, the courtesy and respect shown to customers, and much else.

With the chief minister's strong support, senior managers then capitalised on these changes by introducing further reforms within the system. Backlogs in water connections were tackled by establishing single-window facilities to enable citizens to lodge appeals for action, and by forming teams of the agency's staff members and private contract labourers to provide connections. This inspired some protests from employees, but the agency had been carefully structured to fragment these and confine them within pockets where they could not make much impact.[37] The reform of Metro Water was patently a success.

Since the consumers involved in this initiative included a huge number of formidable middle-class residents of the city, the reform process received support not just from politicians and senior civil servants acting from above, but also from assertive customers pressing from below. This was crucial to the success of the programme. Such pressure from below is far less easy to muster in reforms that impinge on much less concentrated, less prosperous and less well-organised *rural* populations. This is apparent from Caseley's analysis of another attempt at reform in this state, the CARD scheme to improve services in the department of registration and stamps. It was a failure, contrary to claims by the state government and the World Bank (*Ibid*). Reform is far more likely to succeed when the urban middle classes can be drawn in as allies, but they represent only a small fraction of the populations of most less developed countries.

4 Conclusion

4.1 The limited role of donors and aid in the four Indian initiatives

This study of successful Indian governance reforms may be disappointing to readers who are interested in the role played by aid and donors in such reforms. This is because donors played no role whatsoever in the two Karnataka initiatives. Some donor funds were used in the DWCRA programme in Andhra Pradesh during the period in which it was vastly expanded, but it was only in the Metro Water initiative that funds and advice from the World Bank – but no other donor – were crucial.

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36 *Ibid.* pp.85–90. The quotations come from p.85. Former employees of Metro Water attest to the potent psychological impact of this and other similar changes, interviews, Hyderabad, 4 and 6 May 2004.

37 *Ibid.* pp.92–105; and interviews with former managers and employees of Metro Water, Hyderabad, 4, 6 and 7 May 2004.

However disappointing this may be, it is reasonably representative of India, where donors loom less large than in more aid-dependent countries. The former head of a major bilateral agency in India once said that he had felt 'like a fly on the rump of an elephant'. State governments in India have often generated constructive governance reforms, unassisted by donors.

There are, however, two other connections with donors that are worth noting. First, one reason why Chief Minister Naidu in Andhra Pradesh expanded the DWCRA programme so dramatically was to demonstrate to donors that he was an exceptionally dynamic leader, capable of astonishing achievements. He attempted this in many different sectors – the DWCRA initiative was far from unique. One key aim in all of this was to persuade donors that he was well worth backing – and in that, he was far more successful than any other chief minister in India, even if some of his 'achievements' had less to them than met the eye. The rapid expansion of the DWCRA programme both helped it to be a 'success' within a limited minority of the villages affected, and caused great problems. The strengths and weaknesses of governance reforms are often linked in this way. But the efficacy of Naidu's courting of donors with aggressive exercises such as this is beyond doubt.

Finally, our concept paper has noted that the infiltration of *official* policy elites by professionals who have worked in international financial institutions (IFIs) has sometimes accelerated reform processes. The BATF in Karnataka took this one step further – it drew such professionals into *non-official* policy elites involved in the policy process. Samuel Paul, the founder of the Public Affairs Centre (PAC), whose Report Cards on service delivery had done much to prepare the ground for the BATF, was a former World Bank employee. He was included on the board of the BATF, and the PAC lent substantial support to it as its work proceeded. The BATF also drew in a small number of key professionals from the private sector who had worked in firms in the US which interacted extensively with IFIs – again as non-official participants. So the donor connection in these two states is not as limited as significant donor involvement in just one of our four initiatives might suggest.

4.2 Comparatively easy reforms

The findings from the Indian cases strongly suggest that it is often possible to identify governance reforms that are not unduly difficult to achieve, and which can yield significant improvements in the way that society's business is conducted. They also suggest that some governance reforms, when shrewdly selected, designed and then pursued, are easier to achieve than are many economic reforms.

The key word in that last sentence is 'selected'. The two Indian state governments assessed here carefully selected reforms that were comparatively practicable – they concentrated on 'low-hanging fruit'. That is not necessarily (as we shall see presently) a vice if numerous such practicable reforms are attempted – if, that is, individual initiatives fit into a more generalised pattern of governance reform, and if a more abrupt and aggressive effort at macro-systemic change (including efforts to reach 'higher-hanging fruit') are likely to trigger reactions that scuttle the entire enterprise. In those circumstances, the best would become the enemy of the good. We should not allow a preoccupation with major, macro-systemic reforms to blind us to the utility of an abundant harvest of 'low-hanging fruit'.

Many governance reforms appear, on this and some other evidence, to be relatively easy to achieve because they do not entail zero sum games. That is also true of many economic reforms, but with governance reforms, it is sometimes comparatively easy to *show*, early in the process, that this is true. When the political and policy processes are thrown open to participation and influence from below, some politicians and bureaucrats (especially at lower levels) lose some of their former powers. But certain compensations often become evident, soon after the changes are made. Politicians see that such reforms are popular, which enhances their chances of re-election if they are associated with the party that introduced the changes. (This had a calming effect, for example, among state legislators and urban councillors in Bangalore after the BATF began its work.) Many bureaucrats tend

to discover that the flow of information from below increases mightily, which empowers them to operate more effectively. They discover that the changes enable them to perform more responsively, which increases their job satisfaction. And when citizens become more contented with the performance of government agencies, bureaucrats find that their status is enhanced within the community.

To say this is not to argue that even such incremental reforms will happen without certain interests experiencing serious losses. Very occasionally, 'loser-free' reforms occur; the Education Guarantee Scheme in the Indian state of Madhya Pradesh is an example.[38] But they are exceedingly unusual. In the overwhelming majority of cases, some interest groups lose out – entirely or almost entirely. In Karnataka and Andhra Pradesh, as in India more generally, the losers often come from the lowest levels of the bureaucracy – those located in the space between the sub-district and local levels. The comments in the previous paragraph about bureaucrats receiving some compensation for the losses that reforms entail mainly refers to government employees above the sub-district level (although some at that level also experience certain gains).

One of the things that makes the type of incremental reforms examined here practicable is the capacity of governments in India to deal with the resentments of these low-level bureaucrats in ways that minimise the damage – in both policy and political terms – that these losers can do. There are three strands to the management strategies that reforming leaders usually adopt to accomplish this.

● They do as much as they can to fragment groups of losers, by keeping sub-sets of them walled off from one another (a) in separate government agencies, (b) in distinct spatial arenas, and (c) at different levels within the political system.

● They cultivate bureaucrats at slightly higher levels (a) by stressing the compensatory gains that reforms offer them, (b) by playing upon the disdain that those bureaucrats feel towards government employees at lower levels, (c) by stressing that reductions in corruption among those employees will yield more funds for programmes which bureaucrats at slightly higher levels implement, and (d) by ensuring that those bureaucrats at slightly higher levels remain well remunerated. This partly explains the extraordinary willingness of state and central governments in India in recent years to provide bureaucrats at senior and middling levels with increases in pay and benefits. Donors and others often regard these decisions as unwise in an era of tight fiscal constraints, but they facilitate the kind of governance reforms assessed here.

● They show a firm willingness to face down resentment among government employees at the lowest levels – on the (usually correct) assumption that they have too little power to resist effectively.

Another advantage of the type of governance reforms we see in these Indian states is worth stressing. They do not entail large outlays of public funds. As a result, they do not trigger major political battles in the way that huge spending programmes did before fiscal constraints began to bite hard in the early 1990s in most less developed countries. Consider the four Indian programmes examined here. Three of them mainly involved administrative changes; they were not particularly expensive. Only one – the DWCRA programme in Andhra Pradesh – required sizeable new spending.

Two other features of the governance reforms discussed here, and of many other such reforms elsewhere, make them comparatively easy to achieve. They mainly seek *incremental* change, and they pursue it *within limited sectors* of the political/administrative system (which is partly what is meant by the phrase 'low-hanging fruit'). They do not, in other words, seek macro-systemic change, although the cumulative effect of such reforms may alter the way that an entire system works.

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38 The 'loser-free' character of that initiative is explained in Melo *et al.* forthcoming.

This brings us back to the question of whether such initiatives qualify as broad *policies* of reform, or merely represent discrete reform *programmes*, a more modest term. The four Indian initiatives assessed here fall into the latter category. Is that a serious indictment of them? The answer to that question depends upon how these initiatives fit into the broader governance strategies of the regimes that undertook them. Let us consider this with reference to these two state governments.

Successive governments headed by different parties in Karnataka have, since the mid-1980s, introduced changes in governance that have had a significant cumulative effect. This process began not with an incremental change, but with a major structural change – the substantial empowerment of elected councils or *panchayats* in rural areas in 1985. That reform – which occurred before India's Constitution was amended in 1993 to encourage all state governments to attempt such changes – represented one of the boldest experiments with democratic decentralisation in the developing world. It made the political and policy processes significantly more open and responsive to ordinary rural dwellers, and its impact was felt in nearly all development sectors.[39]

It was then followed, during the years up to 2004, by a number of other, this time incremental changes within specific sectors, which also provided ordinary folk (rural and urban) with meaningful opportunities to gain information from and influence over the policy process. These included single-sector user committees and new, more open arrangements with civil society organisations. These changes had a particularly strong inclusive impact on ordinary people because many of the key bureaucrats who drove them had been persuaded by their work as chief executives of elected district councils after 1985 of the utility of opening the system up to greater participation and influence from below. This was truer of Karnataka than of almost every other less developed country and of every state in India – with the possible exception of West Bengal. So the two incremental reforms analysed here fit into a broader pattern – a general tendency at the level of policy, and not just of programmes – the cumulative effect of which was to reorient much of the larger system of governance.

Andhra Pradesh presents us with greater complexity because there was a much greater divergence there between what the chief minister and government claimed to be doing and what they actually did. There are three points to stress here.

a)   The chief minister claimed to be attempting a major overhaul and reform of governance.

b)   Some of his claims were misleading in two ways. On certain fronts, he did not do what his claims promised. And on most fronts, while he introduced significant changes, his goals were rather different from those that he advertised.

c)   *And yet*, we must not allow this to blind us to the fact that his incremental changes, which he implemented with greater energy than leaders applied in any other Indian state, had a significant cumulative effect.

Naidu claimed to be seeking to bring into being a new kind of government that would be 'SMART'. That was an acronym for simple, moral, accountable, responsive and transparent government. The state government's formidable publicity machine, on which it spent far more money than its counterparts elsewhere, succeeded in disseminating these concepts and in convincing many observers and most of the media of them, and of one further key idea: that the chief minister was fiscally disciplined. The reality was different – sometimes dramatically and sometimes subtly.

Consider one example of a dramatic contrast. When the chief minister spoke (under the SMART rubric) of 'moral' government, he mainly stressed efforts to curb corruption. And

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39   The only sector in which panchayats played no role was cooperatives. For a detailed discussion, see Crook and Manor (1998), especially Chapter 2.

yet there is clear evidence that he permitted legislators to 'eat' (as he put it) one-third of development funds for their constituencies, and reliable observers claim that kickbacks on major contracts were received by his government on more than 100 occasions. Naidu invited the architect of Hong Kong's necessarily draconian and highly successful Independent Commission against Corruption to outline a similar scheme for Andhra Pradesh, but when it became clear that the chief minister was unwilling to proceed seriously, the talks were broken off.[40]

His approach to other elements of SMART government diverged in more subtle ways from the advertised proposals. He sought to encourage some 'accountability' and 'responsiveness' within institutions that his party and government could substantially control, but marginalised other institutions that can clearly promote it – for example, civil society organisations and elected councils at lower levels. 'Transparency' was again encouraged to a degree in institutions that could be substantially controlled – but only insofar as it did not intrude upon the partisan advantage of the ruling party and on 'fundraising' by the party and its legislators.

This placed limitations on the constructive changes that could occur. But the extraordinary energy that Naidu committed to introducing innovations in governance, and to making his influence felt down through the administration in order to ensure that they were implemented, produced a significant cumulative effect on the system. He undertook a broad array of new initiatives – often under the rubric of the (rural) *Janmabhoomi* programme which, several times each year, addressed the needs of specific groups at the grassroots in exchange for inputs of funds or labour from villagers. Each fresh *Janmabhoomi* round addressed a specific section of society – women, artisans, scheduled castes, etc. In this and other programmes, he did indeed open up opportunities for participation and some influence from below, and determinedly compelled bureaucrats to respond to villagers' needs. All of this was carefully constrained somewhat, so that it served the partisan interests of the ruling party. But its effect in politicising the rural sector and activating groups in the villages who had been largely excluded before was – on very reliable evidence – more dramatic than in any other Indian state in that period (with the possible exception of Kerala). In urban areas, where organised interests were more formidable, he again introduced an abundance of changes in governance that tended to have much of the liberal character of those in both the urban and rural sectors in Karnataka – that is, they were not designed to serve in a direct way the interests of his party. Taken overall, his urban initiatives also had a substantial systemic impact. So, as in Karnataka, the two programmes examined here fit into a broader pattern, which qualifies as a policy of governance reform.

That is not always true of incremental governance reforms in less developed countries. But in the period assessed here, it was truer of these two states than all but perhaps two other states in India. When it is true, it is unwise to pass too harsh a judgement on politicians' understandable preference for such practicable initiatives, as the next section argues in a little more detail.

4.3 When are governance reforms difficult?

There are at least three answers to this question, and they need to be discussed separately.

(1) *When they affect the vital interests of powerful groups.* The powerful groups in question are as follows:

● Politicians at middle or high levels in political systems who possess substantial power

● Bureaucrats at middle or high levels who possess substantial power

● Social groups at any level who possess substantial wealth and (especially) power.

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40 These matters and more in this vein are examined in a confidential report by this writer to DFID, 2001.

To say this is to state the obvious. But what we find to be less obvious is that it is often possible to devise and implement governance reforms that do not damage the interests of these groups, and which nonetheless produce significant improvements in governance for large numbers of people. This was true of all four of the Indian programmes assessed here.

The main losers in three of those episodes (there were no losers except perhaps rural moneylenders in the case of DWCRA) were low-level bureaucrats, but they lacked the power to oppose change. This was true especially because restructuring (in the case of Metro Water) or pre-existing divisions among them (as in the case of the BATF and the *Bhoomi* programme) fragmented them so that they found it difficult to muster collective resistance.

(2) *When certain features of the sector within which a reform is to occur make leaders reluctant to proceed.* Leaders are often reluctant to introduce reforms that render the policy and political processes more open, transparent and downwardly accountable when one of four 'features' is present.

- When national security issues are perceived to be at stake.

- When the sector of government that might be opened up is either technologically or technocratically complex or both, so that senior leaders believe that 'experts' must be left in charge.

- When the sector yields substantial revenues to the government that might be lost or reduced if it were opened.

- When the sector yields substantial profits to private interests and/or senior people in the government, which again might be lost or reduced if it were opened.

The second of these 'features' was present in the sectors affected by Metro Water and some of the initiatives that flowed from the BATF. But in each case, 'experts' remained in charge; indeed, in both cases, greater expertise was imported into the systems. Revenue issues – the third 'feature' listed above – were involved in the cases of Metro Water, the BATF and the *Bhoomi* project. But in every case, the government stood to gain revenues – hardly a disincentive. Those gains occurred in all three cases, especially Metro Water and the BATF, because certain government actors lost opportunities to make illicit profits from bribes. But in every case, those who lost were quite low-level bureaucrats, and their objections could be and were over-ridden. So in many cases, the four 'features' listed above need not impede governance reforms.

(3) *When they threaten serious damage to ruling parties.* Indian politicians have tended, in their pursuit of both economic and governance reforms, to concentrate on 'low-hanging fruit'. This has caused much frustration for many donor representatives and Indian enthusiasts for bolder macro-systemic reform. But it is important that we look at this from the viewpoint of senior politicians who make nearly all of the crucial decisions in these matters. Two ideas figure prominently in their minds.

First, they fear that if they reach for 'high-hanging fruit', they risk serious unpopularity and the destabilisation of their governments. An example from the menu of economic reforms will illustrate this point, since similar thinking applies on governance issues. This writer once asked S.M. Krishna (when he was chief minister of Karnataka) why he did not consider taxing rural incomes and reductions in the subsidies on electricity. He wearily explained that either action would be tantamount to political suicide. 'They [especially the rural electorate which decides elections] would never forgive me and I would be finished.'[41] A similar response on the electricity issue came from M. Karunanidhi when he was chief minister of Tamil Nadu. He told reform-minded advisors who urged him to cut subsidies in that sector that 'if I raise charges on *their* power, they will take away *my* power'.[42] Senior politicians also take this view of audacious governance reforms.

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41 Interview, Bangalore, 7 December 2000.

42 I am grateful to R. Venkitaramanan, one of those advisors (and the former Governor of the Reserve Bank of India) for this information.

A second idea that looms large in their thinking helps to explain their caution a little further. Once again, an analogy from the sphere of economic reform helps here. An eminent advocate of bold economic reform who holds a senior post in India's central bank recently told this writer that we will not see adventurous reforms in that sector until the country once again faces the kind of economic crisis that arose in 1991. In recent years, despite politicians' hesitancy to undertake difficult economic reforms, inflation has been kept reasonably low, and the economy has grown at an impressive rate. So politicians say to themselves, 'Since there is no crisis, why take serious risks?' State-level leaders in India also do not believe that they face a *political* crisis. They concede that fiscal and budgetary constraints make it very difficult for them to maintain their popularity, and that it is exceedingly difficult for them to get re-elected. But in their view, those things add up to a worrying dilemma, not an outright crisis. They therefore prefer to avoid the risks implied by bolder governance reforms, by 'high-hanging fruit'. They prefer incremental changes, which they develop opportunistically without reference to grand reform models,[43] and which they see (rightly) as practicable. They do not explicitly say that they prefer the practicable good to the risky best, which might become the enemy of the good – but that is what is in their minds.

Perhaps we should also see some validity in their tendency to focus on comparatively modest but practicable reforms and, like them, be less preoccupied with macro-level reforms – especially if they pursue change on multiple fronts, as these two state governments did. Perhaps given the logic of Indian democracy, with its impatient and demanding electorate, this is the best that we are likely to see. This means settling for what Merilee Grindle has called, in a recent World Bank study, the pursuit of 'good enough governance' (Grindle 2004). Governance in most Indian states is not yet 'good enough' – which justifies donor pressure for change – but perhaps serious multi-faceted efforts to achieve it which have a significant cumulative effect should qualify for at least a hesitant welcome.

4.4 Practical conditions for successful governance reforms

Our concept paper identified six factors that may influence the capacity of reformers to challenge the privileges of elites and/or to generate support from groups likely to benefit from governance reforms. Let us consider what the Indian initiatives tell us about these.

4.4.1 Institutional longevity, predictability and legitimacy

Our concept paper noted that reform may be difficult where there is a memory of catastrophic institutional failure. This was not a problem in Karnataka and Andhra Pradesh. Institutions there were far from perfect, but they had long been well elaborated, stable and well entrenched, and they had shown some capacity for constructive change. They had never undergone anything approaching 'catastrophic failure'. They had never been involved in the kind of excesses committed by Brazil's military dictatorship; these two state governments spared their people most of the enormities of Indira Gandhi's Emergency between 1975 and 1977 (Manor 1978, *ibid*). And nothing remotely like the collapse of political institutions that occurred in Uganda before Museveni has happened here.

Even where there was considerable public dissatisfaction with agencies involved in service delivery – and pre-reform surveys in Karnataka revealed plenty of that – considerable 'institutional legitimacy' existed at a deeper level. There was broad popular acceptance for the democratic political system within which such agencies functioned. Indeed, international surveys indicate that such acceptance in India exceeds that found in all other consolidated democracies on which we have evidence – in most cases by a large margin (Linz *et al.*

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43 I am grateful to Vikram Menon of the World Bank for this formulation.

2004). In Andhra Pradesh and Karnataka, as in most of southern and western India, that legitimacy had been bolstered by a strong record over many decades of accommodating new actors or entrants within the political system[44] – another characteristic identified in our concept paper. All of this simplified the task of governance reformers in these two states.

So did the very substantial powers that chief ministers enjoy in the Westminster-style systems that exist within Indian states. They have far greater leverage within their political systems than any Brazilian president can hope for, since the latter has to contend with a legislative branch in which no president has commanded a majority of seats, plus powerful governors in a federal system, some of which belong to other parties. (Note, however, that President Museveni in Uganda is more powerful than Indian chief ministers are.)[45] Since the two chief ministers were deeply involved in the four reform initiatives examined here, this mattered (see also the next section on 'Politicians and governance reforms').

This leverage was put to good use in negotiations with special interests – another key process noted in our concept paper – that occurred as the BATF and Metro Water reforms proceeded. (Little or no negotiation occurred in the two rural initiatives.)[46] But the main arena for negotiations was not in the huge sphere of state-society relations, but within the confines of state agencies, and the main interests that had to be addressed were the employees of those agencies. Virtually no one within society more broadly suffered pain from the two urban reforms, so no negotiations were necessary with discomfited interests there.

To help drive the reform process forward, both the Metro Water and especially the BATF initiative drew civil society organisations, organised interests and individuals who benefited from improved services into the process by using consultative devices. And the BATF also drew in formidable individuals from the private sector.

4.4.2 Levels of reform: devolution to lower levels of government

Our concept paper observes that national governments often find it useful to devolve responsibility for reform to sub-national levels in their systems. The two state governments discussed here were of course just such sub-national entities, but we need to ask whether further devolution by those governments to lower levels played a role in these four initiatives. The answer is, essentially, 'no'. The two rural programmes – *Bhoomi* and DWCRA – affected villagers, but they were state-wide programmes devised and implemented by authorities from the top down. They did not draw elected councils or *panchayats* at lower levels into these particular initiatives. This was unusual in Karnataka where *panchayats* were strong and where the state government often integrated those councils into rural initiatives. But since the *Bhoomi* scheme mainly required a technological change involving computers, there was little that *panchayats* could do to facilitate the change. In Andhra Pradesh, the avoidance of *panchayats* was not at all unusual. Chief Minister Naidu distrusted them because his party could capture control of only a majority of them, not all of them. He therefore systematically starved *panchayats* of powers, resources and opportunities, such as those offered by the DWCRA programme.

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44 See in this connection, Ram Reddy and Haragopal 'Andhra Pradesh' and Manor 'Karnataka' (1988).

45 This is vividly apparent from a forthcoming Machiavellian study of these three countries, Melo, Ng'ethe and Manor, *ibid*.

46 The *Bhoomi* scheme in Karnataka required a sufficiently modest change – from human beings to machines – and the registrars who were displaced were so widely scattered at the village level that this change was simply forced through. In Andhra Pradesh, the chief minister tended – far more strongly than his counterparts in Karnataka over the last three decades – to proceed by assertion rather than by negotiation, and that is how the immense, rapid expansion of DWCRA occurred. But the complexity of the changes in administrative practice that were needed within Metro Water forced the government into negotiations.

One of the two urban programmes also made little use of elected urban councils – the Metro Water reform in Hyderabad. The state government remained in command of that process. But in Karnataka, the BATF expended considerable effort to promote change within the BMP, the city council – and this had a further impact on the other six urban agencies with which it engaged.

4.4.3 Changes in composition of governing elites, and the diversity and depth of civil society

The two themes in the sub-heading above are treated separately in our concept paper, but they converge sufficiently in the stories that emerge from these two states to be linked here. The *Bhoomi* programme in Karnataka did provide new opportunities for villagers to participate in policy implementation. The scheme was implemented by machines and a few technicians who tended them. Villagers seeking land documents did what they had always done before. The change was in the method by which the service was delivered. The other three initiatives drew new actors into the policy process – with some important differences that need to be discussed.

Only the BATF in Karnataka brought about changes within policy *elites*. It drew in people from the private sector – at elite level – who assisted urban agencies in envisioning, designing and implementing reforms. Those people also paid for the services of other technical specialists who assisted the agencies in making these changes. It also systematically included civil society organisations, which helped in shaping some of the changes introduced by municipal agencies, and especially in conveying the views and preferences of citizens to the BATF and those agencies. Finally, the BATF opened up opportunities for ordinary citizens to exercise some voice and influence within the policy process, through publicity campaigns, consumer surveys and participatory devices.

The two initiatives in Andhra Pradesh did not produce change in the composition of *elites* but it did draw ordinary people into the policy process through the use of participatory mechanisms. The DWCRA scheme differed from the Metro Water programme in that it did not bring civil society organisations into play. We have seen that the Naidu government was suspicious of civil society, especially in rural areas where most of the votes were, because they represented independent power centres that it could not control. The DWCRA groups resembled civil society organisations, but they failed to qualify as that because they did not enjoy significant autonomy from the government. Indeed, this was the government's intention. It created them as one more version of a type of organisation that it brought into being in great numbers – as 'GONGOs' (government-organised non-governmental organisations), an oxymoron. The Naidu regime adopted this approach in order to marginalise genuine civil society organisations. But this still opened up significant opportunities for ordinary people to exercise some influence within the political and policy processes – in the case of DWCRA, women who had previously been excluded.

The Metro Water programme made the governing elite in that sector more diverse. It took an agency that was overwhelmingly dominated by engineers – specialists in the technical aspects of water provision – and brought in specialists with knowledge of how organisations could be made more flexible, effective and open. That opening up brought individual consumers and organised interests in the urban sector (some of which were civil society organisations) into the margins of the policy process and gave them some influence. They did not become *members* of the governing elite (as occurred in the BATF), but they were linked to it.

The expansion of the DWCRA programme entailed no change in the governing elite that implemented it. But it sought – with partial success – to equip village women to play a more informed, self-confident and proactive role within local arenas.

4.4.4 Sequencing and intensity of reforms

The architects of the four Indian reform initiatives also paid some attention to the need to take action that would generate early 'winners' who would then support further steps in

the reform process – or, where such further steps were unnecessary, the initial changes. There were, however, important differences between the two rural initiatives on the one hand, and those in the urban sector on the other.

In the rural sector, the DWCRA scheme in Andhra Pradesh and the *Bhoomi* programme in Karnataka did not entail successive phases of reform. In each case, the entire package was unveiled at the outset, although in the DWCRA programme a few additional incentives for participants were introduced over time. Both were pursued in ways that swiftly yielded useful benefits to rural dwellers at an early stage, both to cultivate popular support for the changes and to ensure substantial uptake by villagers.

Sequencing was an important feature of the two urban initiatives. The Metro Water reforms evolved gradually and their character changed somewhat over time as ruling parties and chief ministers (with different predilections) succeeded one another. The BATF initiative also evolved gradually – because those involved needed time to consult citizens and numerous municipal agencies over what reforms were desirable and feasible, and because care was taken to draw those agencies into the exercise as willing participants. (Indeed, they had veto power over the potential reforms – and in some cases, they exercised it.) But with both Metro Water and the BATF, some early actions were taken to identify the preferences of ordinary people and to respond to them, in order to generate popular support and pressure for further measures.

This had one further purpose that is sometimes overlooked in studies of reform. Those early actions were also intended to include among the 'winners' from any reform many of the government employees whose work practices were changed. This was done not by offering them material incentives, but by two other means. First, many of them gained greater job satisfaction from the improvements in their agencies' capacity to respond effectively to citizens' preferences. Second, they gained greater appreciation and approval from those citizens, which raised their status in the community, as well as their morale. Such things may appear insubstantial alongside the material incentives and disincentives that loom large in many economistic studies of reform. But Tendler's research on Brazil and this writer's interviews with employees in these two agencies indicate that they had a significant impact.

4.4.5 Technical capacity

By the standards of most less developed countries, state capacity in India is reasonably formidable – and within India, Karnataka and Andhra Pradesh possess it in greater measure than most other states. In particular, both have fairly professional bureaucracies that have largely avoided the damage that is common in some north Indian states as a result of brow-beating by unbridled politicians. The administration in both states is also well de-concentrated, and bureaucrats within it have long experience of working with – and taking instructions from – democratically elected politicians. Corruption among bureaucrats is a significant problem, but it is not as pervasive as in some other Indian states and less developed countries.

The bureaucracies of the two states have their limitations, however. They have often exhibited rigidity, or a reluctance to change. And government employees at lower levels have shown a reluctance to part with some of their former powers as new, more open processes are introduced to permit ordinary folk to exercise some influence. We need to consider: (i) how these factors affected the initiatives assessed here; (ii) what politicians, bureaucrats and (in the case of the BATF) others at high levels did to tackle this problem; and (iii) how, and to what extent, pressure from below (from ordinary people who were drawn into the political and policy processes, and from civil society organisations) played a role.

Let us begin with the two initiatives aimed at the rural sector. The *Bhoomi* programme in Karnataka is the most straightforward case, since it entailed a relatively minor change that was well within the capacity of the administration. Information technology, which was

abundantly available within India's silicon valley, was used to displace slow, corrupt and unresponsive village scribes in the provision of important land documents. It was unnecessary to draw civil society organisations into the process, and villagers seeking documents participated as consumers of the service at the same rate as before, but with far greater satisfaction. It was not difficult to force this change upon the village-level officials who were displaced. They were widely dispersed, scarcely organised and thus quite incapable of offering resistance.

The expansion of the DWCRA scheme in Andhra Pradesh required bureaucrats not to *change* their activities but to *expand* them, rapidly and on a massive scale. This placed immense strain upon the capacity of the system – indeed the haste with which the initiative was pursued led to its failure in a large majority of cases. Low-level bureaucrats – and ruling party activists who worked closely with them – often concentrated so intensely upon increasing the *quantity* of DWCRA groups (in response to heavy pressure from Chief Minister Naidu) that their *quality* usually declined severely. We have seen that the number of such groups was so enormous that even the small minority which worked well provided important new opportunities to the many women who belonged to them, but in general, the initiative was a serious disappointment – to women villagers and ultimately to the chief minister, who saw rural women turn against him at the 2004 state election. Greater participation from below by women villagers was systematically induced, but this was done in a way that largely excluded civil society organisations from augmenting the technical capacity of the bureaucracy. It is unfair to place most of the blame for the shortcomings of the DWCRA scheme in most villages on the administration. The main problem lay with the unrealistic demands made upon it by the chief minister. This clearly indicates that reforms should be pursued at a judicious pace – a pace consistent with the capacity of the bureaucracy, which in this state is reasonably effective – and that the pursuit of spectacular change (with which Naidu had become preoccupied) may well generate more reverses than gains. That should make us cautious about the pursuit of 'high-hanging fruit'.

Let us now turn to the urban sector, where the initiatives in both states required government employees to make more changes in their work patterns than the two rural programmes did. The reform of Metro Water in the capital of Andhra Pradesh ultimately transformed the delivery of water services. This was only possible because new specialists in organisation and management were drawn into Metro Water, because much more flexible practices were introduced, because the structure was opened to consultations with and pressure from consumers, and because consumers (including, to a modest degree, civil society organisations) engaged with the new process proactively. These were very substantial changes, but their achievement was possible because the time-frame involved – extending over the tenure of several chief ministers, most of whom lent support to the reform – was far greater than that in which the expansion of DWCRA occurred in the same state. Here, uniquely among these four cases, funds and especially advice from a donor (the World Bank) played a crucial role. That advice helped to ensure that the reform proceeded in a judiciously sequenced way, in a manner that eventually provided Metro Water employees with greater job satisfaction, and at a pace that was realistic given the scale of the task.

The BATF initiative also induced significant changes in the operations of several municipal agencies. This required employees within them to change their work patterns. But the emphasis here was upon augmenting the capacity of those agencies – through the provision of fresh funds, new technologies and methods, technical specialists contracted in, and the opening of the agencies to greater public participation and scrutiny. The media and civil society organisations were systematically included in the policy process in order to enhance popular participation, accountability and information flows between the agencies and citizens – in both directions. Some of the changes that agency employees had to make placed them under strain. But the much-publicised increases in popular appreciation for their services, and the strengthening of their capacity to achieve things, provided them with significant compensation for their discomfort.

4.5 Differences among types of public sector and governance reform

Our concept paper lists four types of governance reforms or four spheres within which reforms might have an impact – since a single reform initiative that is mainly intended to impinge upon one sphere may also yield gains in others. That is certainly the case with the four Indian initiatives considered here. They were mainly intended to improve service delivery (one of the four spheres), but they also produced at least modest but sometimes significant changes for the better in the other three. Let us consider each of the four spheres in turn.

4.5.1 Fiscal stability

Both of these state governments operated under tight fiscal constraints. As a result, while these reforms were not intended to *enhance* fiscal stability (a few important exceptions are noted below), care had to be taken to avoid damaging fiscal stability.

The *Bhoomi* scheme in Karnataka was not intended to enhance fiscal stability, but it was initially designed to pay for itself. Villagers who obtained land documents from it were asked to pay Rs15 for the service, which covered the costs of the programme. As the 2004 state election approached, the fee was cut to Rs7, to cultivate popular support. If this is sustained, the scheme will impose comparatively modest costs on the state exchequer. This is somewhat but not extremely discouraging to custodians of the fisc.

The BATF had a significant impact upon the capacity of several municipal agencies to monitor revenues and expenditures in a timely manner, to manage their budgets, and to reduce the leakage of funds and the non-collection of revenues as a result of malfeasance. It also encouraged one agency, the Bangalore Development Authority, in its plans to realise substantial sums for development from the sale of assets – which facilitated major infrastructure works at no cost to the state's exchequer. Some respondents expressed concern about the scale of borrowing by some municipal agencies, but most informed observers regard these as within their capacity to repay. Thus, the BATF's impact on the fiscal health of these municipal agencies substantially exceeded the impact of the other three initiatives assessed here. This was true even though its principal aim was to improve service delivery, since sound budgetary management and the financial health of municipal agencies helped to enable that main task to be performed.

The DWCRA programme in Andhra Pradesh was far more expensive. It amounted to the sort of gamble in which Chandrababu Naidu – who often took what other chief ministers would have regarded as hair-raising fiscal risks – often engaged. He knew that in the run-up to the 2004 election, he could fund DWCRA from resources from the central government, which depended for its survival upon backing from him and from budgetary support provided by the World Bank, the British and the Dutch. He reckoned that it would help him gain re-election and appear to donors to be a spectacular achievement – and that this, plus his status as a development icon for the donors, would ensure further funds in the future.[47] His defeat at that election leaves the successor government with an expensive programme that may not have done serious damage to fiscal stability in Naidu's time, but which might now do so.

The reform of Metro Water was intended, in part, to enable the delivery of water services within Hyderabad to become more effective and responsive to consumers without placing additional burdens on the state exchequer. In this it succeeded. It thus had a neutral impact upon the fiscal health of the Andhra Pradesh government.

4.5.2 Service delivery reforms

Much of the discussion in this study has focused on the enhancement of service delivery as a result of three of the four initiatives – the exception being DWCRA – so it is not necessary

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47 This comment is based on an interview with a close political associate of Naidu, Hyderabad, 3 May 2004.

to go into detail on this aspect again. They did, however, use somewhat different means. The *Bhoomi* programme replaced unhelpful village accountants with computerised systems. The BATF brought new management techniques, skilled personnel, (privately donated) funds and civil society organisations into play. The Metro Water reform introduced the first two of those four things as core features of the changed systems. All three yielded significant improvements in service delivery.

The expansion of the DWCRA programme was not intended to improve service delivery, so the fact that it had only very marginal utility in that sphere is not a serious criticism. It needs to be judged on its impact on a certain kind of 'capacity building', to which we now turn.

4.5.3 Capacity building and civil service reform

In order to enhance service delivery, it was essential to strengthen the capacity of the agencies involved in the two urban initiatives. But before we consider them, brief comments are in order on the two rural programmes. The *Bhoomi* scheme in Karnataka bolstered the capacity of the state agency that provided land documents not by enhancing the capacity of village clerks, but by using information technology to replace them. The DWCRA programme in Andhra Pradesh did little to strengthen the capacity of state agencies to mount such initiatives – rather, the agencies concerned were placed under great strain, which often proved too much for them. Instead, the focus of the programme was on enhancing the capacity of *village women* to manage resources and operate proactively in the public sphere. In a large majority of cases, the inability of the bureaucracy to implement such a sudden and massive expansion led to failure. But a small proportion of DWCRA groups – which given the immense scale of the initiative numbered in the tens of thousands – witnessed such capacity building among women who had joined these groups. But neither of these rural schemes involved any sort of civil service reform (unless we see the displacement of village accountants under *Bhoomi* as an example of that).

The urban initiatives were a different story. Both the BATF and the Metro Water initiatives considerably enhanced the capacities of urban agencies to provide services more effectively and responsively. The way in which government employees operated was changed in both cases – incrementally and thus without serious disruptions – but in terms of the cumulative effect, this was substantial. If we ask whether they qualify as core elements of something as grand as 'civil service reform', the answer must be 'barely'. But despite this, significant enhancements to bureaucratic capacity actually occurred.

4.5.4 Public accountability

Little was done to enhance public accountability by the *Bhoomi* and the DWCRA programmes, although both made the policy process somewhat more transparent. (Note, however, that there are signs that the women who joined the minority of DWCRA groups that flourished will, over time, become more capable of holding public officials to account.) But substantial improvements in accountability resulted from the two urban programmes.

The Metro Water reform in Andhra Pradesh entailed the introduction of consultative mechanisms and a much less opaque, open relationship between consumers and the agency. Responsiveness and the overall quality of the service improved mightily as a consequence.

This was also true, on a grander scale involving several municipal agencies, of the BATF. Its architects went to great lengths to ensure public accountability. They commissioned surveys to draw citizens' perceptions and preferences into the policy process (to apply pressure on those agencies to become more accountable). They introduced other consultative mechanisms in which agency representatives engaged directly with consumers of services. And they held twice-yearly, well-publicised public meetings at which the chief executives of the agencies set out precise targets for improvements in service delivery over the coming months and reported on their performance in achieving targets set at earlier meetings.

So in discussing these two urban initiatives, we can say of public accountability what we said of fiscal stability. The achievement of their main goal – better service delivery – depended upon and triggered significant gains in accountability.

4.6 Politics and governance reforms

A final word is in order here. Some commentators on governance reforms stress the importance of sealing off institutions from the influence of politicians and political crosswinds. The Indian cases indicate that we need to refine this notion. All four 'successes' in India depended on the energetic commitment of the two chief ministers, who are of course senior politicians. So the influence of senior politicians did not diminish, it increased – and proved necessary to the successes that were achieved. At the same time, however, one tactic used by those senior leaders was the insulation of institutions that were pursuing reforms from damaging actions by other, lesser politicians who opposed them. But 'insulation' on its own *cannot ensure* the *success* of reforms in an open – and decidedly porous – democratic system such as India's.

These two chief ministers sought at least to disarm opponents of the reforms and, wherever possible, to convert them into supporters. They did so by stressing to lesser figures in their own parties (who were, again, politicians) that their futures would be brighter if they cooperated with the reforms – for example, their chances of promotion and renomination at the next election would increase. And they persuaded many of those subordinates that the reforms were in their interests – because they were popular, and therefore enhanced the re-election prospects of ruling party politicians, and also because those lesser figures could claim credit for the reforms among their constituents, even if they had not played much part in promoting them. These tactics were at least as important as 'insulation' in turning these initiatives into successes.

The two chief ministers also sought to bring new political actors and forces into play, and to use them to construct coalitions to support the reforms. They did so by opening up the policy and political processes (at the implementation stage) to participation by, and pressures from, ordinary people who benefited from them. They also sought to forge credible commitment mechanisms that could ensure that large constituencies for the reforms would continue to have sufficient voice to make it difficult to abandon changes later. So what was happening was not so much the exclusion of 'politics' and external pressures, but – since it is impossible to exclude 'politics' in such an open system – a change in the political logic which brought new, pro-reform pressure to bear (from below) upon institutions.

This process of 'opening up' had one other important implication. When senior politicians are crucial to successful reforms, as they were here, there is always a danger that a change of leadership will scuttle them. By opening the processes up, the chief ministers (both of whom left office in May 2004) drew enough ordinary people into what is essentially a political game to make it very difficult for subsequent leaders to abandon these reforms. That has not guaranteed their survival – on the contrary; but it has made it politically risky for successors to scrap these programmes. The right kind of politics – more than the exclusion of politics – can contribute to, and not threaten, the sustainability of reforms.

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