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# **UNIT 11 CONSTRAINTS IN PUBLIC POLICY FORMULATION**

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## **11.0 LEARNING OUTCOME**

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After studying this Unit, you should be able to:

- Understand the problems at each stage of policy formulation; and
  - Discuss the significance of research studies in rationality of the policy process.
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## **11.1 INTRODUCTION**

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There has been much deliberation on the meaning and implications of the term 'public' in public administration, more specifically, public policy. Correspondingly, it is imperative to differentiate/distinguish between public and private interest not just for semantic clarity, but also for the wider and more essential purpose of understanding public interest and its articulation for public policy. A simple yardstick to judge the 'publicness' of any measure is identification of the size of the clientele likely to be serviced by a policy or the likely beneficiaries, taking into account the temporal dimension also; if the benefits of a policy are spread over a large segment of population, over a longer time frame the interests served are inferred as 'public'. In formal terms, policy measures of the government, approved by the legislature, for which the elected representatives of people are held accountable, are public policies. Essentially, public policy is based on public interest. But it is in this very essence of public policy that the fundamental contradictions/disagreements inhere. For instance;

- What is public interest?
- What are the processes of articulating public interest and proffering the same as policy input(s)?
- How are choices made between differing/conflicting interests?

How 'public' is public enough?

What/How much was the private stake in a policy? How were the interests served?

Who were the stakeholders?

- How was/were the reconciliation (s)affected?
- What were the criteria governing choice?
- How is public purpose to be evaluated/judged?

In all, how democratic is the process of **democracy** itself?

Enmeshed in the above concerns are the approaches to public policy formulation or theories; the latter form the dominant concerns in public policy formulation. The core concern of the discussion in this Unit will be the *contextual, substantive* and *procedural* constraints in public policy formulation, which often adversely affect the implementation stage. These are studied as *fact* and *value* constraints/premises that determine the policy choices of decision makers.

## 11.2 PROCESSES OF CHOICE: HOW RATIONAL?

K.D. Madan (1982) explains the difference between a *policy* and a *decision*. In his words, a policy is a decision "with much wider implications and longer time frame, the taking of which requires much pondering of many a mind."

**Intelligence** is the stage of conception/perception of the problem. Wrongful perception might create a fundamental flaw in that the policy may not get underway in the desired manner. For example, a government may argue that it already has a national health policy; all that is needed for a specific disease, such as, HIV/AIDS is a set of guidelines. This technicality may prevent the issue from being taken up at a very senior level in government. AIDS may simply be dealt with at a lower level in the department/agency concerned, which will deemphasise the 'end/value' in this case (Justice Africa, 2005). Decisions taken at higher levels set the boundaries/ constraints for decisions at lower levels; hence, the tendency for buck-passing. Therefore, very often, lack of adequate success of policies can be traced to the initial stage involving perception of the problem as exemplified above. This again brings to light the significance of 'fact' supporting 'value' judgments, by way of academic prelude, implying research studies and granting more say to the specialist in the administrative hierarchy, for better fact-based rationality, informing 'value' rationality, finally, leading to the *Function of Choice*.

**Design:** The design stage is a stage of negotiations/deliberations wherein competing 'values' are sieved and sifted. Rationality of 'design' comes from broad-based deliberations, researched academic input, specialist analysis with respect to 'opportunity costs' involved in choice of an alternative and identification of gainers and losers. An integral part of the Design is compensation to the 'losers', so that the stipulation of net social welfare, as per welfare economics is met in all conditions. It is further stated that *transparency in the processes of choice*, and articulation of the right to information with respect to civil society can ensure rationality of the process and prevention of "political rent seeking" in 'public choice' terms. In this context, K. D Madan (1982), brings out the enormity of the exercise in the following words: "Policy-making must have for its canvas not only a broad spectrum of consequences, several of them imperceptible, and indefinable, but also multiple choices and a host of interests, ... a pareto optimum, that is, a means whereby the benefits may be conferred on some without imposing any costs on any of the others is virtually a mirage." A major problem in policy choices is between *short-term needs* and *long-term goals*. For example, while fertilizers would harm the ecology in the long run; food production requires increase which could be achieved only by fertilizers, and not to the desired level by environment-friendly options, like bio-manures.

'Design' can improve with better fact-based rationality, which can facilitate a wider spectrum of policy choices and a broader cognisance of 'values' (interests, opinions) for policy input. Organisation and Management (O&M) effort, implying modern tools like the Management Information System (MIS), scientific data collection and analysis, computerised record keeping etc., would aid fact-based rationality. Deliberations in a broader spectrum would ensure inclusion/consideration of more 'values', keeping in mind the time constraint.

Choice: 'Choice' function is the selection of an alternative, foregoing the other options. Rationality in the choice function is constrained by both objective and subjective factors. Objective constraints would be the limitations on fact-based rationality, arising out of limits to human cognitive ability, inadequate fact support (data, lack of expertise in analysis, etc); environmental constraints (constitution, laws and political institutions) which set the domain for government policy directives prescribing the *do's* and *don'ts*; and organisational constraints stipulated in/through budget, personnel expertise available, or conflicting organisational objectives, *vis a vis* the policy intent. Cognisance also has to be taken of possible boundary disputes, which could come up between organisations at the implementation stage, which has to be covered in a preemptive sense within policy craft. Financial constraints are the most important. A policy cannot stretch beyond its funding limits. Subjective value preferences of the political elite, which are manifested by the ideological leanings of the leaders themselves or the ideological preferences of the ruling party become 'value constraints' to rationality in **policy-making**.

### **11.3 · REQUIREMENTS IN RATIONALITY**

#### **Pact Constraints: Lack of Research Input**

Public administration is "cooperative rational action" (Waldo, 1955). The word 'rational' is significant in that the prelude to public policy formation, implying the process of interest articulation and aggregation preceding policy formulation. It is on the latter that the extent of 'choices' or more specifically the policy alternatives available would depend. Rationality of this process would determine the extent of 'choices' available with decision makers and the rationality of the choice finally arrived at. The opportunity cost of a policy is important since it is the sum total of the options foregone in preference of an alternative. The 'rational' in the above quoted definition implies academic research exercises, which need to accompany the policy planning process right from the inception stage (conception of policy) through the progressive stages up until the final outcome, to *post facto* analysis of the policy. Such exercises are only halting and ad-hoc in India, as many key agencies do not seem to concur with the rationality argument to the requisite extent. Rationality is constrained, according to Chandra (2005), by severe apathy on the part of government officials and policy, by and large, is more a 'political' than a 'rational' exercise,

#### **Knowledge Constraints**

Knowledge is a pre-requisite for rational policy-making. 'Rationality' of the policy in the sense of having an adequate information base depends on a number of factors. They include efficient record keeping, computerised databases regarding *past precedents*; a sound and efficient management information system (MIS) to aid decision-making at *each/every* level; monitoring mechanisms; supply of facts through research input broad-based deliberations among stakeholders for consideration of all available 'values' (interests) with due weight accorded to all competing/concerned interests and; provision of information connectivity, etc. Policy-making seems to have suffered in the past due to piecemeal and narrow sectoral approach. Knowledge constraints are more evident in developing countries in terms of preparedness of the bureaucracy to utilise expertise; data

availability, and low 'risk perception' with regard to matters like climate change or disaster management. Also, negative social capital between institutions is at a discount due to the 'empire building' tendency of key bureaucrats; it inhibits informal communication and impedes rationality. This can be overcome through 'horizontal integration' of policies across departments/ministries. The above-enumerated virtues ~~impart/ensure~~ the much-valued 'responsiveness' and 'responsibility' on the part of the administration.

**Timing of policies:** Policies get outdated because *developments precede adjustments*. Policies have to absorb technological changes and inventions. Valuable time is lost when **government** agencies remain sluggish in this regard. The significance of the time factor was realised when many of the disinvestment decisions were criticised for being too slow and hence unable to take full advantage of the market price.

**Legal Constraints:** Lack of systematic effort in **policy-making** and other constraints often contribute to incomplete or inconsistent or sloppy policies. The **judiciary** then resolves matters. The Courts, on a number of occasions, have provided the substance of policies. Courts have also intervened on a number of occasions to check executive **arbitrariness**. This has led to allegations of 'Judicial activism'. We may cite one instance here.

Even though section 3(3) of India's Environment Protection Act 1986, allows the Union government to create an authority with powers to control pollution and protect the environment, it has not done so. The apex Court ordered the union government to establish an authority to deal with the situation created by the tanneries and other **polluting** industries in the state of Tamil Nadu. It was further directed that this authority shall **implement the precautionary principle** and the **polluter pays principle**, and identify (a) the loss to the **ecology/environment**; and (b) determine the **compensation** to reverse the environmental damage and compensate those who have suffered from the pollution,

**Environmental Constraints:** In developing countries, the political elite perform the task of political communication inadequately. Political communication is the essential interface between the people and their representatives, whereby the latter apprise the former of the policies and plans of the **government** to be pursued in their benefit. It is a measure of gathering support as also inobilising people in support of development measures. In the absence of such communication, policies can never translate into results because of lack of proactive initiative on the part of administration, lack of public **accountability** of officials for sufficient effort towards attainment of **targets/results**. Political communication is all the more necessary for sufficient policy impact and reach;

The burden of precedent acts as a major organisational constraint to rational policy-making. It has also been observed that in developing countries, policies *seem to follow past precedents*. Such orientation stalls innovation; it therefore can be considered a retrograde influence. As per cultural orientation, choice is often made in favour of the time-tested rather than the new initiative. This epitomises therefore or rather explains the bureaucratic 'resistance to change'. Horowitz (1989) supports the allegation of argument with examples from Asia, Africa and Latin America. He says, "No regime writes on a clean slate." Decision-making "habits and styles" develop overtime which **influence/shape/affect** subsequent decisions. "Policies made in an area, fresh in the experience of decision makers and the relevant public stand a good chance of being cut in the same groove." **Drastic** changes or innovations may never be tried unless forced by contingent circumstances. Such a tendency explains the lack of major policy shifts in countries like India.

In many developing countries, the government is prone to interfere frequently in the private domain of individuals. Commenting on the **unique**, contextual dimension of the 'environment' of policy-

making. Horowitz (1989) notes, unlike in the developing countries where the State is strong as compared to society, State in the western world has to offer strong arguments to explain a policy which intrudes a safe private domain, such as, freedom of thought and expression, or religion or some other private concern. Hence, these issues enjoy relative immunity as compared to the developing countries where these are inadvertently or deliberately impinged by policies and boil up soon into a wild political controversy. Hence, lack of sensitivity to individual freedom is a major constraint on public policy.

## **11.4 POLICY CRAFT: ROLE OF THE BUREAUCRACY**

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The politics-administration dichotomy delimited the domains of the politics (legislature) and bureaucracy (administration) in articulating 'value', and supplying 'facts' to politicians and bureaucrats respectively. The bureaucracy is the repository of information (fact input) for public policy, more so in developing countries like India where alternate mechanisms in the form of specialist institutions for interest articulation and aggregation are lacking or found wanting in expertise. Hence, the facts supplied by the bureaucracy form the inputs for public policy, and constraints for it are within the domain delimited by facts supplied. Facts, thus, supplied can comprise value inputs on the part of the bureaucracy in the sense that certain facts may be stressed others deemphasised in the final analysis, determining/impacting policy craft. Leading theorists like Herbert Simon have conceded to the influence of subjective judgements, such as, *intuition* in decision-making. Hence value determination on the part of the bureaucrats may not be ruled out in public policy formulation.

The level of **political development**, understood/expressed as specialised differentiated institutions for interest articulation, lobbying, social action, protest, etc. which make democracy effective, is lower in developing countries as compared to the western developed countries/cultures; the implication being that interest articulation remains an *un-institutionalised activity*. The western world gets policy inputs from rational empirical exercises following data collection and analyses. Such systematised information is lacking in developing countries where policy inputs are not so well grounded in facts. Owing to the shortfall of this effort, the task of interest articulation has evolved largely on the bureaucracy.

Of late, the legislature has been hard pressed for time to legislate on matters of public interest in sufficient detail; hence the ever-growing field of administrative discretion. Involvement of high-level development bureaucracy (HLDB) in public polity formulation has grown exponentially in the past few decades. This is a universal trend in that the phenomenon is not restricted to developing countries but is manifest equally strongly in both the western and the developing worlds. This has widened significantly the arena of administrative discretion, which was described quite disagreeably as *The New Despotism* by Lord Hewart. Transparency by way of policy analysis studies is, therefore, stressed.

### **Policy Analysis**

Policy analysis is an attempt to trace the cause-effect relationships between a policy and its outcome. Retrospectively, attempt is made to discover the cause behind manifest effect, for example outbreak of dengue in the aftermath of floods. Flash floods in Mumbai (2005) were caused due to poor drainage, which led to water accumulation, thereupon resulting in disease. Policy recommendation is then made, which could be an institutional correction, such as, privatisation of the facility, or changes in organisation relating to distribution of power and authority, autonomy, delegation or whatever is found suitable. The emphasis again is on *rational inquiry*, and adequate emphasis on the part of government on research that contributes to rationality.

Before finalising a policy, policy analysis has to detect/anticipate possible institutional blockages or behavioural aberrations, such as, corruption, or scope for ambiguity and misleading interpretations, or legal hurdles relating to lack of clarity of purpose, which might surface later and affect implementation stage, and impede the well-meaning process. At the policy formulation stage itself, empirical effort towards exploring the different dimensions of policy should be attempted with a focus on rationality.

Also, the policy should be as *inclusive* as possible at the formulation stage, with minimal scope for 'administrative discretion' at the implementation stage so as to prevent changes in policy content/intent. However, the dominant trend indicates that policies are advanced in a skeletal form with details to be filled in by the bureaucracy. This has created a considerable space for administrative discretion, which has its pluses and minuses with respect to public interest. Many of the interest groups which fail to press their cause with the ministers or legislators, attempt the same at the implementation stage. If administrators have lot of scope for discretion they may be tempted into nefarious deals, which may defeat the purpose of a policy.

Specific areas for deliberation for the purpose of policy analysis could be (enlisted below) as follows:

- Identification of stakeholders, and allowing 'voice' to target population to make the process broad based.
- Institutionalising civil society partnership, especially of the impacted group (beneficiary or otherwise) in the deliberations preceding formulation of a policy.
- Delimiting the arena of administrative discretion in policies formulated.  
Good communication, vertical and horizontal, to disseminate the intent of the policy and avoid implementation hurdles/distortions.
- Built-in flexibility provisions where needed to provide for successful implementation.

### **Need for Role Clarity**

Clarity in role expectations would contribute to higher level of performance and rationality. Hence, the requisites/desirables/stipulates with respect to administrative behaviour need to be spelt out unambiguously. Persistent role ambiguity/role confusion regarding desirable stipulates of organisational behaviour would not enhance rationality. Role expectations also raise questions regarding commitment as also the notion of a committed bureaucracy.

The concept of 'committed bureaucracy' came under heavy criticism on grounds of ethics of bureaucratic functioning. In theoretical terms commitment was intended to 'policy' and 'interests' in the spirit of responsiveness and advocacy for sustained effort on the part of the administrator involved so that a policy leads to success and fulfils the canon of accountability for the expected outcomes/results.

However; a few narrow-minded advocates of the concept misconstrued it as commitment to the party in power, on the analogy of the role of civil servants in one-party regimes like in communist countries. The flavour of partisan politics in bureaucratic behaviour in multi-party democratic political systems, it was apprehended, would run counter to the accepted canons of neutrality and impartiality of the civil service. It carries the danger of subverting parliamentary democracy itself in countries like India. In this context, neutrality is not to be construed as indifference or lack of responsiveness on the part of the individual civil servant. Needless to assert, a responsive and responsible civil servant will be committed to the objectives of a policy, but not to partisan politics.

Rational bureaucratic behaviour displays concern for 'outcomes' or results, and not neutral with respect to the clientele. Thus, the bureaucracy is accountable to policy objectives and to broad societal concerns.

### **Procedural Stipulation**

Bureaucracy is the watchdog of method. Adherence to procedure serves the cause of public interest; hence is denoted, procedural public interest. There is a growing voice that knowledge about and respect for procedure needs to be inculcated in politicians through appropriate training who allegedly demand **compromises** with regard to procedure. This would also help in developing better rapport between the political and the permanent executive.

Conversely, procedure can be a constraint on public policy in that it delimits its dimensions and determines its pathway. The catch is that progression of a policy in actual implementation cannot be foreseen; hence its pathway cannot be charted or prescribed strictly. After it is underway, the policy follows its own path the right thing to do is to follow the path it takes and facilitate its development along it, rather than chart a different course or insist on some uniform method compromising the ends of that particular policy. Hence, method should be conducive to and not antithetical to *purpose* since an over concern with method would **prevent/stall** the more important job of "getting things done," to put it in Sirnopr's (1947) terminology. The onus is on the bureaucracy, as the approach of individual bureaucrats may differ.

This explains the call for procedural flexibility to facilitate innovation on the part of the decision maker, which remains the cardinal virtue of efficient and effective administration. It is here that control and monitoring need(s) to be redefined in consonance with the requirements of 'result-oriented' administration. Method is sometimes found to be **not** in complete accord with the purposes of the policy. The argument in favour of method (procedural compliance), however, is that it remains the bureaucracy's strongest **instrument/argument** for protection of public interest from unsavoury political influences/demands.

Perhaps, procedure needs to be considered more seriously at the policy formulation stage itself, as part of preemptive strategy to reduce the 'constraints' that might surface during the policy implementation phase, which is not a different phase, as might be construed, but an extension of phase I, that is, policy formulation itself..

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## **11.5 ROLE OF CIVIL SOCIETY**

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The advent of the Civil Society has added newer **dimensions** to 'rationality' of policy content. Because of increasing specialisation of administrative work, and also the need/desirability of cutting back revenue expenditure, (fiscal deficit). The state apparatus has shrunk in both developing and developed nations owing to the New Public Management paradigm. According to Lynn Wildavsky, bureaucracy is losing ground to civil society in matters of interest articulation in developed nations. Weberian bureaucracy had **two traditional strongholds**, viz. *monopoly of expertise* and *security of tenure*. The advent of the civil society has entailed compromise on the first principle. Knowledge networking in the information age across agencies and increasing requirement of contractual employment of trained specialist **personnel** in government organisations has compromised the ubiquitous bureaucrats' 'monopoly' of expertise. The hint here for developing countries is **institutionalisation** of social capital inherent in neighborhood communities, social action groups, etc. More precisely, the processes result in activation of civil society, create and **build** upon *expertise* outside the **bureaucracy**, encourage policy analysis through academic effort and ensure requisite transparency in **administration**.

### **Peoples' Participation and Interest Articulation**

A virtue, that is, being lauded currently in public administration literature as **essential/requisite/condition for good governance** is people's participation in policy-making. According to George H.

Frederickson (1993), citizen-government interface partakes in the following modes:

- Public as interest group (*Pluralism*).
- Public as consumer (*Public Choice*).
- Public as representative voter (Legislative); client and citizen.

The value of the aforesaid multiple dimensions call for proactive citizen participation in governance. It is epitomised/ summarised in the term 'responsible citizenship.' Moreover, people have a Right to Information, which is indispensable for transparency of administrative processes and accountability of officials.

Huntington and Nelson (1976) observe that political participation in advanced industrial societies is at a significantly higher level than it is in most developing countries. Moore (1985) states that in many Asian, African and Latin American countries, even in those characterised by high levels of politicisation in general, large sectors of the public remain inarticulate with respect to their interests; in other words, they remain politically inactive/inert.

Based on case studies, Chandra (2005) finds that interest articulation with regard to allocation of resources for important sectors like education in rural local bodies remains low because the demand is low. As such, felt needs could not be articulated; with the result they remain on the back burner. According to Chandra, activation of civil society around the *fulcrum* of local bodies can bring about this institutional correction. This would also bring into effect the much lauded and strongly desired bottom-up approach to planning instead of the top-down approach hitherto pursued.

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## 11.6 VALUE CONSTRAINTS: THE WELFARE PREDICAMENT

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The concept of welfare has never been precisely defined. Welfare in practice implies redistributive agenda, on the part of the state, by means of resource allocation in favour of schemes for the poor and the underprivileged. The liberal state of the 17<sup>th</sup> and 18<sup>th</sup> centuries did not interfere in economic matters. Civil society was the defining feature of the liberal state. Economics was the sphere of private action, protected by the big government, but otherwise left untouched by it. A major constraint of this model is that it left the poor to fend for themselves. Two historical events endorsed the welfare state idea. The Great Depression of 1929 marked the advent of the New Deal in USA, which was a package for income generation and employment security to the deserving poor. The Russian revolution (1917) instituted the welfare state in the erstwhile Soviet Union and presented an alternate paradigm to the liberal state. In Britain, Labour government, which was elected in 1945 and stayed in office until 1951, and instituted classic welfare state programmes like the National Health Service (Ross, 2003). New democracies like India, which gained freedom during this period, adopted the welfare state model of governance. On the lines of the Soviet Union the mechanism of centralised planning was adopted. The public sector, however, performed below-par. Many welfare schemes resulted in bureaucratisation, denying optimal benefits. Controls, corruption, and inefficiency characterised the 'licence-permit-quota raj'. Vote-bank polities added new predicaments. All these tendencies together posed enormous constraints to the policy model of welfare and a public sector-centric economy.

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## 11.7 THE ALTERNATE NEO-LIBERAL PARADIGM

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### Public Choice

Public Choice dismisses the welfare argument as fundamentally flawed in that as per the understanding

fostered by it. It creates unproductive dependency and reinforces 'rent seeking' as against hard-won economic gains on the part of influential interests. As per public choice, distribution by political means concentrates benefit in a few hands and distributes costs widely, in that there is unfair pressure brought to bear on public policy on the part of influential interests. The costs of inefficient policies are dispersed to all citizens, and, therefore, unnoticeable to each individual. On the other hand, the benefits are shared by very few small special interest groups, which have very strong incentives to perpetuate the policy by further lobbying (Shaw, 2002).

In contrast to this, the neo-liberal model enhances labour welfare, arguably, not by the myth of social security or 'job security through 'protective labour laws or protection for industry, but by the promotion of business through free entry and exit of firms, which creates real opportunities of employment for those willing and able to work (Kelly, 2002).

The counterargument is that the market is not always the most appropriate mechanism for distribution of public goods and hence the desired choice of public policy for achieving welfare. Sharon Jones (2004) lists some of the imperfections of the market-friendly model. According to her, the assumptions of/for the ideal market do not always hold good because there cannot always be numerous buyers and sellers, free entry and exit of firms, or complete information of all known effects of policies since there are externalities which cannot be accounted for in cost-benefit statements. This reinforces the welfare predicament.

Even conceding to the neo-liberal paradigm, in order to take full advantage of the new opportunities, certain prerequisites have to be ensured. These prerequisites are literacy, education, public health, sanitation and infrastructure etc., which create 'enabling environment' (human capital and entitlements) to embrace the opportunities created by liberalisation (Sen, 1990).

## **11.8 SYSTEMS APPROACH TO POLICY-MAKING**

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The only possible reconciliation among competing concerns could be through a systems approach to policy-making. The elements of this approach, according to C. West Churchman (1973) are:

- a) use of historical analysis for identifying processes and trends;
- b) study of mechanisms for policy-making and institutional framework, including the bureaucracy, for identifying constraints to the steering of the national system in desired directions;
- c) working out of alternative policies based on logical framework analysis and delineating national, sectoral, state, regional, and local policies for evolving a matrix of possibilities; and
- d) establishment of interrelatedness between the different policies, whether viewed from a sectoral, or a multilevel dimension, with the specific intention of establishing explicit links and trade-offs between the different policies.

The systems approach would call for a step-by-step approach having the following basic considerations in view:

- a) the total system objectives, and more specifically, the performance measures of the entire system;
- b) the systems environment, which is characterised by a few fixed constraints;
- c) the resources of the system;
- d) the components of the system, their activities, goals, and measures of performance; and
- e) the management of the system.

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## 11.9 CONCLUSION

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'Rational' is not a static state, but a dynamic condition which evolves with better **information** and wider cognisance of issues involved. A better fact base makes for a rational policy. Also policy, that is, inclusive and *broad* based, emerging out of the democratic process of deliberation and research is bound to be more rational. Options to enhance rationality have to be continually explored. Academics and theoreticians are involved in finding newer ways of enhancing rationality of administrative processes inherent in *policy craft* and policy content with a view to making it more democratic and 'relevant'. Public choice and the welfare economics paradigm are examples of efforts to that end.

Hence, political pluralism in the spirit of *postmodernism* (in order to give expression to hitherto suppressed opinions), public choice (to provide access to alternate service delivery mechanisms and break government monopoly *rent-seeking*), right to vote and enabling services (like education, public health, infrastructure, etc.), and fundamental rights for a just social and economic order are some of the requisites of democracy which are being emphasised in the current paradigm of good governance. Applying a system's perspective, it is noted that **peoples'** involvement is desired at both the input and the output stages of policy.

A consistent support base for research on public policies is essential to ensure rationality in policy-making over time, in changing circumstances. As regards **administrative** expertise, the requirements as articulated by Yezhekal Dror may be reiterated: a) improvement in the acquisition and integration of knowledge and **information**, and b) development of skills of personnel involved in policy-making which help to meet the requirements for 'rationality' of public policies.

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## 11.10 KEY CONCEPTS

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- Bounded Rationality** : The concept appears in Herbert Simon's *Administrative Behavior*. According to Simon, decision-making **partakes** in an environment of constraints. Hence, decisions are never the 'best possible' outcomes in choice behaviours on the part of decision-makers, but are only '**satisficing**' solutions. There are limits to human **cognitive** abilities, which are fact constraints, the decision-maker's value preferences that impinge upon decisions. Hence, rationality is, more often than not, a **compromised** proposition.
- Buck-Passing** : 'Ascribing failure/responsibility/accountability to the next or preceding level' is buck passing. Buck-passing is related to red tape, and is a pathological feature of bureaucratic functioning.
- Empire Building** : Empire building is a **pathological** feature of the bureaucracy. In simple words, it is **institutional** differentiation taken too seriously. It exemplifies the irrational tendency of department chiefs to **amass** resources (money, personnel, etc.) for their respective agencies coordination between **organisations**, resulting in implementation bottlenecks.
- Post-Modern** : Post-modernism marks a breakaway from modernist emphasis on order and uniformity. It respects plurality, power to the people, indigenous **cultures/practices** and advocates sustainable development practices above all.

- Public Choice** : Public Choice approach to policy analysis looks at how democratic a government actually is in its operative mode, instead of theorising on how it ought to as is attempted by political scientists. **Self-interest**, it is observed, governs the process on allocations, and decisions taken. The analysis is predominantly from an economic point of view.
- Public Interest** : Public interest is categorised-*substantive* and *procedural*. Substantive public interest refers to the subject matter or content, or the 'value' inhering in policy from which the theme and the main substance of the policy is derived. Procedural public interest refers to procedural stipulations that must be observed in public interest, since compliance with procedure is necessary in that it prevents or reduces occasions for *malafide*, such as, arbitrary action on the part of the **executive**, unsavoury tempering with policy content in the interest of particular **interest(s)**, or even interventions on the part of the political elite which could be potent threats to policy implementation if procedures were pliable. Also, accountability at each stage needs to be clearly enforceable in order that all legal formalities are complied with as a necessary stipulation.
- Rational** : As opposed to valuational or judgemental, the word rational implies 'fact-based' reasoning with little or no element of hypothesizing or abstract, *a priori* judgements. The term also implies an overweening concern with explaining everything in terms of scientific arguments.
- Rent Seeking** : Rent is an economic term which means unearned income. In public administration parlance, we employ the term (specifically in public choice theory) to explain 'under' benefits which are procured by people in positions of power. It happens when government functionaries function in an environment of 'monopoly', that is, absence of competition. Rent seeking is an economic analogy employed to explain behaviour in furtherance of self-interest. Ostensibly in public interest, policies are often alleged to *further/reflect* the private interests of the proponents or the oligarchic elite who are connected with administration, more specifically, politicians and bureaucrats in various ways.

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## **11.12 ACTIVITIES**

- 1) Discuss the current paradigm shift in the Indian Economic Policy, Organise a discussion involving both teachers and students in a **symposium** and prepare a report.
- 2) What is rationality? Explain the various constraints to rationality.
- 3) Describe the elements of policy analysis.
- 4) Discuss the various value constraints with regard to the policy of **liberalisation**
- 5) Outline the 'fact/value' constraints to policy-making.

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# **UNIT 12 PUBLIC POLICY: IMPLEMENTATION SYSTEM AND MODELS'**

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## **Structure**

- 12.0 Learning Outcome
- 12.1 Introduction
- 12.2 Policy Implementation: System and Issues
  - 12.2.1 Implementing with a Network
  - 12.2.2 Allocating Tasks to Personnel
  - 12.2.3 Making Decisions
- 12.3 Implementation Approaches/Models
  - 12.3.1 Top-Down Model
  - 12.3.2 Bottom-Up Model
  - 12.3.3 Policy - Action Relationship Model
  - 12.3.4 Inter - Organisational Interaction Approach
  - 12.3.5 A Synthesis of Bottom-Up and Top-Down Approaches
- 12.4 Conclusion
- 12.5 Key Concepts
- 12.6 References and Further Reading
- 12.7 Activities

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## **12.0 LEARNING OUTCOME**

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After studying this unit, you should be able to:

- Understand the meaning and significance of policy implementation;
- Describe different approaches to models to policy implementation;
- Explain bottom-up critiques of the top-down model of policy implementation; and
- Discuss a synthesis of bottom-up and top-down approaches to policy implementation.

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## **12.1 INTRODUCTION**

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Until the 1970s, policy analysis was primarily concerned with policy-making issues. However, in the 1960s, a growing interest emerged in the post-decisional phases of public policy. It became evident in the 1970s that many policies had not performed well. As it became apparent that policy-making in many areas, such as, population, health, education and agriculture in India had not achieved its desired goals, so researchers in public administration and public policy began to focus on policy implementation. Policy implementation is of critical importance to the success of government. Even in an ideal political setting no policy can succeed if the implementation process does not adequately reflect the intentions of the policy makers. In this Unit, an attempt is made to review different approaches to the analysis of how policy is put into action or practice.

## **12.2 POLICY IMPLEMENTATION: SYSTEM AND ISSUES**

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The starting point for a discussion of approaches to policy implementation must be to consider what we mean by the term '**implementation**'. Implementation is what realises decision or what generates outputs? It can be seen essentially in terms of the nature and degree of control exercised over the operations of a policy. Policy-making does not come to an end, once a policy is approved or adopted. It is a continuous process. As Anderson points out, "Policy is being made as it is being administered and administered as it is being made."

Yet, **implementation** is something which is separate from policy-making. Very few decisions are self-implementing, implying that there is no separate **implementation** stage. Mazmanian and Sabatier have formulated an influential definition of implementation. In their words,

"Implementation is the carrying out of a basic policy decision, usually incorporated in a statute but which can also take the form of important executive orders or court decisions. Ideally, that decision identifies the **problem(s)** to be addressed, stipulates the **objective(s)** to be pursued, and in a variety of ways, 'structures' the implementation process. The process normally runs through a number of stages beginning with passage of the basic statute, followed by the policy outputs (decisions) of the **implementing** agencies, the compliance of target groups with those decisions, the actual impacts – both intended and unintended — of those outputs, the perceived impacts of agency decisions, and finally, important revisions (or attempted revisions) in the basic statute".

Presseman and Wildavsky define implementation as "a process of interaction between the setting of goals and actions geared to achieving them." They further note: "Implementation, then, is the ability to forge subsequent links in the causal chain so as to obtain the desired results". Their definition embodies assumptions most commonly held about **implementation**. First, they assume a series of logical steps as a progression from intention through decision to action, and clearly see implementation starting where policy stops. Secondly, they distinguish two definite steps in formulating intentions: policy-making – their 'initial conditions' and the creation of **programmes**, which form the 'inputs' to their implementation process. Thirdly, they see implementation as a process of putting policy into effect, a process which is mainly concerned with coordinating and managing the various elements required to achieve the desired ends.

Van Meter and Van Horn attempt to provide a conceptual framework to the process of implementation by stating, "Policy implementation encompasses those actions by public and private individuals (or groups) that are directed at the achievement of objectives set forth in prior policy decisions". Barrett and Fudge describe the implementation process "as a sequence of events 'triggered' by a policy decision, involving the translation of policy into operational tasks, to be carried out by a variety of actors and agencies, and substantial coordinating activity to ensure that resources are available and that things happen as intended". According to most scholars on public policy, **implementation** stage in the policy process is concerned with turning policy intentions into action. The implementation process includes what goes on between the **pronouncement** of a policy and its actual effects. It is important to look at implementation not solely in terms of putting policy into effect, but also observing its impact on the target group.

### **12.2.1 Implementing with a Network**

Evidently, implementation of policy is merely one more in a logical sequence of policy management. It is the most important phase in the achievement of policy goals. It has the objective of anticipating deviations from planned performance and making proper adjustments. An important task of the

policy implementing authority is to keep track of the range of implementing tasks, their functional relationships and their scheduling dependencies. The designated person should be able to resolve conflicts and make appropriate decisions in generating policy outputs.

For the implementation of a given policy, it is important for the policy implementation authority to construct a policy-implementing network, which will ensure that policy tasks occur in proper sequence and on time. It should help him to identify, which tasks in the policy are most critical to overall policy performance. The construction of the network requires composing an *Activities Duration List*. This list should project activities in such a manner that it identifies each and every activity in a sequential manner and make provision for the time required for each activity. For scheduling policy implementation activities, the Network helps the process by depicting the activities that are more important for optimising the outcomes.

### **12.2.2 Allocating Tasks to Personnel**

Implementation is seeing to it that the activities happen on time and within the given budget. Requisite personnel be also put in place for policy implementation. Regardless of their status, specialised knowledge, experience and qualifications, all personnel need to work as a cohesive team for the purpose of achieving desired results.

For effective policy implementation, a manpower plan is, therefore, needed to allocate specific tasks. Further, for the purpose of assigning roles and responsibilities it is necessary to develop position classification with detailed job description. The position classification usually includes: a) status, role, and duties of the staff, b) reporting relationships, and c) accountability criteria.

### **12.2.3' Making Decisions**

Decision making is the most difficult job for a policy implementing authority. Even with the best planning, there will always be a need to make good decisions in the face of unanticipated events in policy management. Major decisions that affect resource requirements and technical outputs, require full support of several constituents like beneficiaries, sponsors, politicians, planning agencies, and other segments of the government. In this context, the following three mechanisms have been suggested.

#### i) **Exception Principle**

The exception principle states that difficult decisions (other than routine decisions) which involve unusual or unprecedented problems that have broader implications for the whole policy implementation should be reserved for senior staff at higher levels in the organisation.

#### ii) **Delegation of Authority**

The above exception principle does not operate unless there exists some degree of delegation of authority. Authority is needed at each level for assigning responsibilities to the staff to perform their duties and tasks.

#### iii) **Consensus Building**

Consensus in this context refers to an agreement to support a particular decision. Consensus building in a participative management strategy ensures that good ideas are not ignored. It also builds a strong group among all those programme constituents, which are involved in the implementation process. For effective implementation of a policy, it is advisable to form a steering committee. The purpose of this committee is to ensure that a programme is being implemented within the budget and time schedule.

## **12.3 IMPLEMENTATION APPROACHES/MODELS**

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In the 1970s various studies on policy implementation have indicated that policy-making in many areas had not achieved its stated goals. It was evident that government interventions, especially those relating to social problems were often ineffective. This has generated academic interest in designing studies to evaluate policy. Such studies made important contributions to the **implementation theory**, which will be discussed in the subsequent section.

### **12.3.1 Top-Down Model**

#### **i) Jeffrey Pressman and Aaron Wildavsky: Policy Implementation Relationship**

Two American scholars Jeffrey Pressman and Aaron Wildavsky, are the founding fathers of implementation studies. For them, implementation is clearly related to policy. They observe, "policies normally contain both goals and the means for achieving them". Much of the analysis in their book (*A Study of a Federally Mandated Program: Economic Development in Oakland, California*) is concerned with the extent to which successful implementation depends upon the linkages between different organisations and departments at the local level. An effective implementation requires, they argue, a top-down system of control and communications, and resources to do the job.

#### **ii) Donald Van Meter and Carl Van Horn: System Building**

Donald Van Meter and Carl Van Horn offer a model for the analysis of the implementation process. Their approach starts with a consideration of the need to classify policies in terms that will throw light upon implementation difficulties. According to them, implementation will be most successful

- where only marginal change is required and goal consensus is high. They suggest a model in which six variables are linked dynamically to the production of an outcome i.e., performance. These six variables are:

- policy standards and objectives, which 'elaborate on the overall goals of the policy decision.... to provide concrete and more specific standards for assessing performance';
- resources and incentives made available;
- quality of inter-organisational relationships;
- characteristics of the implementation agencies, including issues like organisational control but also, inter organisational issues, 'the agency's formal and informal linkages with the "policy-making" or "policy-enforcing body";
- economic, social, and political environment; and
- 'disposition' or 'response' of the implementers, involving three elements; 'their cognition (comprehension; understanding) of the policy, the direction of their response to it (acceptance, neutrality, rejection) and the intensity of that response.'

Clearly, the model of Meter and Horn aims to direct the attention of those who study implementation rather than provide prescriptions for policy makers.

#### **iii) Eugene Bardach: Implementation Game**

There are scholars who regard public policy implementation as a political game. The game model was advocated by Bardach in 1977. According to Bardach, implementation is a game of "bargaining, persuasion, and manoeuvring under conditions of uncertainty." In this model, organisation is seen as a structure composed of groups and individuals, all seeking to maximise their power and influence. From this angle, implementation is about self-interest people who are playing policy games. Policy implementer's attempt to win as much control as possible and make moves in the

game so as to achieve their objectives. This model suggests that policies extend beyond the formal political institutions. Implementation is, therefore, seen as a political game, which individuals play for the purpose of maximising their power. Thus Bardach's work presents the view that implementation is a political process, and successful implementation from a 'top-down' approach should have a comprehensive understanding of the political processes involved down the line.

#### iv) Brian Hogwood and Lewis Gunn : Recommendations for Policy-Makers

Brian Hogwood and Lewis Gunn also contribute to implementation approach in their publication *Policy Analysis for the Real World*. They advocate a 'top-down' view and defend it on the ground that those who make policies are democratically elected. They offer ten recommendations to policy makers. The latter should ensure that:

- external circumstances do not impose crippling constraints;
- adequate time and sufficient resources are made available to the programme; at each stage in the implementation process, the required combination of resources is actually available;
- policy to be implemented is based upon a valid theory of cause and effect;
- relationship between cause and effect is direct and there are few, if any, intervening links; there is a single implementing agency that need not depend upon other agencies for success, or, if other agencies must be involved, the dependency relationships are minimal in number and importance;
- there is complete understanding of, and agreement upon, the objectives to be achieved, and these conditions should persist throughout the implementation process;
- in moving towards agreed objectives it is possible to specify, in complete detail and perfect sequence, the tasks to be performed by each participant;
- there is a perfect communication among, and co-ordination of, the various elements involved in the programme; and
- those in authority can demand and obtain perfect obedience.

#### v) Christopher Hood: Styles of Public Management

Christopher Hood argues that variation in ideas about how to organise public services is a central and recurrent theme in public management. He suggests the application of grid/group cultural theory. Here, 'grid' refers to alternatives that public organisations should be constrained or, by contrast, managers should be 'free to manage'. 'Group', on the other hand, refers to debates about who should provide services. Hence, Hood arrives at four 'styles of public management' as mentioned below:

- High 'grid'/low 'group' - 'the fatalist way' where rule-bound systems are developed and low levels of co-operation are the pattern;
- High 'grid'/high 'group' - 'the hierarchist way' involving socially cohesive rule-bound systems;
- Low 'grid'/low 'group' - 'the individualist way' involving a high emphasis on negotiation and bargaining; and
- Low 'grid'/high 'group' - 'the egalitarian way' with the expectation of a high level of participation.

Hood argues that these four approaches represent choices, each with built in strengths and weaknesses. The views expressed by Hood are mostly in the analytical realm as they highlight the various models considered for control of public services.

### 12.3.2 Bottom-Up Model

Exponents of bottom-up model are of the view that top-down model lacks effective implementation in practice. They argue that students of public administration and public policy have to take account of the interaction of implementers with their clients. The exponents of the bottom-up approach therefore, suggest that the implementation process involves 'policy-making' by those who are involved in putting policies into effect.

#### i) Michael Lipsky: Street-level Bureaucracy

Michael Lipsky is the founding father of the bottom-up perspective. His analysis of the behavior of front-line staff in policy delivery agencies — whom he calls 'street level bureaucrats' — has some influence on implementation studies. The implication of this study is that control over people is not the mechanism for effective implementation. He argues that the decisions of street-level bureaucrats, the routines they establish, and the devices they invent to cope with uncertainties and work pressures, effectively become the public policies they carry out. To cope with the pressures brought on them, street-level bureaucrats often develop methods of processing people in a relatively routine and stereotyped way. According to Lipsky, they develop conceptions of their work, and of their clients that narrow the gap between their personnel and work limitations, and the service ideal. Such workers see themselves as cogs in a system, as oppressed by the bureaucracy within which they work. Yet, they seem to have a great amount of discretionary freedom and autonomy. Therefore, attempts to control them hierarchically simply increases their tendency to stereotype and disregard the needs of their clients. This means that diverse approaches are needed to secure the accountability of implementers. These approaches should provide a framework that feeds the expectations of the clientele into the implementation.

The bottom-up model also sees the implementation process as involving negotiation and consensus building. These take place in two environments: the administrative capability and cultures of organisations involved in administering public policy; and the political environment in which they have to carry out the policies.

In the bottom-up model, great stress is laid on the fact that 'street-level' implementers have discretion in how they apply policy. Professionals, viz. doctors, teachers, engineers, social workers — shape policy and have an important role in ensuring the performance of a policy. In other words, as Dunleavy notes, the policy-making process may be skewed by policy implementation, which is largely dominated by the professionals. Doctors, for instance, may develop ways of implementing health policies, which actually result in outcomes that are quite different to the intentions of policy makers. This is possible because policy implementation involves a high margin of discretion. As Davis observes, "A public officer has discretion wherever the effective limits on his power leave him free to make a choice among possible courses of action and inaction". In the discharge of policy delivery functions, implementers have varying bands of discretion over how they choose to apply the rules.

### 12.3.3 Policy-Action Relationship Model

Lewis and Flynn developed a behavioural model, which views implementation as action by actors, that is, constrained by the world outside their organisations. Emphasis on interaction with the outside world, and the organisation's institutional context imply that policy goals are not the only guides to action. This theme of analysis has also been developed by Barrett and Fudge. They argue that implementation may be best understood in terms of a 'policy-action-continuum' in which an interactive and bargaining process takes place over time between those who are responsible for enacting policy and those who have control over resources. In this model, more emphasis is

placed on issues of power and dependence, and pursuits of interests, than in either the top-down or the bottom-up approaches. The policy-action model shows that policy is something that evolves. As Majone and Wildavsky note, “....implementation will always be evolutionary; it will inevitably reformulate as well as carry out policy.”

### **12.3.4 Inter-Organisational Interaction Approach**

Implementation is also described as a process that involves interactions within a multiplicity of organisations. In this context, there are two approaches, which are mentioned below.

#### i) **Power-Dependency Approach**

According to this approach implementation takes place in the context of interaction of organisations. Such interaction produces power relationships in which organisations can induce other less powerful organisations to interact with them. Those organisations, which depend for their sustenance on other more resourceful organisations, have to work in such a way as to secure and protect their interests and maintain their relative autonomy, so that implementation does not suffer.

#### ii) **Organisational Exchange Approach**

This view holds that organisations collaborate with their counterparts for mutual benefit. Whereas in the power-dependency approach; the organisational relations are based on dominance and dependence, interaction in the organisation exchange approach is based on exchange for mutual benefit.

Adapting a bottom-up approach Hjern and Porter argue that implementation should be analysed in terms of institutional structures, which comprise clusters of actors and organisations. A programme is not implemented by a single organisation, but through a set of organisational pools. They observe that failure to identify implementation structures as administrative entities distinct from organisations has led to severe difficulties in administering the implementation of programmes.

Implementation of programmes, which requires a matrix or multiplicity of organisations, gives rise to a complex pattern of interactions that top-down frameworks fail to recognise. Consequently, these approaches do not satisfactorily explain implementation, and in practice programmes based on their application yield little success.

### **12.3.5 A Synthesis of .Bottom-up and Top-Down Approaches**

The policy implementation is the continuation of the policy-making process. To Sabatier and Mazmanian, implementation and policy-making are one and the same process. They attempt a synthesis of the ideas of both top-down and bottom-up approaches into a set of six conditions for the effective implementation of policy objectives. These conditions are:

- i) clear and consistent objectives to provide a standard of legal evaluation and resource;
- ii) adequate causal theory, thus ensuring that the policy has an accurate theory of how to bring change;
- iii) implementation structures that are legally structured so as to enhance the compliance of those charged with implementing the policy and of those groups that are the target of the policy;
- iv) committed and skilful implementers who apply themselves to using their discretion so as to realise policy objectives ;
- v) support of interest groups and sovereigns in the legislature and executive; and
- vi) changes in socio-economic conditions that do not undermine the support of groups and sovereigns or subvert the causal theory underpinning the policy.

Drawing on the insights of Hjern and Porter into the inter-organisational dynamics of implementation and its network, Sabatier has suggested subsequently (1986) that the top-down approach focus on how institutions and social and economic conditions limit behaviour. He notes that implementation takes place within the context of a policy subsystem, and is bound by 'relatively stable parameters' and 'events external to the subsystem'.

This modified model advocated by Sabatier has the distinctive feature of combining the bottom-up approach (to take into account the network that structures implementation) and the top-down approach (to take into account considerations within the system including the beliefs of policy elites and the impact of external events). Implementation in this sense may be thought of as a learning process. Policy learning, for Sabatier, is something which essentially occurs within the system and its policy subsystems. The framework is designed to analyse institutional conditions and to produce a consensus which is not there in the original model. But the 1986 model of Sabatier is regarded by a few scholars as inappropriate, as an explanatory model of the policy process. For instance, Elmore argues that a variety of frameworks need to be deployed in the analysis of implementation including "backward-mapping" (bottom-up) and "forward-mapping" (top-down); and that policy-making, to be effective in implementation terms, must adopt multiple frameworks. He also suggests four implementation models: systems management, bureaucratic process, organisational development, and conflict and bargaining. Further, he argues that models of implementation should not be regarded as rival hypotheses, which could be empirically proved, but as ambiguous and conflicting frames of assumptions.

Recognising the problems arising out of inconsistencies and incompleteness associated with various models, Gareth Morgan maintains that if we want to understand complexity, it is important to adopt a critical and creative approach to thinking in terms of models or metaphors. For him there can be no single metaphor which leads to a general theory. Each approach has comparative advantages and provides some insight into a particular dimension of the reality of policy implementation. Mapping the context of problems offers the possibility of understanding the various dimensions of knowledge, beliefs, power and values, which frame policy-making and policy implementation. As a student of public policy, the aim is to become capable in understanding the frameworks that are applied in the theory and practice of policy implementation in the contexts in which they take place.

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## 12.4 CONCLUSION

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Among the various elements of policy analysis, policy implementation is the most important and yet the least developed. In this Unit, an effort has been made to discuss various contributions to the implementation system and models. The debate between the top-down and bottom-up perspectives was highlighted, as also the efforts to synthesise these two approaches by picking key ideas from each. It should be noted that scholars are generally in favour of adapting multiple approaches, depending upon the policy arena.

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## 12.5 KEY CONCEPTS

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<b>Governance</b>	: Regime of laws, administrative rules, judicial rulings, and practices that constrain, prescribe and enable governmental activity.
<b>Implementation</b>	: To carry out, accomplish, fulfill, produce or complete.
<b>Outcomes</b>	: Outcomes are real results, whether intended or unintended.
<b>Output</b>	: Outputs are the things that are actually achieved.

placed on issues of power and dependence, and pursuits of interests, than in either the top-down or the bottom-up approaches. The policy-action model shows that policy is something that evolves. As Majone and Wildavsky note, "...implementation will always be evolutionary; it will inevitably reformulate as well as carry out policy."

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This view holds that organisations collaborate with their counterparts for mutual benefit. Whereas in the power-dependency approach, the organisational relations are based on dominance and dependence, interaction in the organisational exchange approach is based on exchange for mutual benefit.

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Implementation of programmes, which requires a matrix or multiplicity of organisations, gives rise to a complex pattern of interactions that top-down frameworks fail to recognise. Consequently, these approaches do not satisfactorily explain implementation, and in practice programmes based on their application yield little success.

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Drawing on the insights of Hjem and Porter into the inter-organisational dynamics of implementation and its network, Sabatier has suggested subsequently (1986) that the top-down approach focus on how institutions and social and economic conditions limit behaviour. He notes that implementation takes place within the context of a policy subsystem, and is bound by 'relatively stable parameters' and 'events external to the subsystem'.

This modified model advocated by Sabatier has the distinctive feature of combining the bottom-up approach (to take into account the network that structures implementation) and the top-down approach (to take into account considerations within the system including the beliefs of policy elites and the impact of external events). Implementation in this sense may be thought of as a learning process. Policy learning, for Sabatier, is something which essentially occurs within the system and its policy subsystems. The framework is designed to analyse institutional conditions and to produce a consensus which is not there in the original model. But the 1986 model of Sabatier is regarded by a few scholars as inappropriate, as an explanatory model of the policy process. For instance, Elmore argues that a variety of frameworks need to be deployed in the analysis of implementation including "backward-mapping" (bottom-up) and "forward-mapping" (top-down); and that policy-making, to be effective in implementation terms, must adopt multiple frameworks. He also suggests four implementation models: systems management, bureaucratic process, organisational development, and conflict and bargaining. Further, he argues that models of implementation should not be regarded as rival hypotheses, which could be empirically proved, but as ambiguous and conflicting frames of assumptions.

Recognising the problems arising out of inconsistencies and incompleteness associated with various models, Gareth Morgan maintains that if we want to understand complexity, it is important to adopt a critical and creative approach to thinking in terms of models or metaphors. For him there can be no single metaphor which leads to a general theory. Each approach has comparative advantages and provides some insight into a particular dimension of the reality of policy implementation. Mapping the context of problems offers the possibility of understanding the various dimensions of knowledge, beliefs, power and values, which frame policy-making and policy implementation. As a student of public policy, the aim is to become capable in understanding the frameworks that are applied in the theory and practice of policy implementation in the contexts in which they take place.

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## 32.4 CONCLUSION

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<b>Output</b>	: Outputs are the things that are actually achieved.

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## 12.6 REFERENCES AND FURTHER READING

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## 12.7 ACTIVITIES

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- 1) Critically examine the bottom-up and top-down approaches to policy implementation.
- 2) Explain briefly the attempts at synthesis of the bottom-up and top-down approaches to policy implementation.
- 3) Justify the need for following multiple approaches in the study of policy implementation.

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# **UNIT 13    ROLE OF VARIOUS AGENCIES IN POLICY IMPLEMENTATION**

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## **Structure**

- 13.0 Learning Outcome
  - 13.1 Introduction
  - 13.2 Elements for Policy Implementation
  - 13.3 Modes of Policy Delivery and Implementers
    - 13.3.1 Roles and Responsibilities of Administrative Organisations
    - 13.3.2 Legislative Bodies
    - 13.3.3 Judicial Bodies
    - 13.3.4 Civil Society
    - 13.3.5 Influence of Political Structures
  - 13.4 Conclusion
  - 13.5 Key Concepts
  - 13.6 References and Further Reading
  - 13.7 Activities
- 

## **13.0 LEARNING OUTCOME**

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After studying this Unit, you should be able to:

- a Understand the importance of policy implementing agencies;
  - a Discuss the elements for policy implementation;
  - Describe the implementation process in terms of the mix of instruments and institutions, which are used in providing public policy; and
  - Explain the role of various implementing agencies concerned with policy delivery; and
  - a Describe the relationship between the legislature and the judiciary in the context of implementation of public policies,
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## **13.1 INTRODUCTION**

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Public policies are implemented through various agencies, that is, public, private, voluntary, and community. It is the response of the implementing agency, which tends to determine the success or failure of a given policy. This fact is, however, not adequately recognised and understood by policy-makers. Indeed, the important role of implementation is often overlooked in the design of policy. Policies cannot be understood in isolation from their means of implementation. The framework assumes that the extent of implementation of a policy is a function of the interaction between policy content and inputs from the implementing agencies. The implementation effort is, thus, an integral part of the policy-making process. When policy is pronounced the implementation process starts.

In this Unit, we will discuss the meaning and significance of policy implementation. In addition, attention will also be focused on important elements, and modes of policy delivery. This unit will also discuss the diverse roles of public, private and civil society sectors in the implementation

process of public policies. In this context, an attempt will be made to examine the role of government institutions and the interaction of public, private, NGO and community sectors.

## **13.2 ELEMENTS FOR POLICY IMPLEMENTATION**

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Policy implementation encompasses those actions and operations, by public and private agencies and groups, that are directed at the fulfilment of goals and objectives set forth in a policy. As already mentioned, implementation is a continuous process, although there is some point at which the contours of implementation become relatively settled and routine administrative activities take over. Putting policy into action involves various elements. Take for example, implementation of the National Health Policy that requires human and financial resources, time and management capability, and the creation of necessary health organisations. In the words of Barrett and Fudge, policy implementation is dependent on: "knowing what you want to do; the availability of the required resources; the ability to marshal and control these resources to achieve the desired end; and if others are to carry out the tasks, communicating what is wanted and controlling their performance".

At the minimum, implementation includes the following elements:

- Adequate personnel and the financial resources to implement the policy;
- Administrative capability to achieve the desired policy goals; and
- Political and judicial support (from the legislative, executive, and judicial organs of the government) for the successful implementation of policy.

Understanding of policy implementation is critical to the success of government. When policies work, the executive (council of ministers) is eager to take the credit; when they fail, blame is usually assigned to the administrative agencies. Walter Williams, a leading student of the problem of implementation observes, "Nothing comes across more strongly than the great naivete about implementation. We have got to learn that the implementation period is not a brief interlude between a bright idea and opening the door for service".

The study of policy indicates the complexity of the policy process. It involves an environment setting from which demands and needs are generated, a political system that first processes and then makes policy decisions, and an administrative organisation or system that implements the policy decisions. In fact, the implementation of public policies is divided between these three settings.

Successful implementation is, therefore, dependent on *inputs*, *outputs*, and *outcomes*. Inputs are the resources (personnel and finance) mobilised, in producing outputs (decisions taken by the implementers) to achieve the outcomes (what happens to the target groups intended to be affected by the policy). Irrespective of the level of outputs of an implementing organisation, if the intended effect on the target group is not adequate it shows that there is something wrong. Policy does not implement itself; it has to be translated into action through various agencies and processes.

## **13.3 MODES OF POLICY DELIVERY**

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The provision of public goods and services can be regarded as a complex mixture of contributions from the government, market, and civil society including voluntary organisations. Modes of delivery or systems of policy delivery have drawn the attention of the policy analysts. These delivery systems in terms of the way in which public goods and services are provided through a network of public and private institutions assume considerable importance. This fragmentation of responsibilities among a number of agencies creates problems for control and accountability in a democratic

country like India. Simple hierarchical tiers have now given way to policy delivery systems, which use a mix of **partnerships** between the public and private sectors market mechanisms; in the process, new roles are being allocated to the NGOs, and other civil society groups and the community. The resultant mix of policy delivery may be viewed as a mix or blend of bureaucratic, market, and civil society agencies. It may be mentioned here that thinking in terms of clearly defined sectors or modes of coordination is not, in practice, possible, since in the real world there is considerable ambiguity and overlap in the roles and responsibilities of the participating agencies and functionaries.

### **13.3.1 Roles and Responsibilities of Administrative Organisations**

The bureaucracy is an executive branch of the government. It is an administrative organisation, consisting of a legal body of non-elected full-time officials, which is organised hierarchically into departments in accordance with the rules governing the conditions of their service. This is an important institution, that performs most of the day-to-day work of governance. It is the bureaucracy that controls the personnel, spends money, allocates materials, and exercise the authority of the government. This institution receives most of the implementation directives from the executive, legislature and judiciary.

In theory, the Ministers decide on policies and the civil servants take the necessary executive actions to implement them. Senior administrators play a critical role in policy implementation as they are concerned with 'ends' and not merely with the 'means'. They are exclusively concerned with the implementation of policy decisions made by the political masters. More important is their work on the development of major policies in line with government commitments. Senior administrators have a constitutional responsibility to advise on the financial and administrative implications of different policy options, thus helping ministers to find ways of achieving their political objectives.

- Policy implementation by the administrators, feeds back into policy formation so that they can advise authoritatively from experience on the practicability of different policy options. Much of the legislation and policy builds on the past administrative practice and accumulated experience. Further, the knowledge derived from direct experience of policy implementation gives the senior administrators a near monopoly of knowledge relevant to policy-making. New policy emerges as administrators bring their experience and ideas to bear on problems, which political masters wish to solve. As repositories of knowledge and experience senior administrators are able to give instructions and advice to the lower staff as to how to implement policy decisions. They can foresee the administrative and political difficulties likely to be encountered from their constituents. They are able to evolve from their expertise and experience new methods of dealing with the problems of policy implementation. Thus, the administrators' role in policy implementation is of considerable importance. The senior administrators, then, are catalysts who come up with satisfactory solutions. In this context, R.B. Jain notes that it is the "responsibility of the bureaucracy to ensure that the policies are conceived so as to be relevant to prevailing conditions and implemented with patience and convictions".

#### **Administrators' Discretion and Limits**

Despite the maladies attributed to bureaucracy, its role in policy-making cannot be under emphasised. Legislation is never self-implementing but requires delegation to appropriate organisations and personnel. Placing a programme in perspective is the first task of implementation, and administering the day-to-day work of an established programme is the second. It is because delegation and discretion permeate bureaucratic implementation that it plays a crucial role in the structure of policy-making and policy implementation. Technically, the task of all public organisations and

personnel is to implement, execute, and enforce law and policy. In doing so, most personnel do use bureaucratic discretion. It is pointed out that legislation does not minimise discretion. As Davis remark, "Perhaps nine-tenths of the injustice in our legal system flows from discretion and perhaps only ten per cent from rules."

Since so much power and control over implementation is held by the administrative organisations and personnel, chief executives must put in conscious and determined efforts to control the discretion of subordinate agencies and administrators. Efforts to control bureaucratic discretion rest upon many strategies. First, if the public agencies do not implement a law to the satisfaction of the legislature, the policy can be changed by the political executive. The latter may also overrule routine bureaucratic interpretation of legislation. Secondly, from time to time, most of the problems associated with administration could be solved either by transferring responsibility to a friendly agency or by replacing a recalcitrant agency head, or by controlling the agency budget. Thirdly, the legislature may also curb bureaucratic discretion by making legislation more detailed. The bureaucracy can also be pressured through public hearings, the media and public criticisms, especially by legitimate attacks from the opposition in apolitical system. When all else fails, the administrators concerned can be made accountable through judicial pronouncements against acts of malfeasance.

### **Basic Concerns of Administrators**

Policy implementation is not easy. Without determined political support and without willing cooperation of many top administrators, little can be achieved. In policy implementation administrators, especially senior executives, should have the following functions and roles to perform.

In the first place administrators must clearly understand the nature and significance of policies, which the political masters have set. They are responsible for advising in the formulation of policies, designed to achieve goals, and also mobilising, organising and managing the resources necessary for carrying out these policies. Second, they should assist policy makers to avoid ambiguities. They should advise them on the importance of adopting policies that can be implemented. Third, they should be able to translate the general policy and its objectives into operational targets. This function should also include analysis of probable costs and benefits of each way of achieving the operational targets. As far as possible, they should adopt a rational approach and use appropriate management techniques to implement policies. Finally, they should be able to pay special attention to the issue of coordination of policies and policy instruments. They should analyse the policy in question in relation to other policies to see if any inconsistencies or vagueness exist, and examine whether it complements or supplements other policies to produce better results. They must also be conscious of the likely consequences of the respective policies, especially the possibilities of popular distress, disapproval or resistance.

#### **13.3.2 Legislative Bodies**

While administrative organisations are the primary implementers of public policy, the legislative bodies are also involved in policy implementation. Though their role in implementation tends to be limited, the legislative bodies may affect the operations of the administrative organisations in several ways. In law, the power of the legislature over specified subjects is virtually unlimited. Administrative actions are subject to examination and criticism by legislative bodies. They can lay down limits to administrative discretion and delegation. The more detailed the legislation is, the lesser the discretion a bureaucracy would have. The legislature authorises taxation and expenditure, and holds the executive accountable for its financial decisions. It specifies limits in the legislation over the use of budgeted funds. Further, it may attach statements or suggestions concerning how the legislation should be implemented. The legislature and its various committees not merely exercise control but also attempt to influence the actions of administrative agencies that fall within their purview. The

public, mainly the supporters of the respective legislators, approach the latter to protect their interests. Interventions by legislators, in the administrative process, -to pursue the interests of their constituents, therefore, tend to be quite common. As members or chairpersons of various committees of the legislature, a number of legislators also interact with senior officers and exercise influence on the implementation process in multiple ways.

In India, the Parliament is empowered to exercise its control over the political executive for its decisions and actions. It operates in three broad arenas: i) control over policy; ii) control over implementation, and the day-to-day working of the departments; and iii) control over public expenditure. These are detailed below.

#### i) President's Address

Members of the parliament, after the President's address to the new session, get an opportunity to criticise the government for its alleged acts of omission as well as commission.

#### ii) Budget Discussion

During the general discussion on the Finance Bill and submission of Demands for Grants, members of both the Houses of Parliament get innumerable opportunities to discuss the budget proposals on taxation and expenditure in particular, and economic policies in general. Members of the Lok Sabha can move three kinds of cut motions to assent, reject or reduce the amount of a demand. These are:

- a) Policy Cut Motion indicating the disapproval of the policy underlying the demands;
- b) Economy Cut Motion to project economy that can result from the suggestion of the member;
- c) Token Cut to ventilate a specific grievance. Issues of policy, economy, efficiency, grievances, etc. may be raised, and the minister concerned has to respond to the questions.

#### iii) Question Hour and Government Policies

The first hour of business in the legislature forms the most valuable part of the day's proceedings, which is reserved for raising questions on the executive's functioning. It serves the purpose of asserting the supremacy of the Parliament (e.g. Tehelka tape controversy in April 2001, Volcker report on Iraq's food for oil in November 2005). Besides question hour, financial matters are also discussed during the Zero Hour discussion, Adjournment debates (discussion on matters of urgent public importance) and No Confidence Motions. All of them provide further opportunities for criticising government policies.

However, any control that parliament exercises over the executive is largely indirect, inducing self-control and exercise of responsibility under the threat of exposure, rather than control in the sense of actually implementing policies.

### 13.3.3 Judicial Bodies

Judicial bodies including administrative tribunals also play a crucial role in their efforts to review or interpretation of public policies. In India, as in many other developing countries, most laws are enforced through judicial action. The Environment Protection Act, Income Tax Act, Urban Land Ceiling and Regulation Act, and the various laws dealing with crime, are some examples. Many of the clauses stipulated in the Acts are subjected to judicial interpretation. In addition, due to the power of judicial review, the courts are either directly or indirectly involved in policy implementation. The Indian Constitution empowers the Supreme Court and High Courts to exercise judicial review of the legislation. The enforcement of policies in many fields has been influenced by judicial decisions.

The judicial bodies can help, nullify or stop the implementation of particular policies through their interpretations of statutes and executive decisions. The role of the judiciary in responding to administrative action has usually been to protect the rights of the citizens faced with the growing power of the state or its whimsical exercise by those in authority. The courts are usually concerned with the procedural aspects of executive decision making as well as the legal authority behind them. A classic example was the Supreme Court's ruling in September 2003 restraining the Government of India from implementing disinvestment policy without seeking parliamentary approval regarding the disinvestment and privatisation of Hindustan Petroleum Corporation Limited (HPCL) and Bharat Petroleum Corporation Limited (BPCL) (Kapoor, September, 2003). Similarly, the Supreme Court's ruling in September 2003, on putting a bar on the en masse remission of the sentences of convicts by the Government of Haryana indicates that the judiciary in India can nullify the implementation of particular policies.

The judicial control over administration is a direct outcome of the doctrine of rule of law and its scope is very wide. It can interfere with administrative orders whenever and wherever they effect the rights of citizens or violate any aspects of the Constitution of India while formulating or implementing public policies. The causes of judicial intervention include:

- i) lack of jurisdiction;
- ii) error of law;
- iii) errors of fact-findings;
- iv) abuse of authority; and
- v) errors of procedure.

The administrative tribunals and agencies for administrative adjudication—created under provisions of the Indian constitution—exercise checks on the functioning of implementing agencies and whosoever feels affected can approach these bodies. Though the verdict of these agencies and tribunals is final, the civil courts could interfere in case the agency or tribunal concerned has:

- i) acted on an issue outside its jurisdiction;
- ii) overacted, which means acting in excess of its power;
- iii) acted against any rule of natural justice;
- iv) not adhered to the compliance of the provisions of Act; and
- v) been fraudulent and dishonest, in its proceedings.

In order to have an effective check on the functioning of Administrative Tribunals, some safeguards have been provided in the Indian Constitution. As per Article 32(2) of the Indian Constitution, the Supreme Court is empowered to issue writs, viz. Habeas Corpus, Mandamus, Prohibition, Quo Warranto, and Certiorari. Any individual feeling that his fundamental rights have been infringed through the implementation of a given policy and has failed to get justice through the administrative adjudication agency or tribunal, could move the court for protection, and for safeguarding his rights. Thus, the courts (especially the High courts and the Supreme Court) and the Administrative Tribunals perform a positive role in the implementation of public policies.

### **13.3.4 Civil Society**

Civil society organisations have an important role in the public policy arena, which is evident and described in detail in Unit 9. Historically, the religious organisations and charitable institutions in India have served as principal providers of many social services'. With the emergence of the welfare state, some of the services have been taken over by the state. However, in recent years the role of the NGOs has received wide recognition and impetus as the state has been progressively

restricting its role in the provision of some welfare services. Moreover, the NGOs have made significant contributions to the implementation of public policies, notably with regard to population policy, health and education policies. It is, therefore, widely recognised that group action is a more effective method than individual action for the implementation of public policies. NGOs, and interest groups provide effective approaches and methods for mobilising public policies. Free from bureaucratic trappings, they can communicate more effectively to citizens, thereby ensuring an adequate response to public policies. They also serve as bridge between individual citizens and policy implementers. They help the policy implementers by supplementing human resources in the policy implementation. For example, the NGOs played an effective role in carrying the message of family limitation and education of the girl child. The role of pressure groups is equally significant. For instance, farmers' organisations in several states have been active in launching direct action against what they considered 'anti-farmer' policies of the respective state governments. The agitations were aimed at securing remunerative prices for farm products, and for retaining the pre-existing subsidies on electricity, fertilisers, insecticides and pesticides.

The Government needs the cooperation of various civil society organisations for securing optimal results in the implementation of its policies. Hence, many government programmes have to be planned with the consent of those organisations. The cooperation within the implementation process is seen as a way of handling and resolving conflicts of interest.

However, to secure the involvement of various civil society groups/interest groups in policy implementation it would be better to bargain with them during the policy-making stage itself. This may be seen as the vesting of some discretionary power in the hands of such groups. They might be more inclined to protect their members' interests than those of the general public. In recent years, there is a growing tendency for public agencies to depend on civil society and interest groups to deliver services, which they find it either difficult to provide directly or lack the resources to provide them.

### **Role of Community**

Another important component in the policy implementation is the community. The community is seen as an alternative or a supplement to the markets and bureaucracies. At the forefront of advocating 'communitarianism' as an approach to public policy is Aronai Etzioni. Community-based public policy strategies have been a significant development in new approaches to local policy-making and implementation since the 1980s. The approach aims at increasing the participation of the community in solving its social and economic problems. In India, the Constitutional (73<sup>rd</sup> and 74<sup>th</sup> Amendment) Amendment Acts 1992 give a constitutional status to the rural and urban local bodies for formulation and implementation of policies and programmes for economic and social development of the respective communities. Community policy may, for instance, be directed at a neighbourhood or part of an urban area. It may also be directed at a group of people who share a problem or an interest. The aim is to create a "bottom-up" process in which people participate in the making and implementation of policies. The community is seen as an agent of social change and reform. This approach is also conceived as a de-bureaucratisation strategy in which the community concerned acts as a channel for defending the interests and rights of individuals and groups who are threatened by the power of bureaucracy.

#### **13.3.5 Influence of Political Structures**

Political parties and executive staff agencies also affect the policy implementation process. As pointed out earlier, civil servants would argue that their policy-related advice to ministers is based solely upon practical considerations of feasibility in implementation. On the other hand, politicians

would argue that their interventions, if any, are intended to see that during the implementation phase, policy goals are not being distorted.' These comments indicate that the role of politicians and civil servants are important in the administration of public policies. Thus, the study of implementation is closely linked with issues of intra and inter-governmental relations. Moreover, the central government plays a core role in designing public policies, and in suggesting suitable administrative structures besides the provision of financial resources. In India, political parties are often seen to be exerting their influence on both the political executive and bureaucracy, in the implementation process, so as to realise their goals and to ensure popular control over government and its policies.

## 13.4 CONCLUSION

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In this Unit, you have been exposed to the modes of policy delivery and role of various agencies in implementation. In this context, the respective roles of the legislature and judiciary have been described. The Unit emphasised on the fact that a good policy, if it is to be implemented, must have effective means of enforcement. It was noted that the political leaders, administrators, civil society organisations, and citizens play their respective roles in the enforcement of public policies. It was further noted that the government pursues a variety of approaches and instruments for translating its policies into action. In short, while the bureaucracy, its staff, and line agencies in particular are the primary implementers of public policies. Many other actors, such as, legislators, NGOs, civil society groups, besides the affected citizens are involved in the policy implementation process.

## 13.5 KEY CONCEPTS

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<b>Certiorari</b>	: An order issued by a higher court to a lower court to send up the record of a case for review.
<b>Habeas Corpus</b>	: A court order, directing an official who has a person in custody to bring the prisoner to court and show cause for his detention.
<b>Interest Group and Pressure Group</b>	: An interest group is simply a voluntary association articulating interests of its members. On the other hand, a pressure group is an organisation with a formal structure whose members share a common interest and seek to influence government policy or decision without attempting to occupy political offices.
<b>Mandamus</b>	: An order issued by a court to compel performance of an act.
<b>Policy Instrument</b>	: A policy instrument is a means of accomplishing a particular policy objective.
<b>Prohibition</b>	: An extraordinary judicial writ, issuing out of a court of superior jurisdiction and directed to an inferior court for the purpose of preventing the inferior court from usurping a jurisdiction with which it is not legally vested.

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### **13.7 ACTIVITIES**

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- 1) Visit the office of any Government Agency. On the basis of your observation, critically examine the role of bureaucracy in policy implementation.
- 2) Examine the ways by which the legislature and judiciary exercise their influence on policy implementation.
- 3) Describe the role of the NGOs in policy implementation. If possible, describe their role on the basis of certain case studies or examples.

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# **UNIT 14 POLICY IMPLEMENTATION PROBLEMS**

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## **Structure**

- 14.0 Learning Outcome
  - 14.1 Introduction
  - 14.2 Problems in Policy Implementation
    - 14.2.1 Conceptual Problems
    - 14.2.2 Political Problems
    - 14.2.3 Administrative Problems
    - 14.2.4 Lack of Public Involvement
  - 14.3 Conditions for Successful Implementation
  - 14.4 Conclusion
  - 14.5 Key Concepts
  - 14.6 References and Further Reading
  - 14.7 Activities
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## **14.0 LEARNING OUTCOME**

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After studying this unit, you should be able to:

- Understand the problems arising in the course of implementation of public policies;
  - Explain the causes of implementation failure; and
  - Discuss the conditions for effective policy implementation.
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## **4 1 INTRODUCTION**

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‘Implementation’ is the heart of administration as it consists of carrying out of basic policy decisions. In the policy cycle, it is critical to the successful fulfilment of policy objectives. But implementation is not automatic. The **implementation** phase is faced with numerous problems. Effective **implementation** requires a chain of **command**, and the capacity to coordinate and control; often there are shortfalls in this exercise, more so in a developing country like India. In this Unit, the focus of discussion is on explanation of the implementation deficit.

## **14.2 PROBLEMS IN POLICY IMPLEMENTATION**

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Problems in the implementation of policy are common in all countries, be they developed or developing. Even with relatively good administrative structures, public policy often does not have its intended impact due to conceptual and political problems. Implementation deficit may be due to insufficiency of the requisite resources—of time, material, money or manpower. We will discuss problems in policy implementation under following headings.

### **14.2.1 Conceptual Problems**

Implementation of public policy has been hindered by conceptual problems in understanding the nature of contextual problems, and the kinds of policies and procedures necessary to address these problems. These conceptual problems may be related to policy design and policy analysis.

### i) Policy Design

Hogwood and Gunn argue that the chances of a successful outcome will be increased if, at the stage of policy design, attention is given to potential problems of implementation. In order to avoid major shortfalls in implementation, they offer the following ten propositions that policy makers should ensure that:

- circumstances, external to the implementing agency, do not impose crippling constraints;
- adequate time and sufficient resources are made available to the programme;
- there are no constraints in terms of overall resources, and even at each stage in the implementation process;
- policy to be implemented is based upon a valid theory of cause and effect;
- relationship between cause and effect is direct and there are few, if any, intervening links;
- there is a single implementing agency that need not depend upon other agencies for success;
- there is complete understanding of, and agreement upon the objectives to be achieved, and that these conditions persist throughout the implementation process;
- in moving towards agreed objectives, the tasks to be performed by each participant should be specified in complete detail and perfect sequence;
- there is perfect communication among, and co-ordination of, the various elements involved in the programme; and
- those in authority can demand and obtain perfect obedience.

It is obvious that these preconditions are at the same time the reasons as to why, in practice, the implementation does not take place as expected. For example, India's population policy (2000) lacks an adequate policy design. According to Singh, the problems of policy design in this particular policy include ambiguous and ill-defined objectives, and inappropriate measures to achieve the stated goals. Lack of adequate political will, and sufficient social support are other reasons. These problems in policy design are partly a product of the nature of federalism and adherence to symbolic politics that emphasises policy as an instrument to appease certain interest groups rather than a policy design, geared to achieve intended outcomes.

Another conceptual problem in policy design relates to lack of key regulatory principles in most public policies in India. It has been observed, for example, that most industries in States have not come out strongly to comply with provisions of the Environment (Protection) Act, 1986 and the Water (Prevention and Control of Pollution) Act, 1974. Industry management hesitates to comply with conditions imposed by the State Pollution Control Boards, such as, treating the effluents and discharging them in an appropriate manner. Further, even when an industry installs a treatment plant, management may evade its operation in order to save the extra expenses incurred in running the plant. Industry often uses various means to circumvent the provisions of law.

Similarly, the National Water Policy (NWP) adopted by the National Water Resource Council (NWRC) in 1987, was a desirable step in the direction of evolving a national consensus. But it has largely remained unimplemented because of poor design. The revised NWP (2002) has addressed emerging issues with a national perspective. However, this NWP (2002) lacks a blue print for action. Moreover, the subject of water is being dealt with at the Centre in too many ministries. It needs to be brought under one umbrella so that a holistic view can be taken of this precious resource.

### **ii) Policy Analysis**

Implementation of public policies in India has also been hampered by conceptual weaknesses in policy analysis. For example, the National Health Policy (1983) was adopted without examining alternative policy options. The inability to set priorities and evolve appropriate strategies for reduction in health problems by the State departments of health has resulted partly from inadequate policy analysis. Most of the State Pollution Control Boards in India suffer from lack of adequate professional staff, sufficient time, and data. In addition, major policies have been adopted without due deliberation on various policy alternatives. Often, this was due to strong adherence to secrecy within the bureaucracy.

### **iii) Policy Statement**

Often policy statements announced by the government contain ambiguous and contradictory terms, posing problems in implementation. The implementers at the field level often face a variety of problems because the policy statements lack clarity. Consequently, implementers use their own discretion while implementing them or they refer the statements back to the higher rungs of administration for clarification. In such instances, policy implementation is adversely affected. A contradictory policy statement is often subject to different interpretations by the Courts in India amounting to a new policy. Policy Statement for Abatement of Pollution (1992), for example, stresses that 'the emphasis will be on clean technologies' and not on clean-up technologies. The focus, therefore, must be on source reduction and substitution of chemicals with safe alternatives.

## **14.2.2 Political Problems**

Political problems in the implementation of public policies are grave and complex. These hamper effective implementation as discussed in the following areas of politics.

### **i) Centralised Policy Process**

Friction between central and state government relations has affected the policy implementation processes adversely. In the area of environmental protection, for example, the policy process is heavily centralised. Policy decisions taken at the central level, including goal setting and procedure, ignore the local culture. Although the central government has been enthusiastic in adopting innovative population, health, education and environmental policies and programmes, the state governments have been dragging their feet when it came to effective implementation as the latter often lacked the requisite political will. As a consequence, health or environmental quality has hardly improved in terms of the availability of safe water, clean air, and provision of healthy living conditions. Policy-makers at the central level do realise that wide gaps in implementation exist in regard to several social policies. As a whole, the organisational structure for implementation of social policies is in better shape at the central level than at the state level, especially with regard to technical expertise, and the linkage between various ministries. Indeed, most state governments do not allocate sufficient funds for education, health, environment, and population since these are perceived as a non-productive investment.

### **ii) Unionisation of Bureaucracy**

Another glaring implementation lacuna is due to the unionisation of civil services, at the lower levels in particular. This has destroyed not only the work culture and discipline, but it also demoralised considerably the supervisory levels into withdrawal and prompting them to take the line of least resistance. The higher and the middle levels of bureaucracy are too powerless and marginalised to give any relief to citizens in cases of corruption and unresponsiveness by lower level staff at the cutting edge of administration. Further, endemic political interference by the

political executive has compounded the marginalisation of the higher bureaucracy, thereby undermining its capacity to implement public policies effectively.

### iii) Interest Group Politics

In many cases, it is observed that the policies are not implemented because of interest group politics. For example, several industries have little concern about the environmental consequences of siting decisions, retrofitting old technology buildings, or introducing new technology. Industrialists influence the environmental policy-implementation process either directly or through business lobbies and representatives of the business interests concerned. Pressure by industrial associations during consideration of Environmental Protection Act in Parliament resulted in a weakening of the penalties for non-compliance, and also forced the government to delay enforcement of the enacted legislation. Industrial firms, in both public and private sectors, had little incentive to comply with the environmental regulations due to the low cost of non-compliance. At the same time, it is important to note that the labour unions have not taken any major initiatives for the control of pollution problems inside or outside the factory or for the safe operation of hazardous facilities. Needless to mention that most industrialists in India wield lot of political clout. They have enduring links with the elites of the ruling parties. It is, therefore, common for the exertion of political influence in the environmental policy process, thereby permitting the free play of vested interests.

Honest policy implementers face many problems and challenges from the vested interests. To protect their profit margins the industrialists go to any extent. They enlist the support of the corrupt officials and put obstacles in the way of honest officials. Every effort is made to get the policies implemented in a way, which meets their specific interests. Consequently, the implementation process remains weak and tardy.

## 14.2.3 Administrative Problems

One way of analysing implementation problems is to begin by thinking about the limits of administration. Christopher Hood uses the term 'perfect administration' in comparison to economists' use of 'perfect competition'. He defines 'perfect administration' as a condition in which 'external' elements of resource availability and political acceptability combine with 'administration' to produce 'perfect policy implementation'.

Some of the administrative problems that occur in the policy implementation are discussed below.

### i) Lack of Adequate Institutional Capacity

The institutional structure and administrative capabilities for implementation of environmental laws and policies, for example, are by no means adequate in the face of the complexities of environmental, political, social, and economic problems. Here, the institutional structure includes the whole system of rules and regulations by which administrative tasks and responsibilities are clearly defined and juxtaposed with the capabilities of the administrators concerned. For example, when thirty industrial units, including a few multinational companies in West Bengal failed to comply with environment laws, the Supreme Court had to play the role of the executive. At the end of the hearing on February 7, 1995, a two-judge bench of the Supreme Court expressed its displeasure by commenting that, "these multinational concerns have huge resources, yet they are not bothered about protecting the environment".

### ii) Lack of Personnel and Financial Resources

Further, it is observed that most of the policies are not implemented because of deficient staff, and lack of financial resources. Social policies in many developing countries have not been implemented in full scale owing to lack of trained staff. Well planned policies fail to attain the proper goals

without competent personnel. Implementation implies allocating personnel resources to the appropriate tasks and activities, motivating them to do well and rewarding them for their action. Regardless of their status, specialised knowledge, experience and qualifications, the programme personnel need to work as a cohesive team for the purpose of achieving policy results. But often there is no proper allocation of tasks to the personnel.

For moving into the implementation phases of the policies, implementers need financial and infrastructural resources. Of course, the policy makers do make provision for money for carrying out the policies. However, provision of funds in the budget does not mean much when the sanctioned amount do not usually reach the implementing agencies on time. Furthermore, the amounts sanctioned are not generally adequate to meet the requirements. At the state level, serious financial problems exist due to deficit budgets. Part of the deficit is made up by central subvention. Despite this, financial problems persist in health, and education sectors.

### iii) Pressure of Time

It is observed that the pressure of time often creates the implementation gap. Normally, while fixing the time frame, the policy formulators do not take into consideration the prevailing conditions. They tend to be idealistic while setting the targets, and forget the workload of the respective implementing agencies. Consequently, the Head Offices press the agencies for speedy implementation. The implementation agencies, under such conditions are unable to fulfill the targets allocated under the said policy, let alone carrying out the other works on hand.

### iv) Lack of Administrative Will and Motivation

Without the conscious cooperation of implementers, nothing can be done. It is found that social policies have remained unimplemented largely for lack of administrative will and motivation. In the present environment, officials are not likely to feel enthusiastic about implementing policies, especially in enforcing environmental laws. Even in cases where public officials are inclined to implement the environmental laws, their authority is often undermined by the manoeuvres of industrial bigwigs. Many of them fall to the dominance of economic interests and monetary temptations and end up in formalistic enforcement of the regulations.

### v) Lack of Coordination and Cooperation

Poor coordination and missing links among the administrative agencies have also stood in the way of adequate and appropriate policy actions. For example, at the administrative level, different departments are concerned with the implementation of policies relating to poverty alleviation programmes (for example, Ministry/Department of Urban Development, Ministry/Department of Social Justice and Empowerment, Ministry/Department of Rural Development, Ministry/Department of Tribal Affairs, etc.).

Similarly, gaps in policy implementation are found in population and family planning programmes. Lack of proper coordination and cooperation among the multitude of administrative agencies is an important lacunae in the whole institutional set-up.

## 14.2.4 Lack of Public Involvement

Public involvement in policy implementation programmes, such as, education, health, population control, pollution control, forest conservation, etc. puts tremendous pressure on administrative staff to produce results. By staging demonstrations and protests, and by launching mass movements, the public has tried to offset the power base of interest groups and lobbies that tend to influence policy implementation in their favour. The Chipko movement in Uttar Pradesh hills and the Appiko movement in Western Ghats of Karnataka were launched against tree felling for commercial purposes. These were sporadic movements by environmental groups against such acts. Local movements

against deforestation and construction of dams are somewhat random and episodic. This has to be understood in the context of a limited resource base of the administration and the ambitious goals set for them. The strength and endurance of the peoples' movements for implementing and enforcing regulations have not been a match to that of the vested interests, which are bent upon thwarting the implementation of public policies especially in the sphere of environment protection.

### **14.3 CONDITIONS FOR SUCCESSFUL IMPLEMENTATION**

Implementation is seen varying along a continuum, ranging from the most successful to aborted attempts. Successful implementation involves many operations and procedures as well as time and resources. However, successful implementation should not be equated with impact measures, as implementation is not the same thing as impact. For example, the National Health Policy (adopted in 1983) may be fully implemented and yet has little intended impact. W. Williams makes an attempt to identify ways in which policy failure can be prevented. He exhorts policy makers to pay more attention to implementation capacity and sets out a checklist of questions:

- i) How well articulated is the public policy to the implementers?
- ii) How capable are the policy-makers in developing meaningful guidelines for and assistance to implementers?
- iii) How capable are the implementers to develop and carry out a new policy?
- iv) How much power do either have to change (i.e., the policy makers and implementers) the order.

Mazmanian and Sabatier formulate a set of six sufficient conditions of effective implementation. They are noted below:

- i) The enabling legislation mandates policy objectives that are clear and consistent or at least provides substantive criteria for resolving goal conflicts.
- ii) The enabling legislation incorporates a sound theory identifying the principal factors and causal linkages that affect policy objectives and gives implementing officials sufficient jurisdiction over target groups and other points of leverage to attain the desired goals.
- iii) The enabling legislation structures the implementation process to maximise the probability that implementing officials and target groups will perform as desired. It involves assignment to sympathetic agencies with adequate hierarchical integration, supportive decision rules, sufficient financial rules, and access to supporters.
- iv) The leaders of the implementing agency possess substantial managerial and political skills. They are committed to statutory goals.
- v) The programme is actively supported by organised constituency groups and key legislators, throughout the implementation process, with the courts being neutral and supportive.
- vi) The relative priority of statutory objectives is not undermined overtime by the emergence of conflicting public policies or by changes in relevant socio-economic conditions that weaken the statute's causal theory or political support.

Similarly, Christopher Hood sets out five conditions for perfect implementation, which are stated below.

- an ideal implementation is a product of a unitary 'army' like organisation, with clear lines of authority;

- norms would be enforced and objectives given;
- people do what they are asked to;
- there should be perfect communication in and between units of organisation; and
- there would be any kind of pressures of time.

The argument put forward by these authors is that problems can be avoided by anticipating constraints and difficulties in advance. But a policy, to be implemented, must be given concrete shape. In particular, the presumptions skate over the whole issue of consensus, either in a party-political or ideological sense or in terms of organisational interests affected by policy. In this context, Chase notes that it is difficult to obtain compliance where policy or a programme is to be implemented by agencies whose intentions do not necessarily coincide with those of the policy formulators. Solutions to this difficulty are therefore seen in terms of i) giving credibility; ii) reference to higher authority; and iii) provision of adequate financial incentive.

However, Chase seems to ignore the relationship between interests, politics, and the balance of power among those making, implementing, and affected by policy. Any policy, in order to be properly implemented, needs translation, clarity, and concreteness. Thus, the extent of success of policy implementation depends to a large extent upon the fulfilment of the preconditions, the combination of political will, and administrative capability in particular.

## 14.4 CONCLUSION

In the preceding text, problems in policy implementation have been discussed. The implementation of a decision is just as important as the policy itself. No policy formulator can assume that decisions will automatically be implemented as envisioned. Policy implementation requires a wide variety of actions, including issuing policy directives that are clear and consistent; creating organisational units and assigning personnel with the information and authority necessary to administer the policies; coordinating personnel, resources, and expenditures to ensure benefits for target groups; and evaluating actions of the personnel regarding implementation. However, none of these steps is easy. Thus, serious efforts are required for policy implementation at the level of policy-making itself, because the process of implementation starts from the policy formulation stage.

## 14.5 KEY CONCEPTS

- |                               |  |
|-------------------------------|--|
| <b>Implementation failure</b> | : It refers to the gap between what is observed? and what is expected? where the latter is defined in terms of the values of observer. |
| <b>Policy Process.</b>        | : The policy process is a flow of reactions to events and the reactions of other actors.   |

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## **14.7 ACTIVITIES**

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- 1) What are the implications of implementation deficit for policy decision?
- 2) Explain, with illustrations, the conditions required for successful policy implementation.
- 3) On the basis of your experience, outline the various problems encountered in policy implementation.

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# **UNIT 15 MONITORING OF PUBLIC POLICY - I**

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## **Structure**

- 15.0 Learning Outcome
  - 15.1 Introduction
  - 15.2 Monitoring of Public Policy: Meaning and Significance
  - 15.3 Approaches to Policy Monitoring
    - 15.3.1 Managerial Approaches
    - 15.3.2 Systems Approach
    - 15.3.3 Formative Approach
    - 15.3.4 Performance Measurement Approach
    - 15.3.5 Monitoring and Control Compliance
  - 15.4 Constraints in Policy Monitoring
  - 15.5 Remedial Measures for Effective Monitoring
  - 15.6 Conclusion
  - 15.7 Key Concepts
  - 15.8 References and Further Reading
  - 15.9 Activities
- 

## **15.0 LEARNING OUTCOME**

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After studying this Unit, you should be able to:

- Understand the meaning and significance of policy monitoring;
  - Describe the approaches to monitoring;
  - Explain the constraints in policy monitoring; and
  - Discuss remedial measures for effective policy monitoring.
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## **15.1 INTRODUCTION**

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In the previous Units we have discussed the role of various agencies and problems in the policy implementation process. Effective monitoring can ensure the proper execution of policy with expected results. Monitoring is an activity which occurs in the course of implementing a programme or a policy. The objective of policy monitoring is to ensure, through the policy implementation process, that resource inputs are used as efficiently as possible to yield intended results. The standards that are used for both efficiency of resource utilisation, and effectiveness of policy implementation are inherent in the policy-making process. The monitor has to be able to appraise resource use, technical activities, and policy implementation results with an amount of detail that permits him to make changes or corrections when necessary. As proper monitoring is necessary for expected results in the process of policy implementation, we will therefore, concentrate in this Unit on the important issues in policy monitoring. The issues help to identify constraints and remedial measures for effective policy monitoring.

## **1152 MONITORING OF PUBLIC POLICY: MEANING AND SIGNIFICANCE**

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In simple words monitoring' is the process of observing. It is not controlling. Policy monitoring has come to mean the process of observing the progress of policy implementation and resource utilisation, and anticipating deviations from policy expectations. Its implications are that management takes steps to ensure that all activities related to policy implementation are completed within the given time and budget. Monitoring can be defined as "the process of inducing action for adherence to schedule".

If monitoring shows that a particular policy activity is deviating from planned parameters then the management may take required measures to replan that particular activity. But if there is a significant variation from planned parameters, it is important to analyse the source of deviation before deciding upon the remedial measures.

Policy monitoring in brief is based on the following five assumptions:

- i) Policy/programme is measurable in terms of certain indicators or desired objectives.
- ii) Personnel responsibility for the programme performance exists at all levels in the organisation.
- iii) Adequacy of time for monitoring is ensured.
- iv) There are proper tools for identifying deviations from programme performance. ,
- v) Provision exists for adjustments, which correct the deviations from planned expectations outcomes.

The significance of the monitoring of public policy lies in seeing that intended results are achieved through the efficient use of resources. Monitoring helps in designing and implementing systems for the processes, which provide just the right amount of detail for adequate control of policy execution. Experience has shown that effective monitoring can ensure the proper execution of policy with desired results in the shortest amount of time.

An effective monitoring of public policies aids in cost reduction, time saving, and effective resource utilisation. The key issue in monitoring is to create an information system that gives policy makers and policy implementers the information they need to make timely decisions and policies that will keep policy programme performance as close as possible to the objectives of the policy. Therefore, it is important that monitoring and control processes should be given due importance and be designed properly.

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## **15.3 APPROACHES TO POLICY MONITORING**

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Various policy monitoring models and approaches have been advanced for the purpose of securing effective monitoring of policy implementation. These models may perform differently according to the evaluation criteria employed. Model evaluation then becomes the task of listing the pros and cons of different approaches. A few approaches in relation to monitoring of public policies are discussed here.

### **15.3.1 Managerial Approaches**

Managerial approaches to monitoring have come to form the dominant operational paradigm in the implementation of public policies. The management of the public sector has now adopted more or less business-like style, the techniques of which were once thought of as private-sector methods.

### i) CPM and PERT

In this context, two approaches, namely, i) Critical Path Method (CPM), and ii) Programme Evaluation and Review Technique (PERT) have gained wide recognition not only in the private sector but also in the public sector.

Both CPM and PERT approaches employ the idea of managing large-scale policy programmes. As a means of addressing the issues of material and resource use in the most efficient manner, the concepts of CPM and PERT have proved quite useful. These refer to the planning of a particular programme, allocating people and other resources, and monitoring progress. The aim of CPM and PERT is to control the execution of a policy programme by controlling the network of activities and events which compose the stages of policy implementation. The CPM is a technique, which aims to identify those activities that are critical to the successful implementation of a policy programme on time. A network is drawn to show the starting period of the policy programme, and the estimated time period involved in moving from one critical activity to another.

On the other hand, PERT is a technique, which predicates that the duration of critical activities are uncertain. It involves a graphic estimation of the time and resources necessary for policy execution. This can be applied to a number of efforts, ranging from a housing project to the scheduling and deployment of personnel. The PERT systems are programmed on the basis of three types of calculation of this uncertainty: the most probable duration, the shortest forecast of duration, and the longest forecast of duration. The PERT analysis is often used in the implementation of large-scale policy programmes (such as, rural development) where there is a high level of uncertainty surrounding the completion of a policy programme. In this way policy programme is monitored and controlled through PERT and CPM approaches.

### ii) PPBS

In addition to CPM and PERT approaches, Planning–Programming–Budgeting System (PPBS) has been regarded as an important technique associated with policy analysis. The PPBS approach seeks to set clear goals, outputs, and values in the budgetary process, and to create a system of analysis and review in which the costs and benefits of a policy programme could be calculated over several years. This approach is based on the idea that an organisation's activity can be viewed as the production of defined products or outputs. Costs and benefits of each product can be determined. The PPBS aims at locating decisions about parts of the budget in the context of the whole of the government spending strategy. The model is derived from the classical rational approach, beginning with the identification of goals, objectives, needs and problems, and culminating in monitoring, review, and feedback.

Charles Schultz, who is associated with the advancement of this model, observes that PPBS subjects programmes to competition from alternative and more effective or efficient programmes. Thus, the PPBS approach aims at establishing goals and strategies, analysing their costs and benefits, focusing on objectives to be achieved, and monitoring through an ongoing review of results.

As an approach, it also aims at exercising control on budget expenditures. However, it is argued by some that the PPBS is somewhat ill-suited for monitoring; the PPBS simply failed to live up to its promise. Although the PPBS was largely a failure, its introduction brought into policy management a more comprehensive approach to Cost-Benefit Analysis (CBA).

### iii) Activity Bar Chart

For monitoring technical performance of a policy, the Activity Bar Chart can be mapped. It is an important device for monitoring policy performance as it projects expectations for policy results. The Activity Bar Chart plans each technical activity by time and deliverables. It shows the dates

by which those deliverables should be completed. For example, an Activity Bar Chart can be developed for a housing policy designed to replace urban slums with low-cost housing.

### 15.3.2 Systems Approach

Monitoring is an operational activity, which occurs in the process of implementing a given policy programme. The main objective of monitoring is to ensure that resource inputs are used in such ways as to generate the highest quality of policy outputs. An effective monitoring, therefore, requires proper structuring. Here, structuring in policy work can involve both the structuring of the organisation and structuring the policy programme itself, and the combining of these two structures to provide a framework for integration. The structuring looks at implementation gaps as something that should be analysed in the context of a 'system', which as a whole is involved in the delivery of policy programmes and services. The systems analyst is concerned in knowing how a total sequence of programme activities, and inputs and outputs contribute to the success or failure of a policy delivery programme.

Carter and his associates suggest that a successful implementation system involves four types of control, that is, i) coordination over time; ii) coordination at particular time; iii) detailed logistics and scheduling; and iv) defending and maintaining structural boundaries. It may be emphasised that systems approach lays stress on attaining adequate levels of cooperation and coordination within the policy programme by focusing on the importance of teamwork for effective monitoring.

Effective implementation and its subset monitoring depend on certain elements, such as, formulating a strategy for the monitoring of the policy, and analysing what has happened in terms of what should have happened according to the plan and implementing change so as to make up for the shortfalls in order to realise an objective or goal.

### 15.3.3 Formative Approach

According to this approach, monitoring starts with a schedule and works for the success of a policy programme when it is being implemented. It involves an analysis of the extent to which a programme is being implemented and the conditions that promote its successful implementation. The implementation stage, therefore, requires formative evaluation, which monitors the way in which a programme is being administered or managed so as to provide feedback that may help to improve the implementation process.

Monitoring of the process of implementation provides techniques for evaluating the way in which a programme is being managed or delivered. Thus, this information is utilised to correct or improve the policy delivery process more effectively. This takes the form of various kinds of centralised Management Information Systems (MIS) that can routinise the collection of information. The MIS has been greatly improved by the use of computers. It helps an ongoing accumulation and organisation of information, which can feed into the managerial decision-making process. A core technique of the MIS approach to evaluation and monitoring is that of using performance measurement as a primary source of information about the effectiveness and efficiency of policy delivery. This is a form of monitoring, which has come to a pre-eminent position since the late 1970s, when there was a growing demand for efficiency measured by inputs and outputs, due to pressures on public finances.

### 15.3.4 Performance Measurement Approach

Performance Measurement Approach is applied to know about the effectiveness and efficiency of policy delivery. Measurement is akin to monitoring. It means watching Performance Indicators

(PIs) on all parameters with a view to detecting the earliest available signs of any deviation: from desired results or **performance**. Once it is found that some aspect of the policy is deviating too far from expected parameters then it is the job of the policy implementing manager to exert some influence on that aspect or change the parameters. Generally, some adjustment can be made in resource utilisation or scheduling. Sometimes, a new technical activity may be taken in hand.

In this approach, Performance Indicators (PIs) can be developed and used. Peter Jackson argues that measures of **performance** can provide an effective substitute for profits so as to improve the management of schools, hospitals, local government, and other services. Jackson identifies a number of roles PIs can play in making for better implementation, such as, increasing accountability; providing a basis for policy planning and control; supplying important information to monitor organisational activities; and identifying the basis of a staff appraisal system.

Jackson believes that well designed and implemented measures can enhance the value for money (economy, efficiency, and effectiveness) and have a part to play in the delivery of public goods and services.

The case for PIs would maintain that they have a number of advantages: they determine progress in moving towards goals; identify problem areas; and contribute to improving personnel **management** overall. Thus, on the whole, PIs help to improve the capacity of the bureaucracy to control organisations and people.

### **15.3.5 Monitoring and Control Compliance**

The delivery of public policy is unlikely and uncertain without monitoring compliance. A good policy, if it is to be carried out, therefore, must have effective means of enforcement. Kenneth Boulding distinguishes between three kinds of power, that is, *threat*, *exchange*, and *love*. Enforcement through threats can have productive and integrative consequences (exercise of power by income tax authorities). The use of exchange power may involve bargaining to settle terms of trade. The power of love may involve an appeal to a moral sense or a sense of citizenship. It calls for **compliance** on the basis of social and personal responsibility. As a model for a delivery strategy, Bouldings' classification points towards the mix of enforcements: threat, exchange and love.

For proper implementation and effective functioning, Hood examines and identifies four modes of administrative enforcement and their effectiveness.

- Set aside/modify rules (government may choose either to set the rules aside or to modify the rules),  
Spread the word (government may choose to use publicity and persuasion),
- Pursue and punish rule violators (government may choose to use legal and police action),
- Make it difficult and impossible to break rules (*in* this case the enforcement method involves making the grass physically difficult or **inconvenient** to get at in the first place).

According to Etzioni, there are three kinds of power that provide a link between the enforcement of public policy and the problems of compliance within the organisations responsible for implementing it. He believes that there are three basic reasons, which compel people in the organisations to comply with rules, orders, discipline or policies. *Firstly*, people do so out of a sense of agreement, love or morality. *Secondly*, they do so because of fear. *Thirdly*, they may do so because it is in their monetary or remunerative interest. Enforcement may, therefore, be the consequence of i) normative (moral), ii) coercive (alienative), or iii) remunerative (calculative) power. A policy may rely on coercion or monetary **rewards/sanctions** or it may ask people to exercise a moral choice. Keeping the western context in view, Etzioni argues that effective organisations are those, which achieve a balanced mix between low levels of fear (coercion and alienation); and high levels

of money (remuneration and calculation), and love (nonnative and moral) involvements. In seeking to make sure that a policy is carried out effectively, implementation will require a mix of different enforcement modes.

#### iv) Individual Responsibility

With the rise of mass communications and the use of campaigns based on technology information in areas of social (health and education, women's empowerment, and development) and environmental policies, an increasing emphasis is placed on individual responsibility for problems. For example, campaigns on forest conservation urge that we take individual responsibility for forest conservation.

### **15.4 CONSTRAINTS IN POLICY MONITORING**

Effective policy implementation requires adequate monitoring. Policy programmes or activities have to be properly monitored in order to produce the maximum efficiency in resource utilisation. But quite often monitoring is constrained by many factors and forces operating at the internal and external levels. *First* of all, problems in monitoring relate to poor design of the implementing system with regard to provision of all details to enable good monitoring. *Second*, time is a constraint for policy monitoring. Too often the implementing staff feel so pressed to achieve results that they take shortcuts and try to avoid monitoring and control. Experience has shown that monitoring and control when adequately designed and executed can generate the highest quality results in the shortest possible time.

Third, a common constraint for the policy implementation authority is the availability of limited corrective actions for application whenever a programme is found to be deviating in some respect from projected performance. For example, cost overruns owing to fluctuations in financial markets often leave the implementing authority with the feeling that their implementation task is becoming difficult.

*Fourth*, a pervasive obstacle to policy monitoring is ignorance on the part of the monitoring officials about its role and methods. It is often observed that the monitoring staff and key personnel associated with implementation of policies lack the requisite knowledge and skills to monitor and control policy programme performance.

### **15.5 REMEDIAL MEASURES FOR EFFECTIVE MONITORING**

#### i) Designing the Monitoring System

The emphasis in monitoring is on completion of the policy programme or policy activities (technical performance) on schedule (time performance), and within the sanctioned budget (cost performance). To enable this, it is necessary to define precisely the specific characteristics of technical, cost and time on the basis of which performance should be controlled. It is equally important to remain sensitive to deviations in all three elements — technical, time and cost performance. It is not enough to watch cost performance or scheduling alone. Activity Bar Chart, Resource Bar Chart, and Cash Flow Projection tools can be properly designed and developed for monitoring policy performance. These charts and tools can be used to assist considerations, when a noted deviation is worthy of correction and when it is not. It is not enough to watch cost performance or scheduling alone. It is possible for a policy delivery to be on schedule and within budget and still fumble on goal fulfilment.

### **ii) Communicating about Performance**

The role of routine communications for policy performance is invaluable. Policy progression, deviations from planned progress, corrections and plans for completion are key components of policy communications. Every person involved in the policy programme requires ongoing communications at various levels of detail. Higher level management (Secretary/Director of the Department concerned or Planning agencies) requires summary reports with a frequency on the status of policy implementation. Operational members of the programme also require detailed information. The objective of **communications** is to keep people informed so that they are on the right track, and provide feedback to those involved in the policy. Further, regular meetings to review policy progression must be held at all levels in the organisation.

### **iii) Monitoring Progress**

The objective of monitoring and control is to ensure, through the policy **implementation** process, that resource inputs are used as efficiently as possible to produce the high quality of policy outputs. Policy managers must compare the time, cost, and technical performance of the policy to the budget, schedule, and tasks defined in the policy programme. This should be done in a systematic manner at regular intervals and not in a haphazard way. Any significant deviations from the planned **performance** (technical, cost, and time) must be **reported** immediately, as these anomalies affect the viability and success of the whole policy programme.

Further, based on the information below, it is necessary to update the policy regularly. It must also reflect the current status of the policy and any changes that become necessary because of new information, on budgetary or time constraints or other unexpected contingencies.

### **iv) Improving Capacity of the Monitoring Staff**

Effective monitoring largely depends upon the ability, commitment, and attitude of the monitoring staff. The process of monitoring requires some level of effort on the part of people who are particularly skilled in the process. It requires skills in planning and accounting as well as general management. The monitoring staff need to be delegated the requisite authority to monitor and control. Key functionaries should be made responsible for meaningful contributions to monitor and control decisions.

### **v) Taking Corrective Actions**

Policy monitoring and control system, through its reports and meetings, should help in taking or recommending corrective actions when there are any deviations from the planned results. There are generally three types of actions, which can be initiated or taken:

- **Correction and Improvement:** When the policy programme continues to signal merit, a corrective action usually entails a reallocation of resources (staff, money or time).
- **Replanning:** Replanning of the policy programme may be undertaken to reduce or increase the size of the policy programme in terms of staff, budget or time schedule. Replanting means changing peoples' expectations about the policy results.
- **Cancellation:** Cancellation is the last resort of action. It means the cancellation of the whole policy programme. Sometimes this is advisable, particularly in instances of major crises.

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## **15.6 CONCLUSION**

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The discussion in this Unit bears out that monitoring is the heart of policy management. Its objective is to ensure, through the policy programme implementation, that resource inputs (like people, money, material, and equipment) are used as efficiently as possible to generate the highest quantity

and quality policy outputs. Monitoring, like all other aspects of policy management, requires a significant level of coordinated human effort. Monitoring of policy programme is, therefore, a direct investment in public policy management.

## 15.7 KEY CONCEPTS

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<b>Action Plan</b>	: A plan that describes what needs to be done, when it needs to be completed, at what level, and in which direction.
<b>Control</b>	: A process for assuring that actual performance meets expectations. It implies that all actions/behaviours within limits be adjusted to a pre-fixed policy outline.
<b>Cost-benefit analysis</b>	: An analysis, often stated as a ratio, used to evaluate a proposed course of action.
<b>Deliverables</b>	: The clearly defined results, goods or services produced during policy implementation.
<b>Efficiency</b>	: It is used to denote the output / input ratio of an organisational unit. It means the amount of effort required to produce a given level of effectiveness.
<b>Management Information System</b>	: A system used to chart activities and data and to track progress and information flow in a policy programme, which is usually computerised.

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## 15.9 ACTIVITIES

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- 1) Define monitoring and explain the objectives and key factors to be monitored.
- 2) Discuss the constraints in policy monitoring and identify the remedial measures for effective monitoring.
- 3) Outline the various approaches to policy monitoring and point out the limitations of each of them.
- 4) It is said that implementation requires a mix of different enforcement modes. Explain and elaborate the statement.

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## **UNIT 16 MONITORING OF PUBLIC POLICY – II**

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### **Structure**

16.0 Learning Outcome

16.1 Introduction

16.2 Techniques of Policy Monitoring

    16.2.1 Techniques for Monitoring Technical Performance

    16.2.2 Techniques for Monitoring Time Performance

    16.2.3 Techniques for Monitoring Cost Performance

16.3 Policy Outcomes

16.4 Effective Policy Monitoring Mechanism

16.5 Conclusion

16.6 Key Concepts

16.7 References and Further Reading

16.8 Activities

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### **16.0 LEARNING OUTCOME**

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After studying this Unit, you should be able to:

- Understand the various techniques for monitoring policy;
- Explain the policy outcomes; and
- Describe the corrective actions for effective policy monitoring.

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### **16.1 INTRODUCTION**

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In the previous Unit, it was explained as to how monitoring of the process of implementation provides tools to policy makers and administrators for evaluating the way in which a policy or programme is being delivered. In implementation, this information may be used to correct or control the policy delivery process more effectively. An implementation strategy needs necessary control on staff, cost, and timing. The essence of a good monitoring system is speed of communication of dependable information on key result areas. Monitoring of policy means that policy programmes are completed on schedule (time performance), and within the budget (cost performance). In policy monitoring the following six steps are identified:

i) **Planning**

Planning is intended to establish expectations against which the implementer or policy maker monitors policy delivery process.

ii) **Allocation**

Allocation means the application of resources to the policy delivery process.

iii) **Implementation**

Implementation refers to doing the technical work planned in the policy delivery.

#### iv) Measurement

Measurement means observing performance indicators on all parameters (technical, time, and cost) with a view to detecting deviations from policy delivery (planned performance).

#### v) Evaluation

Evaluation is concerned with analysis of the factors associated with different levels of **performance** of a policy/programme delivery (planned performance).

#### vi) Adjustment

Adjustment means taking corrective action to resolve any deviation, which may result from policy delivery.

In this Unit, we will concentrate on techniques of policy monitoring, policy outcomes, and actions for effective policy monitoring

## **16.2 TECHNIQUES OF POLICY MONITORING**

Monitoring has several aspects in public policy delivery. It may involve physical progress of the implementation of policies (e.g. water and forest policies), productivity and profitability in **performance** for public sector units in the core sector, and maintenance of resource assets created to be monitored selectively so that expenditure is utilised purposefully. Primarily there are three areas in which policy monitoring has to play its role. They are:

- i) Technical **performance**, including the use of human resources;
- ii) Time **performance**; and
- iii) Cost (budget) **performance**.

Monitoring of these areas involves many techniques, which are applied in the policy delivery process.

### **16.2.1 Techniques for Monitoring Technical Performance**

There are several methods and techniques for monitoring technical **performance** of a policy delivery.

#### i) Technical Team

The Planning Department or Policy Monitoring Division in the Secretariat may be assigned the work of observing the technical **performance** of the policy delivery. This division may hold the technical Directors (Heads of the directorates) accountable for policy delivery **performance**. But the Department Head may not be in a position to directly oversee/observe policy performance. An important rule is that the techniques of monitoring and the responsibility for reporting the results of policy delivery performances should rest with the people (field staff) who are most directly involved in bringing out the results of policy implementation. A Steering Committee is generally set up to monitor the progress of public policies.

#### ii) Activity Bar Chart

An **Activity Bar Chart** is a graphic way of showing the schedule of policy delivery. For example, the National Health Policy of 1983 enunciated the long-term demographic goal of the country, to attain the targeted replacement level of fertility (or a Net Reproduction Rate of One) by the year 2000 at the lowest level of mortality. The chart can provide information relating to the list of objectives to be achieved; calendar for the policy delivery; list of **programmes**/activities to be performed with starting and ending dates; and list of people (personnel) with allocated functions and responsibilities.

Thus, Activity Bar Chart is an important technique, which indicates the deadlines or period by which each technical activity related to a policy delivery should be completed. It plans each technical activity by time and deliverables. This is one place where deliverables become important instruments for policy management. They are tangible results, which indicate performance. Sometimes they are only written reports of tasks completed, and results of those tasks. Therefore, one technique of monitoring performance **specifications** is determining whether the deliverables, which were planned to be delivered or completed by a certain date, were actually achieved besides identifying shortfalls.

### iii) Peer Review

Another technique of measuring technical performance of a policy delivery depends on the ability of the group (peer review) to estimate the degree of technical completion at any point in time. Peers are colleagues of the programme implementing staff, with more or less the same status. It is useful, especially to evaluate the quality of work done. The technical peers review the purpose and relevance of the policy programme; all work done up to specific date; technical problems faced; and the path to policy programme completion. The peer review depends for its effectiveness on the knowledge, capability, and attitude of the peers.

### iv) Third Party Technical Review

The third party technical review works like a peer review, but people in it are largely unknown to those most intimately involved in the programme. Sometimes, programme sponsors, or funding agencies or a steering committee wants to get technical **performance** monitored by parties, which have no interest or stake in the policy programme. Third party review is, sometimes, taken in periods of crisis in the programme. But in large and complex policy programmes (forestry, health and education), they can be planned to occur at periods that help and ensure adequate policy control. The main advantage of review by a third party is the objectivity and expertise, which it can bring to the programme.

Each of these four **approaches/techniques** has its own merits in monitoring technical **performance** of policy delivery. But they are strongest when used in combination.

## 16.2.2 Techniques for Monitoring Time Performance

The purpose of monitoring **time** is to ensure timely policy delivery. Time in the context of a policy delivery is planned in the form of schedules. If one indicates when programmes are expected to be completed or actually delivered on the Activity Bar Chart then he/she has a useful method of monitoring time in relation to technical performance of a given policy. For monitoring time **performance**, these techniques are found to be useful. In this regard, one could compare a resource schedule as well if one wanted to monitor the use of diverse people or other resources on the lines of the Activity Bar Chart.

### i) Resource Bar Chart

A Resource Bar Chart is a useful monitoring device, which helps to assess the impact of schedule delays on all aspects of the **programme**. But the **resource bar** chart, as a technique for monitoring time will have little meaning until the data is arrayed so as to enable one to compare actual performance against expected performance. Any type of resources can be arrayed against time in the chart and then one can find out, for example, whether there **has** been some delay in **mobilising** the consultants for policy manpower and management. Hence, this monitoring device helps us to predict when logistics people have to make arrangements for consultants, etc. Matters relating to delay in the

arrival of the specialists can be recorded in the Resource Bar Chart. The monitoring teams can develop the charts for their own use.

#### **ii) Schedule of Expenditure**

Like planning policy delivery, it is possible to plan the schedule of expenditure for the programme. For instance, once one has budgeted the individual activities the budgets can be aggregated by output. Then the division heads can calculate the monthly expenditures expected throughout the programme. Thus on the basis of activity-level monitoring data, the format permits the policy management – authority / team to monitor the rate of expenditure for the policy delivery. The graph or chart can be developed for the purpose of knowing the rate of expenditure across all objectives. It can show the amount of expenditure spent on a specific programme.

### **16.2.3 Techniques for Monitoring Cost Performance**

Monitoring cost performance is of critical importance to policy delivery. As with technical performance, cost performance can be an important strategy for monitoring of policy delivery. It helps management to take steps for timely completion of the policy programme. It is not enough to monitor technical or time-performance alone. What if it takes twice as long as planned to achieve the technical results? Nor is it enough to realise technical results on schedule, if significant cost overruns were needed. The programme has to be carried out and completed within time and cost parameters. Some important techniques in monitoring cost performance are discussed below.

#### **i) Budget as a Technique for Policy Monitoring**

The budget of the policy delivery can serve as a tool for monitoring, if it is compared to actual costs as they are incurred. However, its main shortcoming is that detection of a financial deviation may crop up too late to do anything about it. This is because the policy delivery budget is comprised of aggregated cost category totals. In other words, those figures mirror estimates per category at the end of the policy programme. Used as a technique for monitoring one would have to wait until the end of the programme to see how well one predicted the programme costs. It makes the programme budget a better tool for a comprehensive programme analysis.

But if one has cost category budgets at the activity level, then one can begin to detect financial deviations earlier in the process. For this purpose, a simple monthly statement can be prepared, which can compare actual to planned expenditures per cost category.

Another technique called Performance to Budget Statement adds the component of time to the monitoring of cost performance. It computes a subtotal of actual expenditures to date. But it adds an expected expenditure to completion of the policy delivery, which is calculated on the basis of an average expenditure per unit of time. As the programmes continue, one can keep adding months of real expenditures to this statement.

#### **ii) Cash Flow Projection**

A similar technique called Cash Flow can be used for monitoring finances of policy delivery. It may be done on the basis of a single activity, an output or the programme as a whole. But this technique also accommodates the concept of income. The Cash Flow Projection combines the parameters of cash (budget) and time. It is useful in situations in which the authorities wish to monitor expenditures in comparison to income from donors (such as, the World Bank DFID funding for specific projects in a state). It may be stated that the Cash Flow Projection is often used because programmes generally are funded on a schedule of payments, which is designed to match the plan of expenditures. This helps in estimating the costs and actual income of the policy programme.

The Cash Flow Projection, in a way, permits the monitoring staff to not only assess the costs and incomes but also anticipate cash shortages, in a period when cash is scarce, even though the funding for the whole programme is good enough.

### **Combining Performance Criteria**

In brief, all three areas – technical, time, and cost performance require proper monitoring to avoid any deviations from the planned policy delivery. It is important to monitor all three of them simultaneously. As already emphasised in the preceding discussion that it is not sufficient to monitor cost or time performance alone. It is possible, for example, for a programme to be on schedule and within cost and still drowned in problems. The graph, properly developed, can show what has been achieved and what remains to be achieved. The plan can specify the percentage of expenditure to be incurred in each month or quarter in a financial year or duration of the project.

The chart is a very useful tool for monitoring a programme. It should present three dimensions – technical, time, and cost performance. The chief difficulty in maintaining such a chart lies in a careful sequencing of the combination of work, time, cost, and their proportions for specified periods.

## **16.3 POLICY OUTCOMES**

Successful policy implementation depends upon an appropriate match of three elements, that is, inputs, outputs, and outcomes. Inputs constitute resources (personnel, funds, and technologies) that implementers use to generate outputs. These outputs are the actual decisions of the implementers. The concept of outcomes emphasises on what actually happens to target groups intended to be affected by the policy. For example, one can raise such questions as: How has health policy impacted on the actual health of society? How has education policy expanded literacy or improved education? If the intended changes on the target groups do not occur, something is wrong. Labour welfare policies in India may be cited to illustrate this point.

Lane and Ersson observe, "... outcome analysis in evaluation research came to include all kinds of results that were relevant to the understanding of policies, including outcomes that had no link whatsoever with a policy but affected the evaluation of whether a policy had succeeded or not". They emphasise the need for a clear distinction between outputs and outcomes. They opine, "Outcomes are the things that are actually achieved, whatever the objectives of policy may have been. Outcomes are real results, whether intended or unintended, at the same time outcomes are not government action."

To analyse the policy outcomes, Lane and Ersson note, "... impact assessments are undertaken to estimate whether or not interventions produce their intended effects." The aim of impact assessment is to show how and why a given policy has worked at the expected level the extent to which policy goals are met or fulfilled the claims of the government or public agency concerned. Not only are the answers to such questions complex, but often the justifications get enmeshed in politics.

As in the case of policy-making process, social and economic forces are values within the policy process, which act as variables and may determine policy outcomes. Overtime, therefore, the path of policy outcomes should be set in the context of a multiplicity of factors – political parties, culture, political leadership, technology, past and present policies, economic forces operating at the domestic and international levels, socialdemography, bureaucratic behaviour and institutional arrangements.

The outcomes in health, education, economy, and so on may be viewed as formed by an array of inputs and forces, of which "policy" is one of the most influential of forces at work on real-world

problems. At an analytical level, the profile of these forces usually depends on the framework being deployed, which tends to emphasise one or more of these factors as having a determining or dominant role in influencing the outcomes of public policy. The extent and quality of influence of such forces would differ between countries due to differences in culture, demography, and so on as well as between particular policy sectors. In view of the complexity of the analysis about the influence of the various social conditions and economic forces, a historical approach to the analysis of policy problems and policy outcomes is to be specially recommended.

## **16.4 EFFECTIVE POLICY MONITORING MECHANISM**

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Policy monitoring is of critical importance to the implementation process. It is the heart of public policy management. Ensuring proper implementation of policies requires proper monitoring. Monitoring like all other aspects of policy management requires a significant level of effort. Investing in monitoring is a direct investment in policy management. Following are some ways and means of enhancing the capacity of policy monitoring:

### **i) Effective Monitoring Communications System**

Policy monitoring involves application of several techniques. These in return help monitoring data programme/policy status, deviations from planned progress, corrections and plans to policy delivery. They are also major components of communication for policy delivery. A good monitoring and control system requires a monitoring communications system, which works efficiently from the activity level of the programme to planning/policy-making level. Monitoring system should be based on electronic data processing so that it addresses every level of policy management in a minute, precise, and accurate manner,

### **ii) Enhancing Administrative Capacity for Monitoring**

The process of monitoring requires some level of effort on the part of personnel who are particularly skilled in the process. It requires skills in planning and related administrative activities.

### **iii) Designing Standard Monitoring Instruments**

For effective programme monitoring, it is important to design standard monitoring systems for the process, which provide good detail for good control of the policy delivery. Besides, performance criteria, standards and data collection procedures must be established for each of the factors to be measured.

### **iv) Delegation of Authority**

Authority is a critical element in the process of implementation. It provides the direction and control in achieving results. For effective policy monitoring, it is necessary to delegate the authority as far down the organisation as possible.

### **v) Holding Monitoring Meetings**

To ensure effective monitoring, it is important to hold regular meetings to review the progress of a programme. Meetings should be well planned and regular. Key personnel should be encouraged for meaningful contributions, and presenting/monitoring relevant data.

### **vi) Involvement of the Staff**

One of the most important characteristics of timely monitoring is the involvement of all programme staff. In other words, the role for the programme in-charge is to ensure that the programme staff is adequately skilled and motivated to monitor the performance of policy delivery under their jurisdiction.

## 16.5 CONCLUSION

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The purpose of this Unit was to explain and analyse the various techniques in policy monitoring; policy outcomes; and measures for effective policy monitoring. The first section of this Unit began with a discussion about various techniques, such as, techniques for technical performance, time performance, and cost performance. As successful policy implementation depends to a large extent upon an appropriate match of inputs, outputs, and outcomes. This issue has, therefore, been dealt in detail. In the last section, the various components of an effective policy monitoring mechanism have been described with a focus on enhancing the capacity for policy monitoring. In this context, important ways and means like effective monitoring communication system, administrative capacity, designing standard monitoring instruments, delegation of authority, holding monitoring meetings and involvement of staff are highlighted as very significant.

## 16.6 KEY CONCEPTS

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- Cost variance** : The budgeted cost of the work performed less the actual cost of the work performed.
- Monitor** : To keep watch in order to take remedial action when progress does not correspond to the plans.

## 16.7 REFERENCES AND FURTHER READING

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## 16.8 ACTIVITIES

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- 1) Describe the various **techniques** for monitoring performance. Suggest the best suitable technique on the basis of examples.
- 2) What are policy outcomes? On the basis of your experience, explain various corrective actions in the process of policy monitoring.

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# **UNIT 17 UNDERSTANDING POLICY EVALUATION**

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## **Structure**

- 17.0 Learning Outcome
- 17.1 Introduction.
- 17.2 Policy Evaluation: Nature and Significance
- 17.3 Criteria for Evaluation
- 17.4 Policy Evaluation: Types, Approaches and Methods
  - 17.4.1 Types of Evaluation
  - 17.4.2 Evaluation: Approaches
  - 17.4.3 Methods of Evaluation
- 17.5 Evaluating Agencies
- 17.6 Problems in Policy Evaluation
- 17.7 Conclusion
- 17.8 Key Concepts
- 17.9 References and Further Reading
- 17.10 Activities

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## **17.0 LEARNING OUTCOME**

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After studying this Unit, you should be able to :

- Understand the meaning, nature, and significance of policy evaluation;
- Discuss the types and approaches of policy evaluation;
- Describe the methods of evaluation;
- Explain the role of evaluating agencies; and
- Bring out the problems of policy evaluation.

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## **17.1 INTRODUCTION**

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Policy process is quite long and arduous. As noted in the previous units, the policy process **comprises** of various key stages. It begins with the identification of problems and issues for policies, chalking out various solutions and alternatives, **analysing** and comparing the possible alternatives, selecting the best possible, putting them into the concrete forms as 'policies', and implementing them effectively, and finally assessing their **outcome** and impact. In this process, policy evaluation plays a significant role. A modified emphasis on the policy process points to a renewed awareness and sensitivity to the **importance** of those value-choices, which shape public priorities and **commitments** to governmental action. During the mid and latter half of the twentieth century, we witnessed intense concern towards evaluative studies with the help of better **methodologies**, use of scientific methods, inter-disciplinary **approaches**, and use of electronic data processing systems. Many observers of the functioning of government tend to think that policies may be improved upon, and inefficiencies and **maladministration** can be corrected on the basis of scientific policy evaluation. However, a

viable evaluation of policies and action is a difficult exercise in itself. Sometimes it is fraught with political implications. In this Unit, we will discuss the significance, types, criteria, approaches, and methods of policy evaluation. In addition, we will explain the role of various agencies involved in policy evaluation, and problems in evaluation.

## 17.2 POLICY EVALUATION:NATURE AND SIGNIFICANCE

The term evaluation embraces a wide range of activities. Evaluations are undertaken in all spheres of life, in informal or formal ways. A distinction is made between the activities of appraisal, monitoring and evaluation. 'Appraisal' is usually taken to mean a critical examination of a programme (or policy) normally before the latter is approved for implementation and funding. Both monitoring and evaluation are undertaken to find out how a programme performs or has performed. Monitoring primarily covers issues of finance, and quality pertaining to inputs and outputs as well as actors, and time used in implementation. Usually, monitoring encompasses some current assessment of the progress of a project, including difficulties in obtaining the expected results; these may possibly be analysed more thoroughly in some subsequent evaluation. 'Evaluation' is a more systematic and scientific attempt with emphasis on impacts and efficiency, effectiveness, relevance, reliability and sustainability. Rossi and Freeman (1993) specify it as a systematic application of social research procedures for assessing the conceptualisation, design, implementation, and utility of social intervention programmes.

- | Policy evaluation can be briefly described as a procedure that appraises the worthwhileness of a policy, and considers the special context and political and economic variables of the situation. For example, evaluation research may pinpoint the extent to which the goals of a policy are achieved besides identifying the constraints associated with it. Poor results obviously imply lack of effectiveness and efficiency. However, policy evaluation may suggest changes in policy to obtain desired results. Evaluation research also assumes that the programme can be scrapped, if it is not effective.

For a policy maker, policy evaluation is a means of getting the relevant information and knowledge regarding policy problems, the effectiveness of past, and prevailing strategies for reducing or eliminating the problems so as to improve the effectiveness of specific policies. Thus, uncertainty and risk in policy-making are reduced because of such knowledge and information, administrative accountability is enhanced, and administrative control over policy is appropriately increased. Policy evaluation, thus, plays a significant role that starts right from the identification of various policy issues and selecting of the best course out of the various alternatives. Over the years, public policy evaluation has become more sophisticated. From simple analysis of the outcomes and cost-benefit analysis, it has developed its own methodology. Built on the basic principles of maximising income minus costs, new methodology is also focusing on non-monetary policy outcomes, measuring retarding factors, equity, effectiveness, organisational and human factors and so on. Policy evaluation has also become more proactive rather than reactive. Sometimes, it is too late to wait for the outcome of policies after their implementation. As a result, there is an increasing trend towards using preadoption projections or deductive modelling rather than just post-adoption before and after analysis. Moreover, policy evaluation is becoming increasingly inter-disciplinary, drawing on a variety of disciplinary sources for ideas as to means or policies for achieving given goals. Policy evaluation is increasingly using the components of political science, economics, sociology, psychology, law, public administration, business administration, statistics, social work and so on. Thus, there has been an increasing use of behavioural sciences as well as technology.

## **17.3 CRITERIA FOR EVALUATION**

The simplest criterion, that is most often employed in policy literature and in implementation is, whether statutorily prescribed goals are met, and to what extent? The criteria of evaluation, therefore, focus either on the objectives themselves or on the means/ends relationships between strategies and objectives. Poister adds other performance variables, such as, effectiveness, adequacy and appropriateness. Edward Suchman proposes a five-dimensional scheme for evaluating success or failure, that is, effort, performance, adequacy, efficiency and process. Frohock's, four concepts, criteria for policy evaluation have received a great deal of attention by the scholars: they are equity, efficiency, pareto optimality, and public interest. These concepts will be briefly examined in the subsequent section.

### i) **Equity**

Primarily, equity relates to fairness, uprightness and equality. Equity means giving to each man his due, impartiality, a system of **supplementary law founded upon precedents and established principles**. Equity is a branch of law that provides a remedy where the common law does not apply. Equity, thus, refers to the distribution of effects and effort among different groups in society. For example, the criterion of equity implies the question: are costs and benefits distributed equitably among the different groups? Policies designed to redistribute income, social benefits and employment opportunities in public services are often **recommended** and evaluated on the basis of the criterion of equity. In most of the democratic systems, right to equality has been provided to the citizens irrespective of caste, creed, sex, and income. The question before the policy evaluators is: how much the policies are able to serve the disadvantaged sections of society and how far the policies have resulted in reducing inequalities. However, to some scholars the concept of equity is not free from **controversy**. To them, the concepts of equity, fairness and justice are related to political power and involve subjectivity. The processes involving the distribution of power in society influence perceptions about them. Individuals and groups have different values, objectives, and perceptions,

What satisfies one person or group may not satisfy another,

### ii) **Efficiency**

Efficiency refers to keeping costs down in achieving benefits, as measured by benefits minus costs or benefits divided by costs. In other words, it is the amount of outputs created and their quality in relation to the resources (capital and **personnel**) invested. It is then a measure of how productively the resources (as converted into inputs) have been used. Efficiency is generally equated with economic rationality. When efficiency is expressed in monetary terms, it refers to the ratio of monetary income from the output to the monetary costs of inputs. The main problem in evaluating efficiency depends on decisions on the amount of **various inputs**, which the evaluator considers to be reasonable for producing the outputs. Moreover, making judgments about efficiency requires a proper perspective about public policy in terms of **identifiable units**, such as, programmes, projects or particular work processes. But in many cases, it is difficult to break government agencies and certain policies into smaller units for analysis. Again, there may be problems of subjectivity, measurement or quantification,

### iii) **Effectiveness**

Effectiveness refers to the benefits to which the planned outputs, being or have been produced

in alternative public policies. It refers to the extent (immediate objectives) and intended impacts are Dale (1998) believes that in practice, it may be

appropriate to focus on the effects, especially on the outcome side, for two related reasons: i) benefits for the intended beneficiaries are expressed at the point of effects, which make effects a much more significant measure of achievement than outputs; ii) being more directly derived from the inputs and activities of the respective development scheme than are the impacts, the effects will be less influenced by intervening external factors and can be assessed quickly and more reliably.

Measuring effectiveness is not a simple exercise. It is often difficult to quantify or measure the impact. For example, it is not easy to measure the qualitative impact of educational policies, environment related policies or health policies. We may measure the rate of literacy, but not the level of enlightenment among citizenry. We may quantify the doctor-population ratio or the number of hospital beds, but we cannot easily measure their real impact on level of health.

#### **iv) Pareto Optimality**

As noted earlier, efficiency is a condition in which goods are produced at the lowest possible cost and in accordance with the highest preference of consumers. As per the Pareto definition, a given economic arrangement was efficient if there could be no rearrangement that would leave someone better off without worsening the position of others. Under Pareto Optimality, thus, a policy that makes one or several persons better off without hurting anyone else is desirable. However, pareto optimality is not without limitations. Some policies, such as, those related to welfare do not fare well under pareto optimality. Welfare is, in essence, social transfers: some are made better through the distribution of social resources, and distribution requires making some poorer by taking their wealth to make others better off. There may not be general acceptability to this objection. It is argued, for example, that giving relief is designed primarily to serve the larger economic and political order by ensuring social stability and only secondarily to give relief to the recipients. Supporting this argument is the fact that welfare policies are typically installed during periods of social disorders. But the general validity of this argument aside, if we view welfare in terms of a conflict management purpose, then pareto optimality sanctions the distribution: the wealthy gain by preserving social stability, the poor gain by getting assistance. Each class also loses, of course. The wealthy lose money, the poor are fixed more firmly in the system of prevailing inequalities. But one could also maintain that each class receives a net gain, thus remaining true to pareto optimality.

#### **v) Adequacy**

Adequacy refers to whether a given level of effectiveness results in the satisfaction of needs or values. According to Theodore, while the policy effectiveness criterion deals with the relationship between policy goals and what is achieved, the adequacy of a policy refers to the relationship between the policy and the problem to which it is addressed. A clear distinction exists between adequacy and effectiveness in the sense that a policy may be judged to be successful in achieving its listed objectives, but it has little impact upon the problem being addressed by the policy. For example, under the policy towards rural upliftment, a number of programmes introduced and implemented, grants are distributed, agriculture development measures are taken, however, rural poverty and unemployment persist. It may be added that the dimension of adequacy may point to the complexity of relationships between costs and effectiveness. Moreover, a policy may meet the criterion of cost effectiveness, but the resultant outcome in terms of satisfaction level of people turns out to be very poor. This means poor adequacy of the said policy. However, the concept of adequacy too is not free from objections. As in the case of effectiveness and efficiency, the measuring of adequacy is not a simple task; rather it involves more subjectivity and is value-laden. It is not possible to simply quantify the level of adequacy. Systematic studies based on rigorous methodology are required to identify the various dimensions of adequacy of certain policies.

**vi) Public Interest**

Public is interested in the end product or the real outcome of a policy. It has been rightly pointed out that the public is interested in law, not in the laws, in the methods of law, not in the substance; in the sanctity of a contract, not in a particular contract; an understanding based on custom, not in this custom or that. The public is interested in a workable rule, which will define and predict the behaviour of men so that they can make their adjustments (Lippman). Public may often show a keen interest in the process of policy enactment. The public may also be sometimes interested in the issue or phenomenon due to one or the other reason and may not be interested in their self. Thus, it is difficult to express the concept of public interest in a well formulated definition. If we view the public interest on the basis of majority strength, even then it does not come out in a clear sense because it is often the minority in an overall situation that has the victorious stand. Let us suppose that views of people on three different issues, A, B and C are 45 per cent, 30 per cent, and 25 per cent respectively of the total population. It means 45 percent people have interest in issue 'A' and as it has more strength than for issues B and C. Therefore, A is to be accepted. Now if we analyse it from another angle, 55 per cent of the people are against issue A. That is why, it is contended that whatever emerges out of the political struggle is considered public interest. Redford (1958) has suggested three approaches for determining the nature of public interest. Firstly, it is possible that various interest groups bargain and coordinate with each other for reaching an accord for presenting an agreed formula on public interest in areas of conflict on public policies. Secondly, well-accepted and continuously shared interests can be highlighted as public interests. Thirdly, there is a need for evolving a procedure for the representation and balancing of interests for resolving issues, effecting compromise in policy enactment, and for executing policy properly.

**vii) Public Participation/Responsiveness**

Quite close to the concept of public interest are the concepts of public participation and responsiveness. Public participation refers to decision-making by the target group, the general public, relevant interest groups or other decision makers whose involvement reflects adherence to democratic procedures for achieving given goals. Consensus and consultation become the central concerns, as the determination of objectives becomes entangled with the search for suitable means and alternatives to achieve those objectives. Active participation leads to better acceptability and implementation becomes less conflict prone. Besides, the concept of responsiveness indicates the acceptance level as well as satisfaction level of a particular section(s) of society. Certain welfare measures, education or health policies, may satisfy the needs of some sections of society, but may not invoke general positive response.

**viii) Sustainability**

Sustainability is an important concept in the development context. It refers to the continuation of the practices or work done or measures taken under a policy after the termination of current interventions, under the same or an alternative policy. In more specific terms, sustainability would mean: maintenance of physical facilities produced (such as, roads, buildings, etc.); continued use of physical and intangible facilities (human resource, knowledge, etc.); continued ability to plan and manage similar work; continued production of the kinds of output created (such as, teachers, doctors, engineers, etc.); maintenance of impacts created (such as, improved health and sanitation, better environment, better consumer awareness, competitiveness in industry, and so on); and inultiplication of effects and impacts. Sustainability is generally found to be a neglected criterion in policy analysis and evaluation. It is always important to utilise the existing or created conditions so as to build upon them the proposed policies and measures. This helps in continuity, efficiency and effectiveness.

Still, the other criteria for policy evaluation are 'relevance' and 'appropriateness'. Relevance reflects the extent to which a policy has addressed the problems of high priority beneficiaries and any other people who might have been its beneficiaries. Thus instead of asking how productively allocated resources have been utilised to that end, one may ask whether the targeted people have received the benefits. In case of long-term policies or programmes, an appropriate issue for enquiry may be whether original priorities are still relevant. There is also the question of consistency of current policies with other policies in the related spheres. Close to the concept of relevance is the criterion of appropriateness. It refers to the worth of the objectives: Is the policy based upon appropriate values and operates within the zones of acceptance?

It should be noted that different analysts adopt different criteria for policy evaluation; some used different combinations of them. The most common criteria are efficiency, effectiveness, and adequacy in terms of satisfaction. Most analysts focus on cost-benefit analysis, in combination with impact analysis, and responsiveness by different sections of society. The checklist depicted in the following table provides some idea in this regard.

**Table 17.1: Criteria for Evaluation**

Type of Criterion	Question	Illustrative Criteria
Effectiveness	Has a valued outcome been achieved?	Units of Service
Efficiency	How much effort was required to achieve an evaluated outcome?	Fixed Costs Fixed Effectiveness
Equity	Are costs and benefits distributed equitably among the different groups?	Pareto Criterion Kaldor-Hicks Criterion Rawls Criterion
Responsiveness	Do policy outcomes satisfy the needs, preferences or values of any particular groups?	Consistency with Citizen Surveys
Appropriateness	Are the desired outcomes (objectives) actually worthy or valuable?	Public programmes should be equitable as well as efficient.

**Source:** Adapted from the U.S. General Accounting Office, Assessing Social Programme Impact Evaluation: A Checklist Approach (Washington, D.C. U.S. General Accounting Office, October 1978). (Exposure draft).

## **17.4 POLICY EVALUATION: TYPES, APPROACHES AND METHODS**

Policy evaluation is an important facet in the policy process. It has always been the endeavour of the policy makers to know about the utility and the outcomes of the policy through evaluation. Different scholars have identified different types and approaches of policy evaluation, besides, different methodologies for the exercise.

## 17.4.1 Types of Evaluation

Daniel Lerner suggests the following three types of evaluation:

### i) Process Evaluation

In an exercise of evaluation, policy analysts are concerned with the two questions. Firstly, whether a specific policy has been implemented in accordance with the policy guidelines issued at the time of policy-making or not. Such an evaluation is known as 'process evaluation'. It focuses on two points: whether or not the policy has been aimed and directed at the appropriate and specific target group or target area; and whether or not the different practices and intervention efforts based on strategies have been taken up as specified in the policy design or taken from the principles explicated in such a design.

### ii) Impact Evaluation

Impact evaluation attempts to evaluate the changes, both positive and negative, in terms of goals attained. The conditions prevailing before the implementation of the policy and after are reviewed in order to bring to the fore the impact of policy. Impact evaluation requires a design, which allows the investigator to demonstrate that the changes that occur are a function of the particular programme intervention and treatment.

### iii) Comprehensive Evaluation

Comprehensive evaluation is the combination of process and impact evaluation as explained above. Such a combination would bring to light, What actually is the outcome? or How it has been made possible? What are the drawbacks? How improvements could be ushered in? It does not mean that exclusive use of either process or impact evaluation does not have any utility. However, from the point of public policy, it is comprehensive evaluation which is more useful.

## 17.4.2 Evaluation: Approaches

Policy evaluation is basically concerned with describing, judging, and explaining policies; their formulation, implementation, and outcomes. It deals with the questions, What has been done? Why and how things have been done? What has been achieved? What are the future prospects or options? In this process, analysts adopt different approaches. Some of the routine approaches to policy evaluation have been identified, such as, Front-end analysis; Evaluability assessment; Process evaluation; Effectiveness evaluation, and Evaluation Synthesis approach.

By front-end analysis we mean the kind of work, which is being undertaken before a decision is made to go ahead of framing policy on a particular issue. The need and magnitude of the problem, kind and number of persons or groups to be affected, amount of cost, cost-benefit feasibility, etc., are some of the important parameters, which are taken care of at the pre-policy formulation stage. It enables the formulators to frame policy which could deliver maximum goods with minimum inputs. Under the evaluability assessment approach, a comparison of the policy's assumptions is made with the stated goals and objectives of the policy and the points regarding rationality and utility of the assumptions are raised to ascertain that whether those could match the stated objectives of the policy. This approach serves to determine the feasibility and usefulness of performing full-scale evaluation of the programme's effectiveness. This approach lays the groundwork to answer accountability questions. The purpose of process evaluation approach is to describe and analyse retrospectively, the processes of implemented policies; strategies adopted; cost incurred; problems faced; and nature of interaction with the clients and other organisations concerned. It is meant to

find out what is lacking where so far as the process part is concerned; and how, and where improvements could be made. The effectiveness evaluation approach, like process approach, is also retrospective. Its purpose is to find out how well or badly a policy is implemented, what have been the outcomes, what is the relationship of the outcomes with the effectiveness of implementation of a policy, and what changes are visible, etc. For determining the changes, the comparisons with the past conditions of the same group or conditions in experimental and control groups have to be made. Finally the Evaluation Synthesis Approach (ESA) is a highly versatile approach. It has the capability of serving all three kinds of evaluation purposes, that is, formulation, implementation, and accountability. The ESA reanalyses the results or findings from one or a number of evaluations for identifying what have been known about a policy. It has the capacity to address various evaluative questions, of course, depending upon the availability of evaluations made and data collected. It could be both quantitative as well as qualitative.

### **17.4.3 Methods of Evaluation**

The various methods available for studying structures and changes of phenomena in societies may be utilised for policy evaluation also, with some adjustments depending upon the purpose and approach. In social sciences it has become common to distinguish broadly between two major approaches: quantitative and qualitative. In the words of Casley and Kumar (1988), the most obvious distinction between the two is that quantitative methods produce numerical data and qualitative methods produce information in words..

In evaluative studies, quantitative analysis may be sought to be used primarily for measuring effects and impacts. Quantitative methods in policy evaluation, most commonly, include benefit-cost analysis, cost-effectiveness analysis, experimental designs and statistical surveys.

#### **i) Benefit-Cost Analysis**

Stokey and Zeckhauser claim that benefit-cost analysis is the principal analytical framework, which is used to evaluate public expenditure decisions. Basically benefit-cost analysis requires systematic enumeration of all benefits and all costs, tangible and intangible, readily quantifiable or difficult to measure, which will accrue if a particular project is adopted. With all this information at hand, the analyst should be able to subtract the total cost of each alternative from the total sum of its benefits and identify the net gain in each case.

In most cases, the costs may be fairly realistically quantified. Rossi and Freeman (1993) mention five means of monetising benefits:

- Direct measurement
- Market valuation
- Economic estimation (indirect quantification based on explicitly stated assumptions)
- Hypothetical questions (asking target people, how they consider basically non-monetary benefits to be worth in monetary terms)
- Observing political choices (transforming observed political prioritisation into some judged indicated monetary value).

In practice, however, except the first two, rest are not free from subjectivity.

#### **ii) Cost-Effectiveness Analysis**

Cost-effectiveness is considered to be a simplified version of benefit-cost analysis. It is a technique for evaluating various alternatives in terms of the degree to which they efficiently lead to the fulfillment of stated objectives. The alternative adjudged most preferable is the one which produces maximum

effectiveness for a given level of cost or the minimum cost for a fixed level of effectiveness. This method is not only useful for comparing proposed alternative policies, but also for evaluating the current or previous policies. In the opinion of Rossi and Freeman, the cost-effectiveness analysis, in its conventional form, is similar to the benefit-cost analysis except that monetising is required only of the costs, however, the benefits being expressed in direct outcome units.

### iii) Experimental Method

Experimental methods are not uncommon in social research. The basis of evaluation is an 'ideal' laboratory-like situation in which some units in a population who received some service under the policy measures have been randomly selected, while others have not received it. In evaluating the performance of such policies and programmes, samples of different groups (who have received and who have not received) are selected for comparative analysis. Relevant variables of the groups are then studied before and after, and even during the programme period in order to find out the difference of impact. Subsequently, statistical methods are used for testing the data for significance levels. One or more control groups can be selected to test the impact of a policy.

### iv) Statistical Surveys

Survey method is quite common in social research. In policy evaluation sphere, surveys are quite useful. Information (data) is collected and analysed by applying statistical tools especially with the help of sampling techniques, questionnaires and interviews supported by observation method and secondary data. Suitable hypotheses may be developed after identifying appropriate variables. Groups from the population are selected on the basis of certain characteristics, such as, the level of education, income, size of landholding, age, sex, social backgrounds, etc. Subsequently, changes are sought relating to programme or policy interventions and association between degree of success of the policy/programme and different characteristics of the samples are tested statistically. A number of authors also distinguish between three types of studies of change in one population, that is, trend design, cohort design and panel design. Such designs are used to study the changes from different angles over different time periods.

### v) Qualitative Methods

In a number of cases/situations the information cannot be quantified (i.e. expressed in numerical terms) or cannot be quantified in any meaningful way for the purpose at hand. Moreover, numerical data usually have to be analysed in a context, which cannot be, or can only be partly, quantified; consequently, the data will have to be wholly or largely explained qualitatively. Broadly speaking, a qualitative approach is necessary in the following situations (Dale):

- When it is not possible to study statistically representative samples of beneficiaries,
- When changes are the result of complex processes, involving many interrelated factors.
- For analysing relevance, due to the value judgments involved.
- When studying the organisational issues (involved in policy implementation).

The above analyses of methods of evaluation clearly indicates that both quantitative and qualitative methods are equally important in the exercise of policy evaluation.

### vi) Model Building

In order to effectively evaluate costs and benefits associated with any given policy—and to aid in the search for the alternatives to such policy-models are often called into play. In their crudest form, such models may be simply a series of tables or graphs systematically displaying and weighing the relevant data. Other models may involve the use of mathematical equations or computer

simulations. The main purpose of models is to evaluate or gain insight into the value of a given policy or alternatives than merely applying judgment and experience.

## **17.5 EVALUATING AGENCIES**

Another significant area of study in the field of policy evaluation is the role of various agencies involved in it. It is necessary to determine the agency, which is the most appropriate for policy evaluation. Sometimes, more than one agency is involved in the job of policy evaluation. Let us now, examine the role and appropriateness of these agencies.

### **i) Evaluation by Specialised Agencies**

Policy evaluation, as we know, is not a simple task. A policy at its various stages needs to be looked into by a specialised agency preferably by outside or independent experts. A major advantage of independent experts is that they do not have any vested interest in the given policy or the agency concerned. As Wildavsky puts it: "No matter how good is the internal analyses or the internal organisational arrangement, there is something unsatisfactory about allowing it to judge its own case." The specialised agencies may be hired for this purpose or the independent public agencies may be assigned the task. Certain research organisations, such as, the Centre for Policy Research, Programme Evaluation Organisation (PEO), and universities may fit into this category.

### **ii) Evaluation by Internal Units**

Evaluation by internal agencies/units is a common practice in some countries. The main advantage of such an arrangement is the easy availability of information or data. Such internal agencies have the full basic knowledge about the nature and objectives of a given policy. Evaluation by internal agencies is preferred because it avoids clash with the policy-making agencies. In the sphere of policy analysis, research cells within the concerned Ministries or Departments may perform the task. Moreover, the implementing administrative agencies themselves keep on collecting the data, monitoring the progress, and may also prepare periodic performance reports. However, internal evaluation suffers from certain shortcomings. Firstly, the administrative agencies may lack the skill and capability of investigation or research. Policy evaluation being a specialised task is required to be looked into by experts and not by routine administrators. Secondly, the element of bias is always there. As the adage goes, no one should be a Judge in his own case. In this context, how one can expect objective evaluation by those who are involved in the implementation of their own policies and programmes. Thirdly, the administrators always resist economic analysis and database reports. Therefore, analysis, such as, cost-benefit or cost-effectiveness may not be carried out fairly. Finally, there are chances of distortion of information, concealment of critical data, window-dressing, etc. due to administrative compulsions or political pressures.

### **iii) Evaluation by Legislative Committees**

A common practice in democratic countries is the involvement of legislative bodies in policy evaluation. Since the Legislature/Parliament are large bodies and overburdened with routine work, it is their smaller committees, which take up detailed investigative and evaluative work. In India, for instance, we have a number of such committees, viz., Public Accounts Committee; Committee on Public Undertakings; Committee on Women Welfare; Committee on the Welfare of SC/STs, etc.

### **iv) Evaluation by Special Committees**

Appointment of certain commissions or committees for policy evaluation is a common practice by

governments in many countries. They are usually appointed to conduct a thorough examination of certain policy measures. Such commissions/committees look into the existing policies, especially their working and impact; and identify the positive and negative sides, and also make a long list of recommendations towards policy corrections or for future policies. These commissions take the help of official machinery, experts, and public. They take a long period of time to submit the reports. Some of the well known commissions in the Indian context are: National Commission on Agriculture; Law Commission; Education Commission; Administrative Reforms Commission; Agricultural Prices Commission, Commission on Welfare of Women and Children; National Health Commission; Mandal Commission; and so on.

## 17.6 PROBLEMS IN POLICY EVALUATION

Policy evaluation is comparatively a neglected area in the total policy process. It faces a number of problems, challenges and dilemmas. A number of authors, such as, Stuart Nagel, James Coleman, Guy Peters and Robert Glombiewski have identified some problems in policy evaluation. In the opinion of Peters (1988), the evaluation process right from the initial stage of goal specification to that of measurement of performance may appear to be simple policy, but in the public arena it is quite arduous. Several barriers stand in the way of those who try to produce such evaluations. These problems are briefly explained below.

### i) Goal Specification

Evaluation is associated even with the initial process of goal identification. Policy instrument, such as, statutes are often drafted in ambiguous language and the goals are vaguely defined. Policy specifics are not spelt out; often they are grandiose statements of aspirations. Even, some policies are not provided adequate budgetary support. Diversion of funds or non-release of funds is also a recurring feature. Many a time, diversions are made to satisfy political or ulterior motives of those who can call the shots. Merton calls it a process of 'displacement of goals'.

Moreover, wherever the goals are clearly expressed, they may not be practical. A large number of statutory instruments carry a number of provisions, which are not practical. Equality, full-employment, poverty alleviation and many more remain at best political goals only, and intended to serve the purposes of propaganda and political mobilisation. Given this scenario, goal specification rarely exists, thereby making policy evaluation a futile exercise,

### ii) Measurement

In the public sector, measuring results or output is difficult. One fundamental problem that limits the efficiency and effectiveness of government is the absence of any ready means of judging the value of what is being produced, say in the case of welfare, health or defence, easy yardsticks for evaluation are not available. There may be a number of parameters and new diseases, new social problems or new enemies may arise from time to time. Another problem in measurement, in government, is the problem of time span over which the benefits of many public programmes are delivered. Long-term goals in health, education, rural development, etc. relate to quality of life and enlightenment, which are elusive qualities to measure when an evaluation must be done quickly. In case of sustainability or durability, some measures, for example, produce results after they have been in existence for years, whereas others show immediate impacts. Here, again political compulsions creep in when the parties are short of time to wait for long-term results, thus, leading to manipulation and distortions. However, the factors associated with the characteristics of the population also cause problems in evaluation. For instance, among the poor sections of society, it is difficult to assess the impact of health policies because of their inherent problem of malnutrition

and the unhygienic environment in which they live. Similarly in the measurement, problems of administrative organisation, skill and competence of the personnel also pose problems. Lastly, temptation to inflate or cook-up data tend to defeat the very purpose of objective measurement.

### **iii) Targets**

Goal's fulfilment is related to the achievement of targets. In this context, it is important to know not only what you intend to do but also to whom you intend to do it. For example, programmes that have significant effects on the population as a whole may not have the desired effects on a target population. In a number of cases, the advantaged sections of society grab the programme benefits, though the benefits are in fact meant for the disadvantaged strata. In India, a number of schemes of rural development, women and child welfare, poverty alleviation and housing, besides subsidies, have not made much impact on the target groups, but the policy evaluation indicates the fulfilment of targets. Thus, programmes may create a false sense of success, although most of the time the creamy layer knocks off the benefits. Programmes that have stringent criteria for admission may select clients who actually need little help rather than those who have the greatest need. Thus, the "success" of such policies is misleading. With much of policy evaluation, defining the target population tends to be a political exercise and much less an exercise in rational policy analysis.

### **iv) Efficiency and Effectiveness**

Much like the difficulty in measuring results, it is often difficult to assign costs to particular results, even if those results are measurable. For the same reason, similar difficulties may arise in measuring effectiveness. Much of the assessment of performance in government depends on the evaluation of procedural efficiency. In a technical sense, the latter is linked with the fulfilment of legal requirements besides expected procedures, such as, budgeting, accounting and audit compulsions. It is the 'efficiency', which is projected and measured rather than the services produced,

### **v) Values and Evaluation**

There are also problems of values and perceptions among the policy evaluators, which make proper valuation of the outcomes of a programme difficult. This is especially true when the programme has significant unintended effects that must be weighed against the intended consequences. Moreover, value system of the analyst/evaluator may have a substantial influence over the final evaluation of outcomes. The organisations involved in evaluation may also have their own collective values to guide them in evaluating outcomes. Professionalism of a high order can enable objective evaluation. Besides above, the analysts also confront a number of other common problems.

### **vi) Information and Data**

For any objective analysis there is a need of accurate, comprehensive, and comparable data. Infact, before beginning the process of evaluation it needs to be ascertained as to what type of data is required, and how it can be collected? Data collection is not a simple task, it requires a lot of time, skill, energy, and resources, which the evaluation agencies must possess. At times, it is not easy to extract accurate information, particularly when it is of qualitative nature. Also there may be problems due to non-availability of records or data in the desired formats, which pose constraints to policy evaluation.

### **vii) Methodological Problems**

- Besides problems in regard to availability and collection of data, there may be problems in regard to techniques and methods employed for evaluation. In this regard, capability of policy analysts or

agencies involved in evaluation is very crucial. However, in the evaluation work, there is always a doubt in regard to the methodology employed and the accuracy of results.

### viii) Problem of Resources

A common problem in government, particularly in the developing countries, is the shortage of resources—human, financial and infrastructural. While the scope for evaluation is on the increase there is no commensurate investment in the resource base for evaluation either within the government or within universities and research institutions in India.

### ix) The Optimising Dilemma

Policy optimisation requires the adoption of a policy that would optimise or maximise the expected policy goals under different conditions, constraints, and challenges rather than emphasising exclusively on prediction. Generally, evaluation reports talk about relationship between policies and goals. In fact, the actual need for a society is to list more of the prescriptive requirements than to place emphasis on predictive findings and relationship between policies and goals.

### x) The Unforeseen Consequences Dilemma

During the evaluation process, the evaluators come through a number of unforeseen consequences, which they had never thought of. Normally, while dealing with such unforeseen consequences, the evaluator goes by the data and the methodology adopted regarding known consequences. This is likely to affect the final evaluation report to a considerable extent. In such cases, in the absence of contingency models, the evaluation report would not be able to reflect realities.

### xi) The Equity Dilemma

It is related to the frequent conflict in policy evaluation between policy goals of equity and efficiency. It can have enough scope for subjective analysis and evaluation. Stuart Nagel says, "the important point is not the technical aspect of the approach taken to equity of benefits, equity of costs, and efficiency, but rather the conscious consideration of these criteria. Policy evaluators may not have an obligation to reach a solution, that is, both efficient and equitable; it may indeed be impossible to do so. They should, however, be obligated to discuss these issues explicitly in their policy evaluation."

### xii) The Partisan Dilemma

As noted earlier, problems of a partisan approach creep in the process of evaluation. Evaluators, mostly government employees, many a times fall prey to what their political masters want rather than going about their job of evaluation in an impartial manner. The elements of objectivity, commitment to public interest, and offering resistance to difficult political and other pressures are obtained in countries like India. The 'Yes, Minister' syndrome is the one that rules the roost.

Above we have noted a number of problems and dilemmas in policy evaluation. These may vary from country to country, depending upon a number of factors, such as, the nature of the political system, the party system, interest groups, media, citizenry, administrative capability, competence level of human resources, level of economic development and so on. An effective system of policy evaluation requires political will. Other requirements are: the capability and support of administrative agencies, involvement of universities, research organisations, provision of adequate resources to the evaluating agencies, training of evaluation personnel, use of standardised methodology, efficient information system, and access to communication technologies. Above all in order to minimise the problems in policy evaluation, and to make it an effective exercise proper coordination and sincere efforts are required at all levels.

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## 17.7 CONCLUSION

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Evidently policy evaluation is of immense significance in the total policy process. This Unit highlighted the fact that evaluation cannot be disassociated from policy formulation, implementation, and accountability. Policy evaluation should enable an objective assessment of the performance of a programme, and identify the need for a new policy to be framed in an optimal manner. This Unit dealt with the various types of approaches and methods of evaluation like methods of policy evaluation, ethical issues, problems in policy evaluation, and need for improvements in the evaluation process. In addition, role of various agencies in evaluation especially by specialised agencies, internal units, legislative committees, and special committees have been explained. Lastly, problems in evaluation, such as, goal specification, measurement, target achievement, fulfilment of criteria of efficiency and effectiveness, and the role of values of evaluators; problems of methodology; lack of adequate resources for evaluation; and the dilemmas of optimisation, equity and partisanship have also been described briefly.

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## 17.8 KEY CONCEPTS

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Appraisal	Critical evaluation of an activity of programmes normally before it is approved for implementation or funding.
Benefit-cost analysis	: Systematic enumeration, preferably in quantitative monetary terms, of all benefits and costs of a policy/programme/project.
Data	Facts, statistics and other forms of information that provide the raw material for analysis.
Effectiveness	: It refers to the extent to which desired outcomes or expected impacts are achieved.
Efficiency	It is the ratio of the benefits to the investments made in a programme/project.
Monitoring	Current assessment of the progress of a project, including identification of constraints in obtaining the expected results.
<b>Pareto optimality</b>	An economic or political arrangement under a policy that makes one or several persons better off without worsening the position of others.
Quantification	The assignment of numerical values to variables so that they can be measured or compared by quantity.
Simulation	: Process of making things resemble something real through heuristic exercises or statistical computations.
Sustainability	: Continuation of the practices or work done or measures taken under a policy after its termination.

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## 17.10 ACTIVITIES

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- 1) On the basis of any major policy of the top management of your organisation, discuss the role of evaluation agency in evaluating the policy. Critically evaluate the effectiveness of the agency.
- 2) Given the resources and assistance, if you are asked to evaluate the policies of the local government of your area what problems would you face? Explain.

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# **UNIT 18 ASCERTAINING POLICY IMPACT**

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## **Structure**

- 18.0 Learning Outcome
- 18.1 Introduction
- 18.2 Policy Impact: Significance and types
  - 18.2.1 Significance and Purposes of Impact Analysis
  - 18.2.2 Types or Dimensions of Impact
- 18.3 Measuring/Assessing the Impact
- 18.4 Policy Impact: Problems and Suggestions
- 18.5 Conclusion
- 18.6 Key Concepts
- 18.7 References and Further Reading
- 18.8 Activities

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## **18.0 LEARNING OUTCOME**

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After studying this Unit, you should be able to:

- Understand the meaning and purpose of policy impact;
- Discuss the types and major dimensions of policy impact;
- Explain the criteria, methods, and models to assess the impact; and
- Highlight various problems associated with policy impact.

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## **18.1 INTRODUCTION**

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Policies need to be analysed on the basis of their outcomes. The question posed many years ago by Harold Lasswell: "Who gets what?" still holds good towards understanding the process and significance of public policy. In fact, in the policy sciences, **policy evaluation** and **impact** go together. Some researchers/authors even use the terms **impact** and **evaluation** interchangeably, while others do not distinguish much between the two. In the previous Unit, the process of **policy evaluation** was examined in detail. In the present Unit the focus of discussion is mainly on the significance and types of impact, and the means and methods of measuring the impact(s). Besides, the **problems** in assessing the **impact(s)** have also been discussed along with suggestions for improvements.

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## **18.2 POLICY IMPACT: SIGNIFICANCE AND TYPES**

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In a model of 'policy delivery system' (Ira **Sharkansky** and Donald Meter), **policy impact** has been viewed as the **significant component**. The **components taken** in the model are: (i) an environment that stimulates government **officials**, and receives the **products** of their work; (ii) demands and resources that carry stimuli from the environment to public officials; (iii) a conversion process, including the formal **structures** and procedures that convert them into **public policies**; (iv) policies that represent the formal goals, intentions or statements of government officials; (v) the performance

of the policy as it is actually delivered to clients; and (vi) the impact of policies and performance on the environment, in terms of net social welfare, which is then transmitted back to the conversion process as the demands and resources at a later point in time. Thus, the impact being the final component in the process reflects a policy's rate of success, and its effects on the environment that result in new demands subsequently. The crucial feature of impact is the influence of earlier policies and performance on the demands and resources at a future point in time. A government's schemes concerning women welfare or health schemes for the poor either result in a certain level of beneficiary satisfaction or dissatisfaction, which provide the basis for their future demands.

### **18.2.1 Significance and Purposes of Impact Analysis**

Policy impact is also understood in the sense of multi-dimensional effects or consequences of a policy as per Thomas Dye, on:

- . some specific target situation or group;
- "spill over effects" on situations or groups other than the target;
- future as well as immediate conditions;
- a direct costs of relevant programmes; and
- indirect costs, including alternative programmes on which resources might have been spent.

From a broader point of view, to make certain that public policies and management of their associated programmes meet the needs of the society, it is necessary to analyse programmes to determine their consequences, that is, to measure the degree of their success in meeting the nation's goals. More specifically, it seems not only useful, but also necessary to know how things are going with respect to three critical levels in any administrative situation, which are mentioned below.

- . Are policies and programmes generating expected outcomes?
- Are organisations accomplishing their mission and role with efficiency?.
- Are specific individuals within any organisation performing well?

Given the lack of a market for many governmental goods and services, the significance of impact or evaluation at these three levels seems relevant, as contrasted with a business organisation in a truly competitive situation (Golernbiewski).

As indicated earlier, policy impact also contributes to the process of 'policy change'. This may be the direct result of evaluation, but more often it is the result of change in the environment or learning on the part of those administering the programme. Such impact on policy or policy change may sometimes result in policy termination or policy succession. There may not be any change simply due to failure to make decisions. Policy termination is also unlikely to take place. Once begun, programmes have a life of their own. They lead to the development of organisations, hiring of personnel, and also bring up a clientele who come to depend on the programme for specific services. Dismissing the other two options leaves policy succession as the most probable outcome of an existing policy or programme. Policy succession may take the following forms:

- **Linear Successions**

Linear successions involve the direct replacement of one programme, policy or organisation by another, or the simple change of location of an existing programme. For example, replacement of earlier rural employment programmes in India by Jawahar Rozgar Yojana or Swarnjayanti Yojana is an example of linear succession.

### **Consolidations**

Some successions involve placing several programmes that have existed independently into a single programme. Clubbing together of various industrial development and facilitation programmes under a single one, such as, the 'single widow scheme' or consolidation of certain rural development, rural employment or poverty alleviation programmes into a single programme such as Integrated Rural Development Programme (IRDP) are instances of consolidation.

- **Splitting**

Sometimes programmes are split into two or more individual components. Splitting the programmes and organisations (departments), and carving out new ones is quite common due to the change in the environment, demands or pressures. The new departments in India, such as, the Department of Company Affairs, Department of Sports, Department of Social Justice and Empowerment, etc. are the outcomes of splitting.

- **Non-linear Successions**

Some policy and organisational successions are complex, and they involve elements of other kinds of successions. The complex changes, which were responsible for creating the Department of Disinvestment from the existing policies towards privatisation is an example of non-linear succession.

It can be inferred on the basis of the above discussion that the significance of impact analysis is enormous. In fact, impact is a means to adopt future policies in the light of the outcomes of past policies. It is an admitted fact that there is always scope for improvements in the system and its policies because we are in a dynamic state. The responsibility of the government does not come to an end merely by formulating and implementing the policy. It is all the more obligatory on the part of government to make sure that the policy outputs have a positive policy outcome. Besides, whatever has been achieved through a policy could be made the starting point for further additions to the policy. What has been achieved could be ascertained through the impact of the policy concerned.

### **18.2.2 Types or Dimensions of Impact**

As noted earlier, a policy evaluation may bring out number of outcomes of various kinds. There may be various types of implications of the current policy. It may have impact on various sections of society, administrative organisations or on future policies. Thus, it is not out of place to examine various dimensions of policy impact.

- **Direct Impact**

In this situation, the policy clearly focuses on the target group or situation for which the policy is formulated, and the benefits or advantages that the policy aims at granting to the target group. Two such schemes are the Bharat Nirman scheme and the Rural Employment Guarantee scheme. The latter proposes to guarantee employment to poor people in rural areas within a 5 km radius, for a minimum of 100 days in a year, failing which the government would pay unemployment allowance to people unable to find work.

These schemes would need to be evaluated on the basis of reach and extent, and the actual impact on rural development and poverty alleviation in the rural areas. It could be assessed on the following counts:

- Practicability/feasibility in terms of resources.
- Communication regarding the same to the people about the scheme to enable their access to resources.

- Role of the Civil Society and the Panchayati Raj Institutions regarding the same and the synergy affected between them and the official bureaucracy.
- Responsiveness on the part of the bureaucracy in terms of commitment to the policy and willingness to work in a cooperative mode in relation to elected representatives and community groups.
- Quality of service delivery of the public administration system, in terms of facilitating access of the common citizens to institutions engaged in service delivery.
- Possible public-private partnership, and its impact on tangible results.
- Improvement in food and nutrition status of the people; increase in food production; improved water supply; and infrastructure development, both in quantitative and qualitative terms.

#### ● Indirect Impact

In a number of cases, we cannot expect direct impact of the policies on the target group or society. The desired impact may not soon be visible and many times the actual impact is indirect. There may be unintended consequences that could not be foreseen at the formulation stage. It is always a complex task to measure such impacts. In a number of cases, when a policy is designed for a specific target group, it may influence others in the society, negatively or positively. For instance, a number of rural development programmes in India, directed towards uplifting the poor or weaker sections, have influenced or benefited the upper strata more than the target groups. Policy of removing fertilizer subsidy or industrial subsidy not only affects the farmers and the industrialists, but also the price-index and manufacturing that affect a sizeable number of people who are otherwise not covered by the policy. The policy especially to increase the railway freight on the goods transported through rail affects not only the producer or the buyer but also a number of consumers. Thus, such a policy has an indirect impact, which at times is more potent than the direct impact. Currently, much emphasis is being put on environment protection and disaster mitigation. However, business might just try to pass on the costs incurred in this sphere to the consumers. This is an instance of unintended consequences. The same may be true in relation to certain health policies or welfare measures, which may indirectly influence the employment pattern.

#### a Positive and Negative Impact

- Policies or programmes are generally initiated with a focus on certain positive objectives and outcomes. Policies once put into effect through legislative measures, and translated into programmes, schemes, etc. are likely to achieve positive results. However, there may be negative impacts as well on beneficiary groups or others. Sometimes, negative impacts on some people may have been anticipated at the planning stage itself and specified in the policy documents, with or without counteracting measures. In other cases, they may have been entirely unforeseen. They may, then, be more difficult to trace for evaluators. Information technology might make manufacturing processes more capital intensive, which might generate frictional/structural unemployment pressures in the economy. Certain subsidies for one section of society may create problems for competitors or may even cause heartburning and conflicts among some segments of non-beneficiaries:

#### a Immediate and Futuristic Impacts

For the government, there are different priorities at any given point of time. While some problems may be of immediate nature, others may be of long run. Policies directed to raise the standard of some food products or the policies directed to raise certain taxes could have immediate impact. While policies having long-term objectives may not show immediate results. It is difficult to measure the impact of these policies immediately. The policy of the government to involve the private

sector in **development** or the policy of liberalisation would show its results after a good amount of time. **Furthermore**, it would be having both direct and indirect impact in positive and negative terms. Certain policies have both immediate as well as futuristic impact, the immunisation of children could be one illustration and the curbing of anti-national activities, another. For instance, disaster management policies would have both immediate and futuristic impact. In addition, certain subsidy programmes and social security measures may have immediate as well as long-term impacts.

### **• Impacts in terms of Benefit-Cost Relation**

The impact of policy measures under any policy would depend, to a larger extent, on the financial, physical, human and **infrastructural** resources. Ascertaining the impact of policies in terms of these resources is also significant. In the developing countries, where resource crunch is a major problem, policy makers have to be seriously concerned about the costs involved and the benefits obtained. "A stitch in time saves nine"; however, policies and programmes with relatively low costs (expenditures) with substantive short-term benefits are generally opted for, whereas the high cost programmes are generally avoided despite the likelihood of high benefits. In order to ascertain the impact of policies in relation to the costs, all types of direct and indirect costs, involving tangible and intangible outcomes, or resources should be taken into consideration. The direct costs are relatively easy to measure whereas it is a complex task to assess the indirect or hidden costs. The amount of resources earmarked for agriculture or for industries could be made a base for knowing the benefits in the areas of agriculture and industries. The indirect benefits, which the family of an unemployed youth gets from the financial assistance given to him for starting an independent venture, are difficult to ascertain in quantitative terms. These have to be ascertained in qualitative terms since employment leads to intangible benefits, such as, rise in social status, self-confidence, etc.

In the context of benefit-cost relation of policy and its impacts, Dror opines that optimal public policy must specify and evaluate its resources just as it does its problems, but in terms of both these problems and other resources consuming activity, and in terms of their potential-uses for making and executing policies and for other activities. Optimal meta-policy-making must **systematically** and **periodically** scan present and future resources and problems; estimate the potential pay-off of resources by using both knowledge and intuition; explicitly evaluate the demand and supply for each resource; and specify needs for additional resources and further development of new resources. The resources used for any policy, whether in terms of money, manpower or **infrastructural** or other facilities, should be quantified in monetary terms. The benefit out of the resources utilised should, in any case, be not less than the resources put to use. If it is not so, then the policy does not have a positive impact. While attempting to know the impact of the policy vis-a-vis the resources **used**, efforts ought to be made to find out which, where, and how a particular given resource used has not provided the desired result or was used more than required.

Another dimension of the policy impact includes its symbolic and comprehensive effects on the society or the beneficiaries. In this context, it should be borne in mind that individuals, groups and societies frequently judge public policy in terms of good intentions rather than its tangible accomplishments. The popularity and public appraisal of a programme may be unrelated to the impact of that programme in terms of desired results. The implication is that some populist programmes may have little positive impact. In this regard, it is to be noted that systematic policy analysis mainly concentrates on what governments do, why they do it, and what difference it makes.

The impact of a policy can also be classified in terms of political, economic, social, and technical dimensions. As noted earlier, the impact can be on the economy, larger society, certain groups, political parties or it can be on certain administrative organisations involved, and certain other

programmes or schemes. Impact may be limited to certain specific target groups or locations or it can be on larger society.

### 18.3 MEASURING/ASSESSING THE IMPACT

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Government or policy agencies are presumed to be keen in seeking favourable outcomes and impact from their policies. The question is: Does a specific public policy produce what is intended, and with what unexpected consequences? This may appear to be a simple question. But such questions are in reality highly complex, in terms of methods necessary for more or less conclusive analysis as well as in terms of the tendency for every effect to be related to ever-widening ripples of effects (Golembiewski).

An important point for consideration is the reliability or quality of impact evaluation. An 'adequate' impact analysis should, 'at minimum', do the following:

- Provide an adequate description of the programme or techniques whose impact is being tested.
- Provide clear assurance that the programme or techniques can be learned and applied by others also.
- Divide the study population into groups on a random basis, so as to wash out as many confounding variables as possible.
- Provide 'before' and 'after' measures of the behaviour, which were targeted for change.
- Establish definitions of 'success' or 'failure' that provide valid standards for assessing the outcomes of the study group under impact assessment.

In the previous Unit on policy evaluation, we discussed the methods and techniques of evaluation.

Grant and Gallagher list five approaches, while pointing out that they are not mutually exclusive, and most analysts call for a mixed strategy, drawing together elements of each to meet the particular problem under consideration. These approaches are:

- The experimental or quasi-experimental approach, which attempts to quantify success in achieving initial policy objectives, based on some form of 'before' and 'after' study of those involved in the experiment in comparison with a control group.
- The purely comparative study of success in achieving policy objectives using quantitative measures and based on a comparison between those affected by the policy or programme and those who have not been involved.
- A social indicator approach based on the regular collection of quantitative indices, which demonstrate the extent of success in achieving policy objectives over time.
- A process evaluation approach is concerned with recording and interpreting policies and programmes as they unfold, and employing a mixture of qualitative and quantitative data.
- Cost-benefit analysis and similar less comprehensive approaches (e.g. cost effectiveness, cost-minimisation), which involve the use of economic concepts to identify and measure the costs and benefits of policies and programmes.

Other than the methods of measuring impact as mentioned above and those described in the preceding units, such as, experimental designs, quasi-experimental designs, benefit-cost analysis, statistical designs without control groups, and cost-effectiveness analysis, a few more are discussed in detail in the following pages.

## Social Audits

In a social audit (James Coleman), resource inputs initiated by policy are traced from the point at which the intended recipients of those resources experience them. The assumption is that those resources, which (as experienced) are related to outcomes, rather than the resources as disbursed. There are two possible causes of the ineffectiveness of resources: i) the resources as experienced may be ineffective in bringing out any change; or ii) the resources as disbursed never reach the intended recipient and are instead lost somewhere on the path between the point of initial disbursement and the point of experience by the ultimate recipient. An impact research, which is designed to trace such resource loss, is a kind of social audit. Just as with a financial audit, the flows of resources are examined to discover the path that resources take, and the possible loss of these resources through diversion. However, in such kind of study there is a problem of effective methodology and other tools to trace the reality.

## Comparing with Standards

Another method in evaluating the impacts is by fixing the standards, and comparing the findings with these standards. Dror lists seven main types of standards to this effect:

- How does the achieved quality compare with that in the past? For instance, how good was school education in 2006 compared with that in 2005?
- How does the achieved quality compare with that of similar institutions? How does the quality of a primary school in one city compare with that of a primary school in another city?
- Does the achieved quality meet the various demands of the population? Are parents generally satisfied with school x? Are the pupils in general satisfied with school y?
- Does the achieved quality meet accepted professional standard? How is school x rated by the local branch of the National Education Association, or by the school of education of the local University?
- Is the achieved quality high enough to assure survival? Does it meet minimum standards? Is school x in danger of parent<sup>3</sup> refusing to let their children attend it or of the superintendent demanding radical changes in its staff?
- Is the achieved quality as high as the quality planned for? Are there as many pupils as the authorities had planned for?
- Is the achieved quality as good as it could be according to an optimal model?

## Administrative Reports

Every administrative agency, assigned the task of implementation, is expected to submit an annual report regarding the work done by it. The impact of the policy is assessed from this report. There is every possibility that the report submitted is not objective and attempts are made by the implementer concerned to highlight some insignificant facts and hide some significant information, which goes against her/his work performance. Viewed from a positive side, such a report could be made the base for ascertaining more information and data for assessing the impact of the policy.

## Ascertaining Impact through Grievances and Complaints

A traditional and simple method to ascertain policy impact is through citizen complaints or responses. In a number of social programmes, such as, welfare schemes, social security measures, industry-related programmes, etc. the details of schemes and benefits are published or communicated to the beneficiaries. The implementing agencies are expected to follow the procedures and rules as

propagated by the authorities. In case of any kind of diversions by the administrative agencies, the prospective beneficiaries or clients may complain to the appropriate authorities or they may air their grievances through the press or other media. Though somewhat crude, this method is simpler and handy to get some feedback. If the number of complaints or grievances are negligible it would indicate the positive impact or good work of the implementing agencies. However, the method is not free from weaknesses. A large number of people may not complain or air their grievances due to a number of reasons. Moreover, a number of matters sometimes go unreported or unnoticed. Also, there is no system of keeping proper record of complaints and grievances. Many a time, the party in power may label the resentment as being politically motivated. In case the leaders or policy makers are sincere, a proper record of such complaints may be maintained and prompt action should be taken and conveyed to the complainant by the administrative agencies. Prompt redresses of citizen grievances may also help in ascertaining the policy impact to some extent.

### **Case-Study Method**

In impact evaluation, the in-depth case study method is well suited for community-based research. It is particularly useful for studying policy impacts on communities or groups among community inhabitants and also for providing an adequate assessment of the conditions for success. However, the case study method has the drawbacks of being time-consuming and the results can be generalised to a limited extent only.

### **Surveys based on Questionnaire and Interview Schedule**

These are common tools in any social research, and are used to collect quantitative as well as qualitative information. These are flexible in nature and are also used in combination with other research tools, such as, discussions, case studies, observations, etc. An advantage of this method is that it is relatively timesaving and cost-effective; and computers, enabling greater precision and accuracy, if properly planned, can process most of the data,

### **Rapid Assessment**

This is also sometimes called 'rapid appraisals'. As the term indicates, this is a quick study. It is commonly undertaken by a number of persons, each of whom may have a different professional background, and with responsibility for looking into specific issues. Broader judgments and conclusions are then arrived at through communication between team members. The techniques associated with this method are interactional, such as, direct observation, informal communication with key informants, and group discussions. whereas the method is quick and relatively simple, it has the weakness of being less representative and at times superficial (Dale).

### **Participatory Assessment**

This is a relatively newer method of assessing the impacts. This has lately come to be used as a common denominator of an array of techniques by which professionals and non-professionals may jointly analyse, plan, and evaluate (Dale). Beneficiaries and related persons are associated with the evaluation process. Experiences, views and suggestions are shared. It also works as a learning process for everybody, as each group copes with the constrictions posed by others. Participatory assessment has not been used much as a key method in impact evaluation. However, it can be a beneficial exercise for analysing organisational or programme performance.

### **Cost-Benefit and other Analytical Methods**

A brief introduction to cost-benefit analysis has already been made in the previous Unit. The main purpose of cost-benefit analysis is to develop the total impact estimates of proposed investments.

It is also useful in estimating the impact of existing programmes and comparing them with that of the proposed programmes, and ranking their effectiveness. Cost-benefit analysis is applied at three levels: primary, secondary and tertiary. Primary costs and benefits are resource flows, which occur out of the interaction of the operating costs and operating revenues. The operating revenue quantifies the cash flows, which will actually occur on account of the pricing of sale of goods and services provided by the programme. Secondary costs and benefits are the quantifiable resource flows, which fall to the share of entities other than the implementing agency. These may include: householders, homogenous groups, the community or the national exchequer. Thus, a programme or project may have wider impacts than intended. Tertiary costs and benefits are effects, which in ordinary course of events are non-quantifiable or which cannot be priced. P.K.Matto adds that if primary, secondary and tertiary effects are identified in detail, it is possible to develop fairly comprehensive total profiles of programmes/projects and evaluate their impact on the economy as a whole.

Associated with the cost-benefit analysis are the concepts of 'Pareto Optimality' and 'Pareto Improvement Criterion'. It is argued by a number of authors that cost-benefit analysis should be linked to Pareto criterion. The quantitative outcomes of cost-benefit calculations show whether the gains exceed the total costs or not. Pareto optimality ensures that when some are made better off, none shall be made worse off, whereas the potential Pareto improvement is a progression towards pareto optimality, which means that there is still some scope towards achieving a pareto-optimal condition (Samuelson and Nordhause).

The process of selection of policies or programmes or projects cannot be fruitfully undertaken on the basis of efficiency criterion only. The UNIDO guidelines (1972) hint that cost-benefit analysis, and national analysis must focus on all factors, which affect national welfare and should not be confined to economic aspects only.

The measure of performance or impact in terms of cost-benefit calculated now should also take into account the future costs and benefits. Implementation of certain policies gives rise to a certain pattern of social income over the years. The future gains less the disadvantages (say consumption by particular unintended groups) may provide the idea of definite value to the society. The exponents of cost-benefit analysis almost unanimously advocate the use 'shadow prices' for determining the money equivalent of project/programme inputs and outputs. Shadow prices are the expert estimates of what prices should be like rather than what they actually are (P.K.Matto).

Another analytical approach to cost—benefit analysis is in regard to 'aggregation of impacts', which has two aspects:

- Aggregation of costs and benefits accruing to different parties; and
- Aggregation of costs and benefits accruing to the same party over a period of time.

## **18.4. POLICY IMPACT: PROBLEMS AND SUGGESTIONS**

A positive policy impact is the most significant rather than the ultimate aim of the total policy process. However, it is not free from problems and limitations, particularly the assessment or evaluation of impact. Some problems relating to policy evaluation have been discussed in the previous Unit, the same may be relevant here. A number of scholars/policy scientists have traced the problems relating to policy impact and its assessment. Prominent among them are Dror, Wholey, Golembiewski, Logan, Nagel, Coleman, Poland, Dolbeare, Cambel, Gibsen and Prather, etc. The specific problems pointed out by them are listed here:

- Impact studies or impact analyses are the most neglected area on the part of those who are involved in the policy process as also by the academicians. As Poland states, the study of

impact and evaluation in public administration has been seriously neglected. It suffers not only from the lack of interest and initiative, but also from **deficiencies** on the methodological front.

- While doing impact analysis and fixing of standards, policy makers tend to rely on comparisons with the past. Dror opines that comparison with the past, in many respects, is misleading because it does not provide any 'zero point' for reliable conclusion. By comparing, it cannot be ascertained whether a particular performance of this year is actually 'better' or 'less bad'. These two conclusions are logically identical, but they have totally different implications as to what can and must be improved in the evaluation process, and as to whether members of the organisation are to feel self-satisfied or inclined to introduce change. "Even when achievements are higher than in the past, they often lag increasingly behind what is possible, needed, and demanded, and they should, therefore, often be evaluated as worse" (Dror).
- Impact evaluation often suffers because of the probable conflict between the two grossly defined roles, that is, of evaluator and administrator. If the evaluator is objective, he would assume a challenging skeptical attitude towards any findings, however, the administrator of a programme is often put in a position of trying rather **desperately** to come up with positive findings. Administrators have to work within certain compulsions: they depend upon funding by other agencies and have to justify their actions and even project to be 'successful'.
- Impact evaluators in the government generally lack research capabilities. Ambiguity, lack of appropriate bases for **comparison**, and lack of concrete evidence increase the administrator's control over assessments, or at least to **minimise** the criticism in case of failure.
- Public policies are often initiated in response to a demand, especially by some potent interest group to do something fast, even when the consequences of that specific 'something' may be obscure. In such situations, those who are managing the scene are not interested or cannot do much but let the things move on. In other words, in such 'at-sea' conditions, the captain of the ship has the only goal to stay afloat so that it might later be possible to make expeditious progress towards the intended (or nearby) destination (**Golembiewski**). In such administrative situations, even the most **capable** administrators are puzzled about what to do and how. In such contexts, impact evaluation has a low **priority**.
- Besides the problems of **methodology**, models, and evaluators in impact studies; there is a problem of poor feedback and non-utilisation of impact evaluation data. As such, the impact of evaluative research on programme or policy decisions has been less **than substantial**. Impact **studies/research** is meant for immediate and direct use in improving the **policies/programmes**. Yet the experience in various countries suggests that due to non-utilisation or **under-utilisation** of evaluative data impact studies have not exerted significant influence on policy decisions. The reasons for the non-implementation of the results of such studies are numerous, and only some of them concern the personal relationships of the evaluators. Others are to do with methodology and **measurement**, the quality of investigation, and the **organisational** and political constraints.
- These are a few more related problems in this regard. The non-utilisation of impact results is also attributed to change of priorities in due course of time. By the time results of impact studies are prepared, a lot of time is already gone (may be, years), and by that time new problems crop up before the policy makers. Therefore, most of such reports face the neglect, of decision makers. Moreover, there is a **general** problem of resource crunch in government agencies. This acts as a barrier in the way of research and investigations and also towards making any changes or adjustments in the on-going programmes.
- Finally, a major **problem** in government is lack of reliance on non-governmental research institutes, universities or other agencies. The **institutes/universities** too are not keen to undertake.

evaluative studies, which could facilitate the impact measurement task. The media is also not bringing out factual position other than sensationalising some of the issues. Citizens too do not cooperate much with government or research agencies in revealing their true feelings and opinions.

Robert Golembiewski has compiled a few other limitations that may crop up in the way of estimating policy impact, as stated below:

- The major objectives of a programme may not be defined precisely or they might be conflicting or even contradictory.
- Due to their complexity, the principal outputs of a programme may not permit even gross estimation, let alone 'precise measurement'.
- a Difficulties and **limitations** towards identifying indirect inputs and social costs involved.
- Difficulty towards comparing alternative combinations of inputs and outputs.
- It **may** be practically difficult and politically impossible to really compare programmes for alternative uses of the same resources.

In order to have better impact studies and to expect better impact of the same on the policies and programmes, the basic requirement is political will and the positive attitude of the administrative authorities. A right kind of attitude with sincere efforts, appropriate skill and techniques, with which the implementing agencies can bring out a realistic position of policy impact. Adequate resources should also be available for this purpose. In case (which is most likely) the government agencies are not willing or capable to undertake impact studies. In such a situation, non-governmental agencies, universities, and research institutes should be encouraged and associated to study the impact. It would be better that the developing countries also establish specific policy evaluation institutions on the pattern of various developed countries. Standardised format, criterion and **methodology** to be employed for impact evaluation should be worked out, and should be made available to those involved in evaluation. In this regard, training of government officials involved in the process may also prove helpful. Non-conventional techniques, such as, rapid assessment method and participatory research also need to be encouraged, besides relying more on reliable primary data.

The problems of poor feedback and non-use of evaluative data are equally significant to be tackled seriously. This calls for more motivational efforts and other measures. To this effect a close relationship between the evaluation researcher and a clearly identified customer(s) of evaluation studies, plus sensitivity to the impact on others in the organisation is required, if research results are to be acted upon. For this, the research or-evaluation agency needs to ensure that the findings of evaluation/impact appear meaningful to all concerned, especially the research customers.

## **18.5 CONCLUSION**

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Public policies are initiated with definite aims and objectives. Policies, when put to effect, have certain impacts. To assess the impact, we depend primarily upon the implementer's or official reports, which are **supplemented** by surveys, social audits, rapid assessment, cost-efficiency, and effectiveness analysis. The Unit has also focused on various problems associated with policy impact studies, and **suggestions** to further improve the impact analysis and feedback.

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## **18.6 KEY CONCEPTS**

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<b>Conversion Process</b>	: The process of converting demands as per resources in public policies.
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- Cost-Benefit** : The evaluation of anticipated expenditures needed to accomplish given objectives in relation to the value of expected gains.
- Data** : The facts, statistics and other forms of information collected in a scientific manner.
- Effectiveness** : Capability towards achieving the desired objectives..
- Pareto Optimality** : Given a set of alternative allocations and a set of individuals, a movement from one alternative allocation to another that can make at least one individual better off, without making any other individual worse off is called a Pareto optimality. The term is named after Vilfredo Pareto, an Italian economist who used the concept in his studies of economic efficiency and income distribution.
- Participatory Assessment** : Professional evaluators and beneficiaries jointly evaluate the impact of a programme. It is also an interactive learning process in which the experiences, opinions; and suggestions are exchanged.
- Spillover effect** : Other implications or indirect impact, which is not primarily intended.

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## **18.8 ACTIVITIES**

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- 1) Identify any one major policy of the local authority of your area (panchayat, municipality etc.) and try to ascertain the impact of the same.
- 2) List out the major implications of any major policy (you are aware of) of any state or the central government. Try to assess its immediate and future impact, positive or negative impact, and direct or spillover impact.
- 3) How do you find out whether a specific policy or programme produces what is intended? Discuss the problems and limitations of impact assessment and offer your suggestions for further improvement.

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# **UNIT 19 POLICY ANALYSIS**

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## **Structure**

- 19.0 Learning Outcome
  - 19.1 Introduction
  - 19.2 Policy Analysis
  - 19.3 Types of Policy Analysis
    - 19.3.1 Empirical, Evaluative or Normative Policy Analysis
    - 19.3.2 Retrospective/Prospective Policy Analysis
    - 19.3.3 Predictive/Prescriptive/Descriptive Policy Analysis
  - 19.4 Methods and Techniques in Policy Analysis
  - 19.5 Ethics in Policy Analysis
  - 19.6 Process of Policy Analysis
  - 19.7 Conclusion
  - 19.8 Key Concepts
  - 19.9 References and Further Reading
  - 19.10 Activities
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## **19.0 LEARNING OUTCOME**

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After studying this Unit, you should be able to:

- Explain the meaning and use of policy analysis in decision-making;
  - Describe different types of policy analysis;
  - Understand the process of policy analysis; and
  - Highlight the different methods and techniques used in policy analysis.
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## **19.1 INTRODUCTION**

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For making any policy- decision, one needs information on the specific problem under study. Information is processed to analyse data that has been put into a meaningful form and is useful in the user's context for decision-making,

An important goal of public policy analysis is to help policy-makers to arrive at viable informed policy choices with a credible expectation of what will be the expected outcome(s) of those policy choices. In the world of complex political and socio-economic processes, predicting the effectiveness of a particular policy relating to the intended goals while identifying potential unintended consequences is a difficult task. If policy-making is an art, policy analysis aims to add a bit of science to the art.

This Unit, and Units from 20 to 22 of this course will help to develop skills that are required to define and critically analyse the policy issues and problems, articulate relevant decision-making criteria for policy analysis, evaluate alternative policy options, and assess the means and costs of implementation. These skills and techniques can be applied to a wide range of substantive public policy issues, with the idea that a good policy analyst can approach problems as a generalist and bring more specific information from a given policy area to bear on the analysis. In this Unit, you

will learn various types and the processes involved in policy analysis. You will also go through an overview of the methods and techniques used in policy analysis.

## **19.2 POLICY ANALYSIS**

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According to Patton and Sawicki, the term policy analysis was probably first used in 1958 by Lindblom. Since then a number of experts on the subject have given definitions. The salient aspects of policy analysis defined by some of the experts are noted below.

- i) Dunn stresses that the policy analysis is an applied discipline. In his words, policy analysis is "... an applied discipline which uses multiple methods of inquiry and argument to produce and transform policy-relevant information that may be utilized in political settings to resolve public problems."
- ii) Jacob B. Ukeles observes that policy analysis as the systematic investigation of alternative policy options. He opines that policy analysis is "the systematic investigation of alternative policy options and the assembly and integration of the evidence for and against each option. It involves a problem-solving approach, the collection and interpretation of information, and some attempt to predict the consequences of alternative courses of action."
- iii) Patton and Sawicki believe that policy analysis is "... a systematic evaluation of the technical and economic feasibility and political viability of alternative policies, strategies for implementation, and the consequences of policy adoption."

Putting together all the above definitions would enable you to understand what is policy analysis?, and the process of how it is carried out.

## **19.3 TYPES OF POLICY ANALYSIS**

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Policy analysis can be classified as:

### **19.3.1 Empirical, Evaluative or Normative Policy Analysis**

While processing the information for policy analysis, three types of questions are deduced for argument. These are:

- i) What happened to the problem earlier?
- ii) Were the objectives of the policy met?
- iii) What should be done for the future courses of action?

The empirical approach is based on an interpretation of the past policies. This approach is concerned with analysing the causes and effects of given public policies and attempts to answer primarily the first question. For example, we may analyse and predict the government expenditure on education over a period of time.

The evaluative approach to policy analysis focuses on programme evaluation. It determines the worth or value of a policy option. For example, a study of government expenditure on primary education may focus on a particular objective, such as, whether a given target was met or not? The nonnormative policy analysis primarily concerns with recommending future courses of action for a given problem. In this case, the type of information is advocacy. For example, a government may have a policy of preventing pollutants from discharging waste of nearby habitations in the river. As part of this policy the government may recommend to the local authorities concerned to take necessary steps to prevent the pollutants reaching the river.

### 19.3.2 Retrospective/Prospective Policy Analysis

- Retrospective policy analysis refers to the historical analysis and interpretation of past policies.
- This type of policy analysis is done to confirm the major aspects of historical policy research available on the problem under consideration. For example, a study on labour unrest in an industrial company that has implemented automation earlier would be a retrospective study. The retrospective policy analysis is also sometimes termed as ex-post or post-hoc policy analysis.

Prospective policy analysis focuses on the future outcomes of a proposed policy. For example, the decision maker may have four policy options of establishing a fire station in east, west, south or central parts of a city. In this case, the policy analysts attempt to predict the future status of results from alternative policy options available to them. The prospective policy analysis is also sometimes termed as ex ante, pre hoc, or anticipatory policy analysis.

Retrospective policy analysis produces information, which is directly useful for decision-making. This is because of the development of the scientific methods that may not allow manipulation of data by the policy makers. On the other hand, prospective policy analysis often creates a large gap between the preferred solutions to the problem on hand and the efforts made by the institutions concerned to resolve them.

### 19.3.3 Predictive/Prescriptive/Descriptive Policy Analysis

Predictive policy analysis refers to the forecasting of future states resulting from the implementation of particular policy alternatives. The prescriptive analysis recommends actions that result in a particular outcome. When the policy analysts are not sure about the nature of solution to a problem or there is no programmed way of selecting a particular solution among alternatives, then they may opt for prescriptive policy analysis. Here, the policy maker's attitudes, preferences, and beliefs may influence the selection of an option among alternatives. For example, one might conduct a study to see the impact of changing income-tax rates on the saving habits of people who are paying income tax. If the study recommends for lowering income tax rates that will result in higher savings, this is a prescriptive policy analysis since lowering tax rates may or may not improve the saving habits of people on the lines expected.

Descriptive policy analysis refers to historical or retrospective analysis of past policies. It also concerns with evaluation of a new policy as it is implemented. Here, policy analysis is conducted after policy implementation. The primary concern is to understand the problem rather than to solve it. However, descriptive analysis is often incorporated into prospective policy analysis. The implemented policies are monitored and evaluated to decide on whether to continue or modify the earlier policy. The information generated in this context will also help in solving future problems.

The recommendation based on the prediction or prescription comes into effect, before the recommendation has been adopted. The descriptive and evaluative policy analyses are applied after the recommendation has been adopted. Therefore, prescriptive or predictive analysis deals with future course of action, while descriptive and evaluative analysis are concerned with past actions.

## 19.4 METHODS AND TECHNIQUES IN POLICY ANALYSIS

The policy analysis team consists of those analysts who use different methods and techniques to put forward alternative policy options. These methods and techniques may be expressed as graphs, diagrams, tables, decision trees or mathematical equations. The methods and techniques, such as, cost-benefit analysis, input-output analysis, survey methods, computer simulation, and optimisation

techniques, such as, linear programming, marginal analysis, etc. play an important role in policy analysis. For example, the calculation of compound interest technique is used widely to find the values for different rates of interest on savings (or loans) for a given period of time.

Suppose you want to obtain a loan to buy a house. The first thing you may do is to approach different loan-giving institutions/banks and find out the rates of interest. Then you may be interested to find out the outstanding amount of your loan after a given period of time against the amount of loan you have taken. While calculating this you may also take into account any security deposit required. After obtaining outstanding amounts for different interest rates and security deposits for a given period of time, you may choose one of the best outcomes.

The methods and techniques are very useful for obtaining information for policy analysis. We will be discussing various methods and techniques which are widely used in policy analysis in Units 20 to 22 of this course. Remember that in policy analysis, most of these technical tools are used to help those involved in decision-making. It is widely believed that politics dominates in policy analysis. However, the application of quantitative analysis in policy analysis has a brighter future. Since it involves a more scientific and transparent process, weightage is, therefore, given to economic, technical, and moral criteria.

## **19.5 ETHICS IN POLICY ANALYSIS**

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Often the policy analysts deal with ethical issues. According to Martin Wachs, most of the ethical issues faced by policy analysts, planners, experts, and advisors on a daily basis are resolved without controversy. These are related to administrative decisions, bureaucratic procedures, and rules of behaviour regarding clients and supervisors.

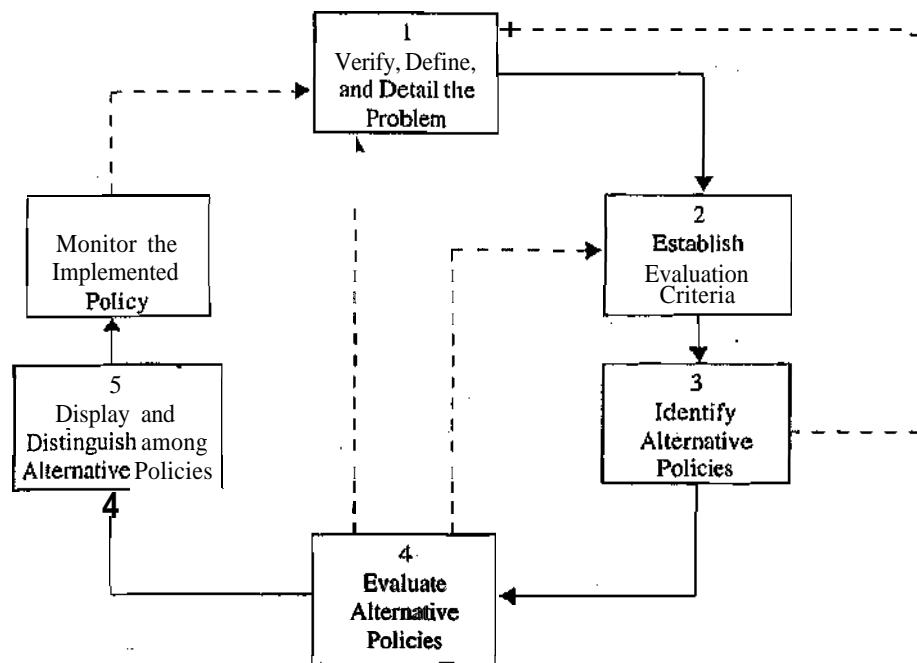
The more complex issues are related to the moral implications of our methods, ethical content of the criteria built into decision models, and ethical issues inherent in the evaluation of major policy alternatives. For example, the Pareto rule states that an optimum distribution of income in society is one where some individuals are benefitted without loss to others. That means the Pareto optimality guarantees that all persons in the society will retain the income for which they are entitled by their ability and work. However, in practice this may not happen since the Pareto optimality does not reflect unjust entitlements to income based on illegality, fraud, racial and other forms of discrimination. On the other hand, even the proponents of the Pareto optimality rule say that its application violates their own moral convictions of entitlement on ability and work.

Many social scientists believe that values can be studied with methods of social science. For example, public opinion surveys can be used to reflect the views of different groups of people in the society. However, values, such as, equality, justice, etc. cannot be proved through empirical surveys.

## **14.6 PROCESS OF POLICY ANALYSIS**

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On the basis of ideas and approach of Patton and Sawicki, a six-step process in doing an actual policy analysis is shown in figure 19.1



**Fig. 19.1: A basic Policy Analysis Process**

Source: Patton, C.V. and D.S. Sawicki (1993) *Basic Methods of Policy Analysis and Planning*, p.53.

The six-steps are:

### i) Verify, Define and Detail the Problem

This is the most important and relevant of all the steps because many times the objectives of the problem analysis are not clear and in some cases the objectives are contradictory. Therefore, Patton and Sawicki suggest, "Don't accept the initial problem statement without question. It may be only the tip of the iceberg, a part of a larger problem, or one that cannot be influenced by the client or decision maker."

Policy analysis requires clarity in identifying the problems to be resolved. This will lay a solid foundation for an efficient and effective outcome of the whole process. The policy analyst must question, therefore, the interested parties involved or stakeholders about their agendas of the outcome. Defining the problem in such a way eliminates any ambiguity for future references. Also, the policy analyst needs to know whether sufficient data is already available on the problem for analysis or more data is to be collected.

### ii) Establish Evaluation Criteria

In order to measure, compare, and select among alternatives relevant evaluation criteria must be established. Here one must consider cost, net benefit, effectiveness, efficiency, equity, administrative ease, legality, and political acceptability. Economic benefits must be considered in evaluating the policy. For example, one way may be least expensive than others in achieving an objective. How the policy will harm or benefit a particular group or groups will depend on the number of options available. Options that are more difficult to implement than others must be considered but ultimately decided by getting a feel of the stakeholders of a policy. Political and other variables go hand in hand with evaluation criteria to be followed. Most of the time, the client or person, or group interested in the policy would try to influence the direction or evaluation criteria to be followed.

The policy analyst should, therefore, indicate the criteria, which are most relevant to the parties involved. Once the alternatives are evaluated, it will be easy for the policy analyst to indicate the

criteria most salient to the individual or group. Then, ranking of alternative policies according to their importance will follow.

### iii) Identify Alternative Policies

Once a policy problem has been clearly stated and an evaluation criteria are established, the policy analyst is in a position to identify and generate alternative policies. In order to generate alternative policies, it becomes important to have a clear understanding of the problem and how to go about it. The possible alternatives include do nothing approach (status quo), and any other that can benefit the outcome.

Sometimes combining alternative policies may reveal new aspects of the problem, which were not thought earlier. Relying on the past experience of others in similar situations helps to create a more thorough analysis and understanding. It is important to avoid settling prematurely on a certain number of options at this step. All the options should be considered before settling on a reduced number of alternatives,

### iv) Evaluate Alternative Policies

At this stage, an attempt is made to package all the alternative policies into strategies and programmes in accomplishing a thorough policy analysis. It becomes necessary to evaluate how each possible alternative benefits the criteria previously established.

If required, additional data may be collected for analysing the different levels of influence on the economic, political, and social dimensions of the problem. These dimensions are analysed through quantitative and qualitative analyses, that is, the benefit and cost per alternative. Political questions in attaining the goals are analysed to see as to whether they satisfy the parties interested in the policy.

Patton and Sawicki, further suggest the avoidance of a tool box approach of using the same statistical/mathematical method for every evaluation. Be it linear programming, cost-benefit analysis, input-output analysis, or some other decision-making technique. Some problems may call for quantitative analysis, while others may require qualitative analysis or many of the problems require both quantitative and qualitative analysis. Given sufficient time, one may go for survey research to gauge the support for various options. When sufficient time is not available, one may go for forecasting techniques, simulations, etc.

At this stage, the analyst may feel that the originally stated problem needs to be revised. New aspects of the problem may be found to be transient and even different from that of the original problem statement. A fast track approach may be followed in revising the problem statement.

### v) Display and Distinguish among Alternative Policies

The results of the evaluation of possible alternatives along with data on the extent to which the criteria are met by each alternative might be presented at this stage. However, the presentation format, showing the probabilities associated with the fulfilment of the criteria against each alternative and the weightage thus accrued to each option, tends to influence the final decisions.

When the criteria are expressed in quantitative terms, value comparison might be used to analyse the advantages and disadvantages of the alternative scenarios with quantitative methods and qualitative analysis; complex political considerations can also be melded with this. Where the decision maker has clearly stated the objectives, ranking and/or weighing of alternatives is very much easy. But the policy analyst should be aware that his/her personal biases might influence such ranking/weighting. Sometimes, stronger arguments can be advanced in favour of better options

to advise the decision makers. One should also be clear in mind about the difference between a technically superior alternative and politically feasible alternative. If an alternative is technically superior, its political feasibility should also be considered by the decision maker.

Rarely, there will be convergence on one option. Various interested parties may prefer different options. Also, it is possible that two or more alternatives would provide similar results. Often, policy analysts' work is subject to time constraints. As a result, they may skip some alternatives and variables. Therefore, the policy analysis becomes incomplete. These should be reported, and possible side effects should also be identified.

#### vi) Monitoring the Implemented Policy

Normally, the policy analyst/planner is not involved in the implementation of a policy. However, the policy analyst should be involved in the maintenance, monitoring, and evaluation of the implemented policy. According to Patton and Sawicki, "Even after a policy has been implemented, there may be some doubt, whether the problem was resolved appropriately and even whether the selected policy is being implemented properly". These concerns require that policies and programmes be maintained and monitored during implementation to assure that they do not change form unintentionally; measure their impact; determine whether they have the intended impact; and decide whether they should be continued, modified, or terminated.

Programme evaluation is important to improve the quality of programme analysis. We should realise here that the policies could fail, because the programme was not implemented as it was designed or did not produce the desired results because the underlying assumptions were either incorrect or irrelevant.

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## 19.7 CONCLUSION

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This Unit has provided an overview of the policy analysis, its context, meaning, types, and the process. The different types of policy analysis like prospective and retrospective analysis provide forecasting of future, and an assessment of the past. The predictive, prescriptive, and descriptive analyses throw light on simple to complex nature of policy alternatives.

Practising ethics in policy analysis is very important. While most of the internal ethical elements can be controlled, coming to grips with more complex ethical issues is far more difficult.

The policy analysis process is explained in six steps, that is, i) defining the problem, ii) establishing evaluation criteria, iii) identifying alternative policies, iv) evaluating alternative policies, v) displaying and distinguishing among alternative policies, and vi) monitoring the implemented policy.

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## 19.8 KEY CONCEPTS

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<b>Descriptive Policy Analysis</b>	: Policy analysis based on the historical facts or policy decisions.
<b>Ethics</b>	: A branch of philosophy that deals with morality.
<b>Evaluative Policy Analysis</b>	: Policy analysis that deals with the extent to which the objectives of a policy are met.
<b>Policy Alternative</b>	: A potentially available course of action that is available to meet the objectives of a policy problem.

Policy Analysis	: A systematic evaluation of technical, economic, and political feasibility of alternative policies; strategies for implementation; and consequences of policy implementation.
Policy Problem	: An identified but unrealised need value or opportunity that can be attained through public action.
Predictive Policy Analysis	: Predicting future states of policies that result from adopting various policy alternatives.
Prescriptive Policy Analysis	: An advisory recommendation of actions made by policy analyst, that is, intended to bring about a particular result.
Prospective Policy Analysis	: Policy analysis before the policy is implemented.
Retrospective Policy Analysis	: Policy analysis based on historical facts or earlier policy decisions.

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## 19.7 REFERENCES AND FURTHER READING

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## 19.10 ACTIVITIES

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- 1) Explain how ethical issues are of importance in policy analysis. Can you completely remove ethical problems from policy analysis? Justify,
- 2) Describe briefly the various steps in the process of policy analysis.
- 3) Discuss the importance of quantitative and qualitative methods and techniques in policy analysis.
- 4) Evaluate the relative importance of technical superiority and political feasibility in policy analysis. Illustrate your answer with examples.

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# **UNIT 20 POLICY ANALYSIS: METHODS AND TECHNIQUES – I**

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## **Structure**

- 20.0 Learning Outcome
- 0 1 Introduction
- 20.2 Social Cost-Benefit Analysis (CBA)
  - 20.2.1 The Rationale of Using CBA
  - 20.2.2 Advantages and Limitations of CBA
  - 20.2.3 Identification of Costs and Benefits
  - 20.2.4 Commonly Used Cost-Benefit Measures for Policy Comparisons
  - 20.2.5 Choosing a Cost-Benefit Method
- 20.3 Inter-Sectoral Input-Output Analysis
  - 20.3.1 Transactions Table
  - 20.3.2 Production Coefficients in Input-Output Analysis
  - 20.3.3 Forecasting — Using Input-Output Production Coefficients
- 20.4 Conclusion
- 20.5 Key Concepts
- 20.6 References and Further Reading
- 20.7 Activities

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## **20.0 LEARNING OUTCOME**

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After studying this Unit, you should be able to:

- Understand the concepts of social cost-benefit analysis and input-output analysis;
- Explain the different alternative choices available to the policy analyst; and
- Discuss the criteria for selecting alternative policy choices.

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## **20.1 INTRODUCTION**

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In Unit 19 while discussing the policy analysis process, we have identified that the policy analyst may use different techniques and methods for evaluating alternative policies; displaying and distinguishing them; and monitoring and evaluating implemented policies. In this Unit, we will discuss these methods and techniques, namely, Social Cost-Benefit Analysis (CBA) and Input-Output Analysis. The CBA is widely used in evaluating policy alternatives and comparing them, and Input-output analysis is used in evaluating policy alternatives.

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## **20.2 SOCIAL COST-BENEFIT ANALYSIS**

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The CBA is one of the methods used in economic evaluation of policy analysis. This method permits policy analysts to compare and advocate policies by quantifying their total monetary costs and benefits. While CBA can be used prospectively to recommend policy actions, it can also be used retrospectively to evaluate policy performance. CBA is also known as 'rate of return' analysis and the procedure followed to compute is similar to that of ordinary investment policy evaluation.

For example, a machine costs Rs.1,10,000 and yields an annual constant income of Rs.1200 and has a life expectancy of 10 years, and the rate of return of investing this machine is equal to 3 per cent.

### **20.2.1 The Rationale of Using CBA**

The CBA tries to estimate net social welfare changes (the difference between social benefits **and** social costs) as a result of policy. In a standard CBA, social welfare is measured in terms of net benefits of the policy. A policy is said to be efficient if it maximises the net benefits available to the society.

Although, the CBA is not specifically designed to evaluate the equity, it can be used to track down the costs and benefits among various strata of beneficiaries. The policy analyst may attempt to determine how benefits are distributed among different, stratified on the basis of age, sex, income, religion, geographic location, etc. The distribution may also be done for different time periods. Both economic efficiency and equity are built into the framework of evaluation of the benefits of social welfare. The concepts of economic efficiency and equity are discussed below.

#### **i) Economic Efficiency**

This is a measure of net benefits accruing through a policy to the society. This is designed to answer whether the redistribution of resources implied by a policy results in a betterment of society. For example, in the implementation of a health programme the **government** may advise its citizens to go for health insurance. Alternatively, it can build hospitals in the public sector and offer health services or take **preventive** health measures. Each of these would have differential costs to the government as well as to the people. The benefits accrued can also be measured.

The policy analyst is confronted with the challenge of devising criteria to determine the relative "efficiency" or **optimality** of alternative policies in a given situation. The Pareto criterion helps (discussed in Unit 17) policy analysts in **recommending** policies that maintain social equity.

#### **ii) Equity**

As we have seen earlier the economic efficiency seeks aggregate monetary gains accrued to the society. The equity seeks to **determine** if costs and benefits are systematically reallocated in ways that favour people least able to protect themselves than the people who are already in an advantageous position. There are instances where the policies prove to be more economically efficient, but are not equitable. In our example of health policy, the government may decide to subsidise the health insurance. This policy may benefit all people in the society irrespective of their **income levels**. However, the policy may be more ideal for the families whose income falls below the poverty line and are not able to meet their basic needs. Instead of giving subsidy uniformly to **all** the people in the society the policy analyst may recommend a different alternative. One such alternative consists of stratifying the population according to their income levels, and then apply different levels of subsidy for different income strata on the basis of need.

### **20.2.2 Advantages and Limitations of CBA**

CBA has a number of advantages and limitations in practice. The advantages are: a) It enables the policy analyst to work out the actual costs and benefits of alternative policies. In this process, the costs and benefits that have not been part of the discussion may come to light; the costs **and** benefits are measured in monetary terms, **and** this permits the policy **analyst** to subtract costs from benefits; we can compute the net benefits for each policy alternative and then compare them; and the CBA allows us to compare different programmes like health, environment, education etc.

The disadvantages of CBA are as follows:

- i) It puts exclusive emphasis on economic efficiency. Therefore, the equity criterion is meaningless unless we compute CBA for different strata of the population.
- ii) The monetary value is an inadequate measure of responsiveness, since the actual value of money varies from one person to another. For example, an extra income of Rs.100 may have more value for a poor person than rich.
- iii) When the actual market prices are not available, the policy analyst is forced to use shadow prices that are in practice subjective and arbitrary.

### **20.2.3 Identification of Costs and Benefits<sup>r</sup>**

In order to arrive at the best cost-benefit estimates, it is important to identify all costs and benefits and measure them in rupee term. In practice, it is very difficult in many situations. However, the policy analyst should try to minimise the error in estimating the costs and benefits by including all of them. For this, we classify the costs and benefits into: (a) internal and external, (b) tangible and intangible, (c) direct and indirect, and (d) net efficiency and redistributional.

#### **i) Internal and External Costs and Benefits**

The costs and benefits can be either internal or external to a given policy or project target group or jurisdiction. What is internal or external to a policy or project depends upon how the policy analyst draws the boundaries to that policy around the target group or jurisdiction. If the policy aims at the society as a whole then there are no external costs or benefits. If the policy aims at a sub-population or a particular geographical area then there are external costs and benefits in addition to the internal costs and benefits. For example, construction of a factory in a particular geographical area may provide employment opportunities to some people in the locality of the factory. The pollution released from the factory may affect not only local people but also people living down the stream. Therefore, while calculating the costs and benefits of a policy, the policy analyst should take into account all the costs and benefits that may be internal or external to the policy.

#### **ii) Tangible and Intangible Costs and Benefits**

Tangible costs and benefits are those that can be quantified in monetary terms, such as, cost of land, operating cost, savings, avoidance of future costs, etc. Intangible costs and benefits are those that cannot be measured in monetary terms. Improved quality of the life of people because of clean air is one such intangible cost and benefit. In this case, the policy analyst may attempt to estimate the shadow prices by making subjective judgments about the monetary value of costs and benefits. For example, the analyst may try to estimate the opportunity costs and benefits in terms of improved health and higher productivity of people because of clean air and the lower costs on health care. Thus, many of the intangible effects are difficult to quantify.

#### **iii) Direct and Indirect Costs**

Any policy or project generates costs and benefits directly as well as indirectly. Here, the question is whether the costs and benefits are direct or indirect to the policy or project. For example, the costs borne by government or people in health insurance programme are classified. Indirect costs and benefits are those that do not relate to the objectives of a programme. For example, the amount of leisure time or other indirect outcomes of the health programme are indirect costs and benefits. However, for the policy analyst the indirect costs and benefits are not of much importance. Therefore, the analyst considers only direct costs and benefits.

#### iv) Net Efficiency and Redistributational Benefits

Here, the question is whether the total costs and benefits create an aggregate net benefits or they have the effect of simply redistributing the income among different groups of population? Earlier, you have learned that the net efficiency maximises the net benefits. The redistributational benefits are those that redistributes the income among various groups of population without maximising the net benefits. The net efficiency benefits and redistributational benefits are also called real benefits and pecuniary benefits respectively. For example, the net benefit of establishing a factory may produce Rs. 100 million in net efficiency benefits. Suppose a new market has come up in a local area, it will have redistributational benefits since the loss of a nearby market is the gain of this new market.

#### 20.2.4 Commonly Used Cost-Benefit Measures for Policy Comparisons

Several cost benefit measures are employed to determine the net efficiency of projects. These measures are pay back, discounted pay back, net present value, benefit-cost ratio, and internal rate of return (IRR).

In this section we will discuss in detail each of these measures, how to calculate, and compare them.

##### i) Pay back

This is the simplest among all the cost-benefit measures. It simply calculates benefits from a capital project, the number of periods it takes in future (and what amount it costs in each period) to repay the initial investment. For example, we examine two capital projects A and B with their cost-benefit flows as given in table 20.1.

**Table 20.1: Cost-Benefit Flow of A and B Capital Projects**

Year	Cost Benefit Flow (in Rs.)	
	Project-A	Project-B
0	-10,00,000	-10,00,000
1	4,00,000	3,00,000
2	3,00,000	3,00,000
3	4,00,000	3,00,000
4	2,00,000	2,00,000
5	2,00,000	-2,00,000

Each project has the initial investment of Rs. 10,00,000 at the beginning. There is a positive cash flow from both the projects A and B up to 4 years and the total flow is the same. This does not mean that both the projects are equal. There is a negative flow for project-B in the 5<sup>th</sup> year. Although we can make a statement that project-A is superior to project-B since A has a positive total cost benefit flow, but we should not come to this conclusion, since it does not take into account the time factor in estimating the value of the costs. Therefore, this measure may not be consistent for comparing projects and is not normally recommended.

Many of the public projects or policies have impacts that will be felt for many years. Like individuals, the public agencies tend to have a preference for benefits sooner rather than later. For example, we could have a strong preference of having Rs. 80 today rather than having Rs. 100 after two years, that means we are taking into account the interest (opportunity costs). Therefore, we try to discount the future money to the present. That is to say, in the above example, it is worth receiving Rs. 80 today, rather than receiving Rs. 100 two years later.

### ii) Discounted Pay back

The shortcoming of the pay back method can be rectified by incorporating the time value of the money. The cost-benefit flows are discounted to incorporate the time value of the money. We discount future value of money to present value by using an appropriate discount rate (r). The present value of the future money is computed using the following formula.

$$PV = FV \left( \frac{1}{1+r} \right)^n$$

Where, PV = Present value of the future money

FV = Future value of the money

r = Discount rate usually expressed in percentage

n = Number of years (from year 0)

Suppose in our example we assume that the discount rate is 6 per cent. For example, for project A, the FV at year 5 is Rs.2,00,000. The rate of discount we assumed is 6 per cent.

$$\text{Therefore, } PV = 2,00,000 \left( \frac{1}{1+0.06} \right)^5 = 2,00,000 \left( \frac{1}{1.06} \right)^5 = 2,00,000(0.9434)^5 =$$

$2,00,000 \times 0.7473 = 1,49,460$ . The discounted cost-benefit flows for projects A and B are shown in table 20.2.

**Table 20.2: Discounted Cost-Benefit Flow for Project A and Project B**

Year	Project A		Project B	
	Cost-Benefit Flow (Rs.)	Discounted Cost-Benefit Flow (Rs.)	Cost-Benefit Flow (Rs.)	Discounted Cost-Benefit Flow (Rs.)
1	-10,00,000	-10,00,000	-10,00,000	-10,00,000
2	2,00,000	1,88,680	3,00,000	2,83,020
3	3,00,000	2,67,000	3,00,000	2,67,000
4	4,00,000	3,35,840	3,00,000	2,51,880
5	2,00,000	1,58,420	2,00,000	1,58,420
		1,49,460	-2,00,000	-1,49,460

Observe the table 20.2, the returns from Project B do not pay back the initial investment, but the returns from project A pay back in the 5<sup>th</sup> year. While the discounted pay back method is consistent — since it takes into account the time value of the money — it fails to take into account all the cost benefit flows generated by each project.

The discounted costs benefits can also be computed using discount table given at the end of this Unit. For example, if you want to calculate discounted future benefits for the following data:

$$FV = \text{Rs.}5,500$$

$$n = 4$$

$$r = 6\%$$

$$\text{Then, } PV = \text{Rs.}5,500 \times 0.7921 = \text{Rs.}4356$$

### iii) Net Present Value (NPV)

The NPV method takes all the discounted cost-benefit flows into account. This method yields one value for each project that can be interpreted easily. The NPV for each project is computed by totalling all the discounted cost-benefit flows. If the NPV is positive, the project yields benefits that exceed costs. If the NPV is negative, we say that the costs exceed benefits. If NPV is zero, we say that the project neither yields benefits nor losses. The discounted costs and benefits are computed using the same formula for discounted pay back method.

$$\text{NPV} = \text{total discounted benefits} + \text{total discounted costs}$$

Remember that as a standard practice the discounted costs are expressed in terms of minus (-) values. Table 20.3 shows an example of NPV. Note that in this example a discount rate of 8 per cent is assumed.

**Table 20.3: Computing NPV for Project-I and Project-II**

Year	Project-I		Project-II	
	Cost-Benefit Flow (Rs.)	Discounted Cost-Benefit Flow (Rs.)	Cost-Benefit Flow (Rs.)	Discounted Cost-Benefit Flow (Rs.)
0	-10,000	-10,000	-10,000	-10,000
1	4,000	3,704	2,000	1,852
2	4,000	3,429	3,000	2,572
3	4,000	3,175	4,000	3,175
4	4,000	2,940	5,000	3,675
5	4,000	2,722	5,000	3,403
	NPV	5,970	-	4,677

Both the projects have positive NPVs. However, project-I has higher NPV than project-II. The comparison of projects help us when we have to choose among alternatives. Since the NPV method allows us to take care of the time value through discounting, this method is consistent. Also, different discount rates can be tried for the same project and then compare them to understand the projected risk of each project.

### iv) Cost-Benefit Ratio

The cost-benefit ratio is simply the ratio of discounted benefits to discounted costs.

$$\text{CBR} = \frac{\sum DB}{\sum DC}$$

Where, CBR = Cost-Benefit Ratio

$\sum DB$  = Total of all discounted benefits

$\sum DC$  = Total of all discounted costs

Observe that the CBR will have a numerical value of 1 when both discounted costs and benefits are equal. The CBR will have a numerical value higher than 1 if the benefits are more than the costs, and CBR less than 1 if the benefits are less than the costs. When we compare several projects, we choose a project that has the highest CBR. We will illustrate CBR with an example, which is represented in Tables 20.4(a) and (b). It is assumed that there is a discount rate of 6 per cent.

Table 20.4(a): Discounted Cost Benefits for Project A

Year	Costs (Rs.)	Discounted Costs (DC) (Rs.)	Benefits (Rs.)	Discounted Benefits (DB) (Rs.)
0	10,000	10,000	0	0
1	0	0	5,000	4,717
2	0	0	5,000	4,450
3	0	0	5,000	4,198
4	2,000	1,584	5,000	3,960
5	0		5,000	3,736
<b>Total</b>		11,584	—	<b>21,061</b>

CBR for project A = Total of DB/Total of DC = 21,061/11,584 = 1.82

Table 20.4(b): Discounted Cost-Benefits for Project-B

Year	Costs (Rs.)	Discounted Costs (DC) (Rs.)	Benefits (Rs.)	Discounted Benefits (DB) (Rs.)
0	10,000	10,000	0	0
1	0	0	4,000	3,774
2	0	0	4,000	3,560
3	0	0	5,000	4,198
4	0	0	5,000	3,960
5	0	0	8,000	5,978
<b>Total</b>		10,000	—	<b>21,470</b>

CBR for Project-B = Total of DB/Total of DC = 21,470/10,000=2.15

Both Project-A and Project-B have higher CBR. However, Project-B will be preferred because it has higher CBR than Project A.

#### v) Internal Rate of Return (IRR)

This is another cost-benefit method being used. In earlier cost-benefit methods we **assumed** a discounting rate that will bring the future costs and benefits to the present value. It is often difficult to determine the rate at which future benefits should be discounted to **the** present value. In addition, decision makers are often more comfortable with value expressed in terms of percentage rather than by **some other calculus**. The **IRR** computes a discount rate at which discounted benefits equal discounted costs. The **IRR** is the method that does not depend on the assumption of discount rate and determines a value in terms of a percentage. In other words, the discounted present value of costs minus present value of benefits equal to zero. To compute **IRR**, we equate initial investment with discounted(r) future benefits and then find r, that is, termed as **IRR**.

Suppose we have invested initially Rs. 10,000 in year 0, and from year 1 to year 4 we are expecting the benefit of Rs.5,000 each year. This can be expressed mathematically as:

$$10000 = 5000 \left( \frac{1}{1+R} \right)^1 + 5000 \left( \frac{1}{1+R} \right)^2 + 5000 \left( \frac{1}{1+R} \right)^3 + 5000 \left( \frac{1}{1+R} \right)^4$$

In order to find  $r$  we need a financial calculator, or computer worksheet, that is, beyond the scope of this Unit.

In this Unit, we will discuss how to interpret IRR, compare with NPV, which is widely used in cost-benefit analysis, and understand the limitations of IRR in choosing the projects. Consider the example given in table 20.5.

**Table 20.5: Cost-Benefit Flows for Project-X and Project-Y**

<b>Year</b>	<b>Project-X</b>		<b>Project-Y</b>	
	<b>Cost-Benefit Flow (Rs.)</b>	<b>Discounted Cost-Benefit Flow (Rs.)</b>	<b>Cost-Benefit Flow (Rs.)</b>	<b>Discounted Cost-Benefit Flow (Rs.)</b>
0	-10,000	-10,000	-10,000	-10,000
1	5,000	4,630	1,000	926
2	5,000	4,287	1,000	857
3	5,000	3,969	1,000	793
4	5,000	3,675	20,000	14,700
NPV	-	6,561	-	7,276

In table 20.5, we assumed a discount rate of 8 per cent for computing NPV for Project-X and Project-Y. For the sake of convenience, we have shown costs and discounted cost by using minus symbol. This symbol is not used while computing IRR. Simply take all numbers as positive. Suppose you have computed IRR for Project-X and Project-Y using a financial calculator or a computer worksheet, you may get IRR roughly 35 per cent for Project-X and 25 per cent for Project-Y. You have already seen NPV for Project-X as 6,561 and for Project-Y as 7,276. As per the NPV criteria you have chosen Project-Y because it has higher NPV. But as per the IRR criteria, you choose Project-X because it has higher IRR. This is clearly an inconsistency. The results must also have surprised you. Can you guess what happened? If you look closely at benefit flows for both the projects, Project-X has constant flow of benefits and is higher than Project-Y, especially for the first 3 years. For Project-Y, there are lower benefits in the first 3 years and suddenly the benefits shoot up 4 times higher than that of Project-X for the 4<sup>th</sup> year. The IRR assumes reinvestment of the benefits at an internal rate of return rather than at the cost of investment as in NPV. Therefore, the IRR will be higher for the Projects that generate higher benefits in the initial years.

When the decision maker has a fixed capital budget and cannot exceed the ceiling even if a project yields higher positive returns, we call it as capital rationing. In such cases, selecting IRR method to compare projects will be inappropriate. Thus as explained earlier, the IRR assumes the reinvestment of benefits at an internal rate of return rather than at the cost of investment in NPV. Consider data from the example, presented in table 20.6:

**Table 20.6: NPV and IRR on Investment**

<b>Project</b>	<b>Investment (Rs.)</b>	<b>NPV</b>	<b>IRR</b>
I	1,000,000	60,000	22%
II	10,000,000	800,000	17%
III	20,000,000	2,000,000	15%

If there is no capital rationing, we may choose all the projects since the NPV are positive and IRR are at an acceptable level. In case, the decision maker faces capital rationing of say Rs.20 million,

then the choice of project depends on the IRR. Since Project-I and Project-II have higher IRR the decision maker may choose either of them. On the other hand, if you look at NPV he may choose Project-III since it gives higher NPV than Project-I and Project-II put together.

While it is not difficult to compute the IRR, it suffers from two limitations. First, the element of inconsistency limits the usefulness of the IRR method. Second, when there are negative cost-benefit flows the computation of IRR becomes difficult and one has to use a modified IRR method, a discussion of which is beyond the scope of this Unit.

### 20.2.5 Choosing a Cost-Benefit Method

In section 20.2.4, we have introduced a number of cost-benefit methods. Each of these methods has some advantages and disadvantages in choosing the superior projects. The pay back and discounted pay back methods may be simple to compute, but are not acceptable for any project selection. Hence, these two methods are not used by most of the policy analysts.

The IRR method has some limitations in situations like capital rationing and scale differences (scale differences refer to the relative size of the cost-benefit flows). The cost-benefit ratio is fine for finding the project, that is, most efficient. But this method does not work when there is capital rationing.

The NPV is the only method, that is, widely used and is mostly preferred to IRR and CBR. Also, NPV is much easier to compute than IRR and offers a simple basis to accept or reject a project. The only disadvantage of the NPV is that it favours large projects. Many policy analysts do not suggest reliance on any single, but instead measure a variety of criteria or a combination of them for evaluating projects.

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## 20.3 INTER-SECTORAL INPUT-OUTPUT ANALYSIS

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Inter-Sectoral Input-output analysis derives its name from the work of Wassily Leontief. This work earned him the Nobel Prize in economic science in 1973. Leontief is well known for his scepticism about abstract economic modelling and respected for his concern with concrete data acquired through careful observation and measurement. Leontief's aim is to analyse in a systematic way the inter-dependence of a country's industrial sectors. For this reason, sometimes the term inter-industry analysis is used for input-output. The input-output analysis is also known as Economic Effects Analysis or Economic Impact Study Analysis.

The principle behind inter-sectoral input-output analysis is simple. It assumes that there is an interdependence among various sectors of the economy like industrial, governmental, and household sectors. Each industry or sector requires the output of others as input in their production process. For example, in order to produce one ton of iron, we need  $x_{11}$  tons of scrap iron,  $x_{12}$  tons of iron ore,  $x_{13}$  tons of coke, and  $x_{14}$  kilo watts of electricity, etc. Here the product iron is called output and the ingredients like iron ore, electricity, etc. are called inputs. The inputs  $x_{11}, x_{12}, x_{13} \dots$  are also called production coefficients that reflect underlying causal relationships between the production and consumption of goods and services.

Inter-Sectoral input-output analysis seeks to explain and predict the interdependence among various sectors of the economy. Input-output analysis has been applied to a variety of forecasting problems like implications of alternative taxation programmes for industrial growth; effects of industrial growth on the demand for water resources; effects of industrial growth on the consumption of energy resources, etc. One of the most important applications of input-output analysis is the formation of a national income accounting matrix. The information from the input-output tables is used for economic planning.

In practice, the number of sectors included in the basic input-output table can vary from a few to hundreds or even thousands, depending on the desired level of disaggregation and the problem at hand. Therefore, the data collection and compilation for input-output tables is an expensive and time-consuming process. In addition, the large computational requirements of input-output analysis is a handicap. However, with the widespread use of computers this problem has been eliminated. The input-output analysis method is widely used as a tool in policy evaluation. The United Nations recommends input-output analysis as a planning tool for developing countries and has sponsored a standardised system of economic accounts for the development of input-output models.

### 20.3.1 Transactions Table

The transactions table is one of the principal analytic tools of inter-sectoral input-output analysis showing the relations in monetary terms among consuming and producing units in society. This table provides us the information about the inputs and outputs actually employed in the production and consumption processes of the economy. Table 20.7 provides a highly simplified transactions table that shows hypothetical monetary values of various sectors of an economy, namely, agriculture, manufacturing, and labour services. The distribution of each industry's output in the economy is found by reading horizontally across the relevant row. For example, the total output of agriculture sector is Rs. 300 billion of which Rs. 40 billion goes to agriculture sector itself and Rs. 190 billion goes to manufacturing sector as inputs. The rest, Rs. 70 billion, is the final demand. Similarly, the origin of each industry's inputs can be found by reading vertically down the corresponding column. For example, out of the total inputs Rs. 125 billion from the agriculture sector, Rs. 40 billion inputs are consumed by the agriculture sector itself, Rs. 60 billion comes from manufacturing sector, and Rs. 25 billion from labour services as inputs. An industry may buy its own product (output) as an input. For example, the manufacturing sector consumes Rs. 40 billion (the cell value in the second row and second column). All the main diagonal cells represent these flows. These transactions are also known as intra-industry flows.

An industry also sells final demand. For example, manufacturing industry sells Rs. 80 billion final demand. Apart from inter-industry flows, a sector can use other non-industrial inputs, such as, labour services in our example. The total output equals the total inputs.

**Table 20.7: Hypothetical Inter-industry Transactions Table (Rs. in billions)**

		Inputs			Total Output
		Agriculture Sector	Manufacturing Sector	Final Demand	
Outputs	Agriculture sector	40	190	70	300
	Manufacturing sector	60	40	80	180
	Labour services	25	55	0	80
	Total input	125	285	150	560

### 20.3.2 Production Coefficients in Input-Output Analysis

The second analytic tool used in inter-sectoral input-output analysis is the input-output coefficient matrix representing inter-dependencies between consuming (input) and producing (output) sectors. Table 20.8 explains the technical coefficients for the data given in table 20.6 (Transactions table). Each coefficient expresses the numerical ratio of inputs required from particular sector to produce

the total output of a sector. The coefficients are calculated using the following formula.

$$a_{ij} = \frac{I_{ij}}{O_j}$$

Where,  $a_{ij}$  = input-output coefficient corresponding to the  $i^{\text{th}}$  column and  $j^{\text{th}}$  row of the production coefficients matrix table.

$I_{ij}$  = input in terms of monetary value corresponding to the  $i^{\text{th}}$  column and  $j^{\text{th}}$  row of the transactions table.

$O_j$  = total output of the  $j^{\text{th}}$  row of the transactions table.

For example,  $a_{21} = I_{21}/O_1 = \text{Rs. } 190 \text{ billion} / \text{Rs. } 300 \text{ billion} = 0.63$

Here  $I_{21}$  represents the inputs required by agriculture sector (Rs. 190 billion) from manufacturing sector. The total output by agriculture sector is Rs. 300 billions. What does it mean for us? The production coefficient indicates that the agriculture sector takes Rs. 190 billion worth of inputs from the manufacturing sector to produce Rs. 300 billion worth of output. In other words, the coefficient 0.63 indicates that to produce 100 units of agriculture product, we need 63 units of manufacturing product. Also, observe that every sector consumes (inputs) a portion of its own product (output) in order to produce further outputs. For example, from table 20.8 it can be seen that the **agriculture** sector consumes (input) 13 units of its own product (output) in order to produce 100 units of output.

**Table 20.8: Production Coefficients in Input-Output Matrix**

		Inputs			Total Output
		Agriculture Sector	Manufacturing Sector	Final Demand	
Outputs	Agriculture sector	0.13	<b>0.63</b>	0.23	1.00(300)
	Manufacturing sector.	0.33	<b>0.22</b>	0.44	1.00(180)
	Labour services	0.31	<b>0.69</b>	0.00	1.00(80)
	Total input	125	285	150	560

### 20.3.3 Forecasting — Using Input-Output Production Coefficients

Using the input-output production coefficients matrix (as shown in table 20.8), the policy analyst can attempt a variety of forecasts. For example, if policy makers have allocated funds to simulate a 20 per cent growth in manufacturing sector, the total output in manufacturing sector increases from Rs. 180 billion to Rs. 216 billion (that is, Rs. 180 billion + 20% of Rs. 180 billion). Since the production coefficient for agriculture and manufacturing sector is 0.33 (cell in column 1 row 2, table 20.8) the agriculture sector input to manufacturing sector increases to Rs. 71.28 billion ( $0.33 \times \text{Rs. } 216 \text{ billion}$ ) from the current Rs. 60 billion (table 20.7).

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## 20.4 CONCLUSION

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In this unit, we have presented cost-benefit and input-output methods for evaluating proposed policies or projects by the policy analyst. We have also discussed the merits and disadvantages of

each cost-benefit method. The NPV is the most widely used method of social cost-benefit analysis for comparing and choosing alternative projects or group of projects. The cost-benefit ratio is another method for decision-making for comparing and choosing a project. The IRR is also useful for project evaluation, but it has some limitations. To sum up our discussion on the cost-benefit methods, it is always recommended to use more than one method and draw the inferences that will help the decision makers to choose the right project.

Economic efficiency and equity are useful criteria in project appraisal. Various kinds of cost and benefits are classified to have a clear understanding on what to include or not in computing the costs and benefits. Although this Unit relies heavily on numerical analyses, we have tried to minimise them keeping in mind the needs of learners. Obviously more emphasis is placed on inferences from the results of numerical analyses.

Inter-sectoral input-output analysis explains the inter-dependencies among different sectors of the economy. By analysing data from the input-output table, we can understand how inputs contribute to output within a sector or across other sectors. The policy analyst can also plan for changes in other sectors on the basis of expected output changes in each sector.

## 20.5 KEY CONCEPTS

<b>Capital Rationing</b>	: This refers to the fixed capital budget, with an inability to exceed the budget limits even if the chosen projects would yield positive returns.
<b>Cost-Benefit Ratio</b>	: The ratio of discounted benefits to discounted costs.
<b>Discounted Rate</b>	: The estimated or assumed rate at which the future benefits decline to the present value.
<b>Economic Efficiency</b>	: This is a measure of net benefits accruing through a policy to the society.
<b>Equity</b>	: Equity seeks to determine the systematic reallocation / redistribution of costs and benefits in ways that favour people ('least able to protect themselves') than the people who are already in an advantageous position.
<b>Input-Output Matrix</b>	: A table that represents the inter-dependencies between input-output units of different sectors of the economy.
<b>Internal Rate of Return</b>	: The rate at which discounted costs equal to discounted benefits.
<b>Net Present Value(NPV)</b>	: It is the sum of discounted future values to the present value.
<b>Scale Difference</b>	: This refers to the relative size of the cost-benefit flows.
<b>Transaction Table</b>	: Inter-sectoral input-output table showing the relationships in monetary terms among various sectors of the economy.

## 20.6 REFERENCES AND FURTHER READING

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## 20.7 ACTIVITIES

- 1) Critically evaluate the usefulness of cost-benefit analysis in public policy analysis.
- 2) Define the terms economic efficiency and equity and assess their importance in cost-benefit analysis.
- 3) Describe the various methods of cost-benefit analyses used in policy evaluation. Compare and explain which is better and why?
- 4) Compute the net present value for the following 4 projects. (The costs and benefits are given in million rupees).

Year	Project-A		Project-B		Project-C		Project-D	
	Costs	Benefits	Costs	Benefits	Costs	Benefits	Costs	Benefits
0	1,000	0	10,000	0		0	10,000	0
1	0	200	0	2,500	0	200	0	2,500
2	0	200	0	3,000	0	200	0	3,000
3	0	200	0	3,000	0	200	0	3,000
4	100	150	0	3,500	100	150	0	3,500
5	0	200	0	4,000	0	200	0	4,000
	Discount rate = 6%		Discount rate = 6%		Discount rate = 8%		Discount rate = 8%	

If you are a policy analyst, which project would you recommend to the decision-maker? Why?

- 5) A policy analyst has evaluated the following three projects by computing the IRR for each project. The investment is the same for all the projects. Draw your inferences in selecting a superior project.

Project	A	B	C
IRR	20%	27%	15%

- 6) How do the inter-sectoral input-output tables help in policy analysis? And also explain the limitations of this method.
- 7) Using table 20.8, forecast the following:
  - a) The policy maker wants to increase the agriculture output to Rs.350 billions. What will be the corresponding increase in manufacturing sector?
  - b) Consider the production coefficient of 0.69 noted in column 2 and row 3. What does it explain?

**Present Value of Rs.1:**  
 (The coefficients in this table gives the value today (Present Value) to me in the year n (Future Value), if the discount rate is r%).

Year (n)	Discount Rate (r)						25%					
	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%
1	0.9901	0.9804	0.9709	0.9615	0.9524	0.9434	0.9346	0.9259	0.9174	0.9091	0.9009	0.8929
2	0.9803	0.9612	0.9426	0.9246	0.9070	0.8900	0.8734	0.8573	0.8417	0.8264	0.8116	0.7972
3	0.9706	0.9423	0.9151	0.8890	0.8638	0.83%	0.8163	0.7938	0.7722	0.7513	0.7312	0.7118
4	0.9610	0.9238	0.8885	0.8548	0.8227	0.7921	0.7629	0.7350	0.7084	0.6830	0.6587	0.6355
5	0.9515	0.9057	0.8626	0.8219	0.7835	0.7473	0.7130	0.6806	0.6499	0.6209	0.5935	0.5674
6	0.9420	0.8880	0.8375	0.7903	0.7462	0.7050	0.6663	0.6302	0.5963	0.5645	0.5346	0.5066
7	0.9327	0.8706	0.8131	0.7599	0.7107	0.6651	0.6227	0.5835	0.5470	0.5132	0.4817	0.4523
8	0.9235	0.8535	0.7894	0.7307	0.6768	0.6274	0.5820	0.5403	0.5019	0.4665	0.4339	0.4039
9	0.9143	0.8368	0.7664	0.7026	0.6446	0.5919	0.5439	0.5002	0.4604	0.4241	0.3909	0.3606
10	0.9053	0.8203	0.7441	0.6756	0.6139	0.5584	0.5083	0.4632	0.4224	0.3855	0.3522	0.3220
11	0.8963	0.8043	0.7224	0.64%	0.5847	0.5268	0.4751	0.4289	0.3875	0.3505	0.3173	0.2875
12	0.8874	0.7885	0.7014	0.6246	0.5668	0.4970	0.4440	0.3971	0.3555	0.3186	0.2858	0.2567
13	0.8787	0.7730	0.6810	0.6006	0.5303	0.4688	0.4150	0.3677	0.3262	0.2897	0.2575	0.2292
14	0.8700	0.7579	0.6611	0.5775	0.5051	0.4423	0.3878	0.3405	0.2992	0.2633	0.2320	0.2046
15	0.8613	0.7430	0.6419	0.5553	0.4810	0.4173	0.3624	0.3152	0.2745	0.2394	0.2090	0.1827
16	0.8528	0.7284	0.6232	0.5339	0.4581	0.3936	0.3387	0.2919	0.2519	0.2176	0.1883	0.1631
17	0.8444	0.7142	0.6050	0.5134	0.4363	0.3714	0.3166	0.2703	0.2311	0.1978	0.1696	0.1456
18	0.8360	0.7002	0.5874	0.4936	0.4155	0.3503	0.2959	0.2502	0.2120	0.1799	0.1528	0.1300
19	0.8277	0.6864	0.5703	0.4746	0.3957	0.3305	0.2765	0.2317	0.1945	0.1635	0.1377	0.1161
20	0.8195	0.6730	0.5537	0.4564	0.3769	0.3118	0.2584	0.2145	0.1784	0.1486	0.1240	0.1037
21	0.8114	0.6598	0.5375	0.4388	0.3589	0.2942	0.2415	0.1987	0.1637	0.1351	0.1117	0.0926
22	0.8034	0.6468	0.5219	0.4220	0.3418	0.2775	0.2257	0.1839	0.1502	0.1228	0.1007	0.0826
23	0.7954	0.6342	0.5067	0.4057	0.3256	0.2618	0.2109	0.1703	0.1378	0.1117	0.0907	0.0738
24	0.7876	0.6217	0.4919	0.3901	0.3101	0.2470	0.1971	0.1577	0.1264	0.1015	0.0817	0.0659
25	0.7798	0.6095	0.4776	0.3751	0.2953	0.2330	0.1842	0.1460	0.1160	0.0923	0.0736	0.0588
30	0.7419	0.5521	0.4120	0.3083	0.2314	0.1741	0.1314	0.0994	0.0754	0.0573	0.0437	0.0334
40	0.6717	0.4529	0.3066	0.2083	0.1420	0.0972	0.0668	0.0460	0.0318	0.0221	0.0154	0.0107
50	0.6080	0.3715	0.2281	0.1407	0.0872	0.0543	0.0339	0.0213	0.0134	0.0085	0.0054	0.0035

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## **UNIT 21 POLICY ANALYSIS: METHODS AND TECHNIQUES-II**

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### **Structure**

- 21.0 Learning Outcome
- 21.1 Introduction
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  - 21.2.1 Types of Survey
  - 21.2.2 Survey Methods
  - 21.2.3 Questionnaire-Design
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  - 21.3.1 A Simple Simulation Model
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- 21.4 Conclusion
- 21.5 Key Concepts
- 21.6 References and Further Reading
- 21.7 Activities

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### **21.0 LEARNING OUTCOME**

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After studying this Unit, you should be able to:

- Understand the concepts of survey research and computer simulation;
- Discuss the methods of collecting data through survey research;
- Explain the strengths and weaknesses of different survey methods;
- Describe the ways of conducting computer simulations; and
- Highlight the advantages and disadvantages of computer simulation,

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### **21.1 INTRODUCTION**

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The present day society is an information society. This society needs **information** on needs, preferences, and behaviour. The government, business, and social institutions also **need information** so that they can meet the preferences and expectations of individuals. In this context, information, as processed data, is essential as an aid to decision-making. The data can be either gathered through surveys or generated through computer simulation.

This Unit provides clear understanding on how to collect data through surveys and computer simulation. For this purpose, choose a method on the basis of the nature of population and its needs, and assess the limitations of data collection. The computer simulations are useful to understand the system that helps in decision-making process. You may prefer to use computer simulations, particularly when the methods of mathematical optimisation procedures are complex. You will learn more details on these topics in the rest of this Unit.

## **21.2 SURVEY RESEARCH**

Survey research is the method of collecting data from a sample of respondents, that is, representative of a target population. It is one of the most common types of social research for collecting quantitative data. The survey is intended to represent characteristics or perceptions of a target population. It consists of all objects, individuals, or social units. For example, to know the environmental effects of an industry in a particular location, the target population may consist of all the individuals living in and around that industrial area. Similarly, to know the people's opinion on construction of an irrigation project the target population may consist of the potential beneficiaries of the proposed project and those who are likely to lose land or get displaced. Therefore, the target population must be clearly defined.

For a variety of reasons, it may not be possible for us to elicit the required information from the whole population. In such cases, we may use a sample that represents the target population. A sample is a fraction of population selected to elicit the information about the population as a whole. For example, a sample of prospective voters is questioned in advance to determine the public opinion on the candidates or parties contesting the election. Similarly, the government may seek the opinion of people through a sample survey for evaluating the present or proposed legislation.

### **21.2.1 Types of Survey**

Normally, before conducting a survey one should decide as to how the results would be used. That is, whether the survey collects data at a single point of time or over a period of time. The first type of survey is called cross-sectional survey, and the second one longitudinal survey,

#### **i) Cross-Sectional Survey**

Cross-sectional survey is used to gather data on a single population or several populations at a single point of time. The characteristics of these populations can be examined on the basis of a number of factors. For example, if a city council is bringing a new legislation on road safety, it may want to know the opinion of people before the new policy is implemented. Therefore, it may conduct a cross-sectional survey among the city citizens. The population groups for this survey may consist of heavy vehicle drivers, light vehicle drivers, cycle and auto-rickshaw drivers, and pedestrians. The factors could be perceptions on speed limits, type of punishment for road safety rule violators, and how the money generated through fines should be spent. One may also divide the population on the basis of their income, educational qualifications, age, etc. and analyse their opinions.

#### **ii) Longitudinal Survey**

Longitudinal survey gathers data on a particular population over a period of time to permit comparisons. For example, if the government is introducing a new policy on electricity billing, bill distribution and collection in a city, it may conduct the opinion survey of its people before and after introduction of new policy. The longitudinal survey can further be divided into trend studies, cohort studies, and panel studies.

### ● Trend Studies

The trend studies aim at collection of data at regular intervals through repeated surveys, such as, surveys on unemployment, poverty, consumer prices, etc. While samples are of the same population they are typically not composed of the same people. Trend studies, may be conducted over a long period of time. The researcher can combine data from several studies of the same population in order to show the trend(s).

### ● Cohort Studies

Cohort studies also focus on a particular population or sub-groups of a population. They are sampled and studied more than once, but these studies have a different focus. They study a group, which has experience of an event or a programme or scheme. For example, a sample of students who have completed master's degree in Public Policy in 2006 can form a cohort and could be questioned regarding the utility of the programme in their respective professions. Five years later a different sample of the students who have completed their master's degree in Public Policy in 2006 can be studied to see any changes in their perceptions. Therefore, a cohort study would sample the same population at different points of time. Suppose, if you study the students who have completed their master's degree in 2008 then it becomes a trend study and not cohort study.

### ● Panel Studies

Panel studies are similar to cohort studies, except that the same individuals are interviewed in each period, whereas in cohort studies only a random sample of the same group (year, age, income, etc.) is studied. In Panel studies the same set of individuals serve the control function over a period of time, whereas in Cohort analysis random sampling is assumed to serve as control function, assuring similarity of a Cohort by age, education, gender, etc. as it is measured in successive time periods. For example, select a sample of voters and ask them about their affiliation to political parties. Every year thereafter, the researcher would contact the same voters and ask them similar questions, and ask them the reasons for any changes in their preferences.

The Cohort studies measure net changes over time, whereas the Panel studies measure gross changes over time. For example, many voters switch their party identification in a given period of time and it does not take into account the new voters to measure the net effect. Panel studies can yield specific information and extremely useful explanations. But they are difficult to conduct.. They tend to be expensive; they take lot of time and suffer from attrition rates (attrition occurs when people dropout of the Panel Study).

## 21.2.2 Survey Methods

Broadly speaking, there are four methods of conducting survey for collecting data: (a) in-person interview, (b) telephone survey, (c) mail survey, and (d) internet survey. Each of these methods has particular advantages and disadvantages. The choice of a particular survey method for data collection should be justified by its advantages and disadvantages in the context of the purpose for which a survey is being conducted.

i) **In-person Interview:** Basically there are three approaches to collect data through in-person interviewing: (i) informal conversational interview, (ii) general interview-guide interview, and (iii) standardised format interview.

The *informal conversational interview* relies on spontaneous questions arising from the natural flow of conversation. During this kind of interview, the respondents may not even know or realise that they are being interviewed. The advantage of this method is that it allows the people to respond to individual and situational differences. The questions can be personalised in Focus and

the communication would be non-threatening. The disadvantage of the informal interview is that it requires a great deal of effort and time to collect the information systematically. There is always scope to miss some important data since during the conversation uniform questions cannot be covered. Also, the quality of the data depends on the skills of the individual investigator.

Before interviewing the respondent, an interview-guide is prepared that contains issues or **questions** to be asked during the interview. It ensures that the data is collected on the same issues. The guide provides basic topics or subject areas within which the investigator is free to probe and obtain information on the subject. The main advantage of the interview-guide method is that it ensures that investigator uses the limited time available in the best possible manner. The interview will be more systematic and comprehensive with focused discussion. This method is especially useful for group discussions, where the interview-guide keeps the discussion focused, but at the same **time** allows the individual perspectives to be identified. There are some disadvantages of this method. Although, this method overcomes the deficiency of omitting important issues **as** in informal interviews, still it can inadvertently omit a few important issues. In this method, the investigator can sequence the questions in his own way or use his own words in putting questions, which may often be misunderstood by the respondents and lead to inconsistencies in responses. Also, the reliability of the data greatly depends on the skills of the investigator.

When the data needs to be compared and used for further statistical analysis, the data should be collected using a standardised **format**. In this method, each respondent is asked essentially the same questions. The format can contain open-ended questions or closed-ended questions or both. The questions are sequenced **as** the investigator asks them. The advantage of the standardised format interview is that it minimises investigator's bias by **standardising** the questions being asked of each respondent. The interview is systematic and data comparisons become easier. Also, questions will be highly focused and reduces the time duration of the interview. This method has one disadvantage. The method does not allow the interviewer to pursue issues that may emerge during the period of interview.

**Generally**, the in-person interviews are the most expensive form of survey research. However, the response rates are very high and the researcher obtains more detailed data through this method. Also, in-person interview methods need larger and highly trained persons to collect the data when compared with other methods. The investigator's personal bias also forms one of the drawbacks of this method. A number of sampling methods are used to draw samples from population under study. We will discuss these methods in section 21.2.4 of this Unit.

ii) **Telephone Surveys:** Telephone surveys offer a comparatively fast and low-cost alternative to in-person interviews and are particularly useful when the population is large and geographically dispersed. One of the drawbacks of this method is that it is limited to persons with telephones. Also, if the telephone book is used as the source of names, persons who have telephones but their names are not listed in the book are omitted from drawing samples for surveys. Another major disadvantage is that many people are switching over to mobile phones, which is presented in Unit 24.

To draw a sample of respondents, the investigator starts with a sampling frame containing phone numbers, chooses one unit from this frame, and conducts an interview over the telephone, either with a specific person at the number or anyone available at that number. This process is continued till all the sample units in the sampling frame are interviewed. Another technique called random-digit dialing permits telephone calls to be made within specific geographic areas without the need for the list of telephone numbers. However, the drawback of this method is that the interviewer dials a number not knowing whether there definitely exists a live connection at that number, or whether it is a business: hospital or household. It is always better to combine these two methods. First, the interviewer uses random digit dialling to prepare an initial list of random numbers. Using

a random number mechanism (we will discuss random numbers in section 21.2.5 of this Unit), telephone numbers are then taken from this list to produce a final set for the sample to be covered. The greatest advantage of telephone survey is that it is timely and costs less than in-person interviews. But the disadvantage is that the telephone survey requires several interviewers to make telephone calls if the survey is to be completed within a reasonable time period. These days most of the commercial firms use telephone to conduct surveys. Properly conducted telephone surveys yield high response rates. However, the interviewer should keep the number of questions to be asked to the minimum and simple. Researchers generally believe that they get the best response rate through in-person interviews. But studies show that the response rates have been declining particularly from urban areas and with high-income groups. Studies have shown that telephone interviews yield about as representative a sample as in-person interviews.

iii) **Mailed Survey:** In this method a pre-designed questionnaire is mailed to the respondents, who are expected to complete and return the questionnaire. The main advantage of mailed survey is that it is substantially less costly than both in-person and telephone surveys. In order to improve the response rate, the questionnaire is developed with closed-ended questions that make the data analysis relatively simple and quantifiable. Responses can be directly compared and easily aggregated. It is commonly observed that the response rates in mailed surveys are low. A high non-response rate sometimes results in non-representative sample. The non-response rates can be caused by many factors, which include non-availability of respondents, or refusal to participate in the survey. A variety of techniques can be used to improve the response rate. For example, a follow-up of the mail can improve the response rate. Also, the questionnaires that are brief are more likely to be completed. Some kind of attraction can be made to get the attention of the respondents to fill and return the questionnaire. For example, the questionnaire can have copy of an introductory letter from a prominent person, and respondents can be given token gifts. Another disadvantage of mailed questionnaires is that the respondents cannot fit their experience and views in the pre-determined categories. This can distort what the respondents really mean by limiting their choices. To partially overcome these difficulties, open-ended questions are often added to the questionnaires. Again open-ended questions are generally of limited value on mail survey because they depend entirely on the respondent to answer fully and do not provide an opportunity to probe or clarify unclear answers.

iv) **Internet Survey:** A more recent innovation in survey research methods is the use of Internet technology. There are two ways of contacting respondents through Internet. First, the researcher can mail the questionnaire using e-mail facility. In this method, you need to collect all the e-mail addresses to which you intend to mail the questionnaire. In the second method, the researcher simply posts the questionnaire in a web page with a request to the respondents to fill them. The respondents who access that web page download the questionnaire and send the filled-in questionnaire using either e-mail facility or postal mail. The respondents can also send their responses by simply filling the questionnaire on-line using the web page.

The Internet surveys substantially reduce the cost and time of the surveys. The major limitation of the Internet mails is that the population whom the Internet survey is aimed at should have Internet connectivity. Otherwise, there is a threat for sampling bias. If the target population consists of computer users, the sampling bias may be minimal. Therefore, the Internet surveys are ideal for collecting data from networked people and with e-mail addresses.

### **21.2.3 Questionnaire-Design**

A questionnaire is a format containing questions arranged in a sequence to elicit information from the respondents. A questionnaire can be used for in-person interviews, or mailed surveys or Internet surveys. In a way, the questionnaire is the heart of the survey research. The researcher should be

clear in his/her mind what information is needed and from whom? This is crucial whether the questionnaire is administered by the interviewer or mailed or posted in a web page. Also, provide some introduction **describing** the nature of the questionnaire and the objectives of the survey. Mailed surveys and Internet surveys should have a brief attachment introducing the survey and requesting the cooperation of the respondent in filling the questionnaire.

**Types of Questions:** Each question or set of questions should be designed and carefully worded. They should have clear instructions on how the respondents have to fill the answers. For example, "What difficulties are you facing in your business? Check the reason that applies in your case.",

Closed-ended questions limit the respondent's answers to the survey. The respondents are allowed to choose from either a pre-existing set of dichotomous answers, such as, Yes/No, True/False, or multiple choice responses with an option for 'other' to be filled in or ranking scale response options (like very important, somewhat important, not too important, not at all important). The following are some examples of closed ended questions.

i) **Educational Qualifications:**

- a) Illiterate
- b) Below matriculation
- c) Matriculation and above, but below graduate
- d) Graduate and above

ii) **Which TV channel would you generally prefer:**

- a) Sports
- b) Entertainment/music/movies
- c) News
- d) Spiritual
- e) Other (please specify)

iii) **The most important problem that our country is facing in the current year is (rank the importance of each of the following reasons you perceive strongly):**

	I strongly agree	I somewhat agree	I have no opinion	I somewhat disagree	I strongly disagree
Poverty	(   )	(   )	(   )	(   )	(   )
Population	(   )	(   )	(   )	(   )	(   )
Corruption	(   )	(   )	(   )	(   )	(   )
Terrorism	(   )	(   )	(   )	(   )	(   )
Illiteracy	(   )	(   )	(   )	(   )	(   )
Employment	(   )	(   )	(   )	(   )	(   )

The advantage of closed-ended questions is that they are more easily analysed. The response to every answer can be quantified by assigning a pre-coded number so that statistical analysis becomes easier. Since closed-ended questions are more specific and convey similar meaning. They facilitate comparisons of responses. The time taken by a respondent or interviewer is limited. Because of this reason, the response rates are higher in surveys that use closed-ended questions than open-ended questions.

The advantage of open-ended questions is that they allow respondents to include more information, including feelings, attitudes and understanding of the subject. However, the response rates may not be encouraging when open-ended questions are used.

**Wording:** The wording of survey questions is a tricky one. It is difficult to develop questions with proper words that convey same meaning between the researcher and the respondents. To write effectively communicating questions the researcher should keep in mind the following:

- Questions should be written in simple language and avoid complex or long-winding sentences.
- Questions should be kept short and simple.
- Questions should be specific and focused. Avoid general questions.
- Avoid questions that are sensitive and hurt the feelings of respondents.

**Order of Questions:** The sequence of questions is another important consideration in developing a questionnaire. The following points should be kept in view:

- Easier questions that the respondent feels that he/she can respond should be at the beginning. For example, you can put questions like name, age, qualifications, sex, etc. at the beginning of the questionnaire.
- Sensitive questions (if any) should be avoided at the beginning of the questionnaire.
- Do not put most important questions at the end of the questionnaire. Many respondents may not answer the questions appearing at the end because they are likely to develop fatigue by that time.
- The questions should be ordered in such a way that corresponds to the respondent's natural way of thinking.
- One should be careful while designing contingency questions like 'If your answer is yes to the previous question', etc.

#### 21.2.4 Pre-testing a Questionnaire

Pre-testing of a questionnaire is essential to improve the effectiveness of a questionnaire for collecting data. Before sending the questionnaire to the respondent or the interviewer meets the respondents, the draft questionnaire should be tested for its effectiveness with a small group of people similar in characteristics to your ultimate sample. Pre-testing can help you determine the strengths and weaknesses of your survey concerning question format, wording, and order. There is no hard and fast rule to decide the number of respondents for pre-testing. However, it is ideal to have a pre-test sample of 10 and not more than 30.

#### 21.2.5 Sampling Methods

Before conducting a survey, you must choose a representative sample of the population under study. Unless your target population is very small, it is not always possible to collect the data from all members of the population. A subset of population that contains all the characteristics of that population is called a sample. In that case, all the inferences drawn from the sample are probably applicable to the entire population. Therefore researchers generally survey a sample list of respondents from a population, which we call a sampling frame. There are a number of sampling methods, which can be classified into: (a) probability sampling methods, and (b) non-probability sampling methods. These are also sometimes referred as random sampling methods, and non-random sampling methods respectively.

**Probability Sampling Methods:** In the probability sampling methods each unit or item in the population has a chance of being included in the sample. This method of sampling reduces the sampling errors and normally we say that the sample is an unbiased sample. There are several methods of probability sampling. In this Unit, we will discuss the following methods of probability sampling:

### i) Simple Random Sampling

This method is used when a sampling frame is small. We use random numbers to choose the sample from a listed population. First each member of the population is assigned a unique number. For example, if a population contains 1000 members, you can assign numbers 000 to 999. The random number tables are available in any standard textbook on Statistics. Choose a page, column and row at random to start selecting a sample. Suppose you want to select 30 samples out of 1000 units of a population. Since each unit of the population is identified with a 3 digit number (000 to 999). You can start selecting either the first three digits or last three digits, but not both. We have given a one page random number table at the end of this Unit. Suppose you selected fifth row and first column representing the number '998 1811', chose either '998' or '811' as first sample. In case, you have selected 811, choose the direction in which you want to move (left to right, right to left, up or down) to look for next sample unit. Suppose you have chosen from left to right select the next random number '338' from '2046338'. Continue this process till you select the required sample of 30. In case the number does not fall in the region of the population or reoccurs then simply omit it. The following random numbers are considered for 30-sample size.

811	338	574	962	229	217	192	237	399	176
165	905	523	772	710	216	880	790	358	160
955	251	800	602	190	945	009	963	604	250

The main disadvantage of simple random sampling has been observed, when the population size is very large and it is not possible to list all the members of the population.

### ii) Systematic Sampling

In the systematic sampling, the sample units are selected from the population at equal intervals of time, space or order. The selection of sample in this method is very simple. Arrange all the units of the population in an order by giving serial numbers from 1 to N. Decide the sample size (n) and then sampling interval (k) by dividing the population size (N) by the sample size (n).

$$K = \frac{N}{n}$$

Select the first member of the sample at random from first sampling interval (1 to k). Select the subsequent sample members at equal intervals (k).

For example, if you have a population of 1000 and want to draw a sample of 100 units first arrange the population units giving serial numbers 1 to 1000. Since the sample size is 100, the sampling interval is  $K = 1000/100 = 10$ . Select first sample unit at random from 1 to 10. Suppose you have selected 5 then the subsequent sample units are 15, 25, 35, 45, ..., 995.

The advantage of this method is that it can be used even if a formal list of population units is not available. For example, if you want to know the opinion of an ATM user, simply choose every  $k^{\text{th}}$  user (say to begin 10<sup>th</sup>) provided that we know how many users are visiting the ATM in a day (say there are 1000 users in a day and we need 100 sample size). The systematic sampling is equally precise as simple random sampling. One of the disadvantages of using systematic sampling is that if there is an aperiodic occurrence of the units of population then the sample selected may not be a representative sample. For example if you conduct the survey of consumers in a departmental store, the type of consumers (say housewives, working people, etc.) depends on the timing of a survey. Another disadvantage is that the first sample unit selected decides the rest of the sample units. Regardless of how we have selected the first

sample unit the rest of the sample units are automatically selected. This may lead to not giving equal chance to all population units in the sample.

### iii) **Stratified Sampling**

In this method a heterogeneous population is divided into strata. Simple random sampling and systematic sampling methods are ideal if you have a homogeneous population. However, if you have heterogeneous population like male/female, rural/urban, literate/illiterate, low income/high income groups, etc. and you want to have a representative sample from each of these strata then you can choose the method of stratified random sampling. The stratified random sampling is in fact a simple random sampling of each stratum of the population. For example, in a study of different income groups, a simple random sample may be drawn for each income group (either in proportion or disproportionate to the stratum population size). The main advantage of stratified random sampling is that since the random sample is drawn from each stratum of the population, this method is more representative and thus represents more accurately the characteristics of the population. The drawback of the stratified sampling is that it is often difficult to prepare a list of population members for each stratum since the lists may not be readily available.

### iv) **Cluster Sampling**

In cluster sampling we divide the population into smaller groups called clusters and then select samples randomly from one or more groups (clusters). Here we assume each cluster of population will have all the characteristics of the population as a whole. The cluster sampling is more appropriate in geographical studies. For example, suppose you are conducting a survey in Mumbai. Instead of spreading the sample to the whole geographical area of Mumbai, you can divide the city into say 30 blocks, select a few blocks (say 3 or 4) and then select a representative sample from each block. Selection of groups or clusters of elements rather than individual elements is regarded as a more practical approach to surveys. However, the accuracy of the survey may decline if the clusters are not representative of the population characteristics. Sometimes, the cluster sampling is also called as two-stage sampling.

### v) **Multi-stage Sampling**

Multi-stage sampling is a generalisation of the cluster sampling. In cluster sampling what you have observed is a two-stage process. In the first stage divide the population into a number of clusters, and in the second stage from each of the sampled clusters you choose a representative sample. Multi-stage sampling is, thus, carried out in a number of stages. Progressively smaller population is selected randomly at each stage. Further, at each stage of the multistage sampling you can use a suitable method of sampling (say stratified, simple random, or systematic, or cluster). For example, if you are conducting a survey covering all the geographical area of India. You can choose a representative sample of states in the first stage, and in the second stage you can select a representative sample of districts from each state, and so on. The main advantage of multi-stage sampling is that it reduces the costs of data collection when the survey is in-person. The drawback of the multi-stage sampling is that if the sampling units selected at different stages are not representative, the findings of the survey have a lower value in terms of their generalisability,

### vi) **Non-Probability Sampling Methods**

The non-probability sampling methods are widely used as a case selection method in qualitative research or for preliminary and exploratory nature of quantitative studies where random sampling is too expensive. However, the probability methods of sampling are always preferable and non-probability methods of sampling are not a substitute to the former. In this section,

We cover three non-probability sampling methods, namely, convenience sampling, judgment sampling, and quota sampling.

- ***Convenience Sampling:*** In this sampling, the researcher selects the samples that are convenient or on the basis of availability. For example, in conducting opinion polls people who are coming out of polling booth and are willing to talk are chosen for interview. Mail-in surveys in newspapers, magazines or TV are other examples of convenience sampling.
- ***Judgment Sampling:*** In judgmentsampling, the researcher interviews a panel of individuals known to experts in afield. This sampling method is also sometimes called purposive sampling. The sample is selected entirely on the basis of researcher's/expert's judgment on the characteristics of the sample. The consumer price index is based on a judgment sample. In the absence of representative data or where it is difficult to establish the universe for a sample one may resort to judgment sampling.
- ***Quota Sampling:*** Quota sampling is similar to convenience sampling, except that the proportionality of each stratum is preserved. The samples are selected on the basis of some parameters like sex, age, region, income, etc., in order to make a representative sample. The researcher then chooses a fixed quota from each of the sub-groups. Unlike stratified random sampling, in quota sampling the samples are not drawn randomly but a fixed quota is chosen. For example, a market survey may cover 5 market centres of a city and from each market centre a fixed quota of 50 consumers can be interviewed. Their selection is not done randomly, but only according to the researcher's convenience.

### **21.2.6 Sample Size Determination**

How large the sample should be is a question that arises at the planning stage of any survey. If you take a larger sample than required then it results in wastage of resources because you will not gain any additional information. On the other hand, if you have too small a sample than required, you may not get reliable results, and hence they are of no practical use in making a good decision. The main objective in sampling is to obtain a desirable accuracy and desirable confidence level with minimum cost. All probability-sampling methods ensure representative sampling. Also, technically speaking, a sample size is related to the confidence level or precision level. The typical confidence levels are 95 per cent, and 99 per cent and typical precision levels are 5 per cent, and 1 per cent. The discussion on how to estimate the sample size is not covered here since it is beyond the scope of this Unit.

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### **21.3 COMPUTER SIMULATION**

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Simulation is a method of solving problems in decision-making by developing a mathematical model of a process and then conducting a series of experiments to predict the behaviour of that process. In other words, simulation is used to describe a procedure of establishing a model and deriving solution numerically. We use a simulation model to conduct experiments.

A mathematical model can be used either for the purpose of optimisation or description. Using optimisation models you can seek points of maximisation or minimisation. For example, a policy analyst often would like to know what conditions or actions would result in profit/revenue maximisation or cost minimisation. On the other hand, a description model describes the behaviour of a system. It only indicates a valid representation of reality and does not directly suggest optimising conditions. From this, you can understand under what conditions a system performs more efficiently. In simulation, you use a model for optimizing purposes by raising 'what if' questions. For example, as a policy analyst you would like to know 'what will be the effect on the benefits (in terms of

money) if the cost of a project increases by 5 per cent or 10 per cent or 15 per cent and so on? Using simulation you can obtain useful information for optimisation of the project.

Simulation models are typically used for the analysis of complex problems. We will explain this with a simple example. Suppose you are asked to find the sum of the numbers 1 to 20

( $1+2+3+4\dots+20$ ). Using Arithmetic Progression formula  $\frac{n(n+1)}{2}$  you find the sum of n terms. In

our example, you have  $n=20$  therefore sum of 1 to 20 is  $\frac{20(20+1)}{2} = 210$ . In case you are not

familiar with the formula, what do you do? You may perhaps start adding  $1+2=3$  and then add 3 to the resulting value (3) and continue the process till you complete adding all the 1 to 20 numbers.

Suppose you are asked to add 1 to 100. In this case, imagine how cumbersome it is and how much time it takes if you follow the second method. In fact, the first method of using formula is more efficient. However, there are complex situations where you may not use direct formulas, but try to achieve them through experiments.

### 21.3.1 A Simple Simulation Model

We will illustrate the concept of simulation with a simple example. Suppose a distance education institution is offering a postgraduate programme to its students. In relation to the number of students enrolled, the institution incurs Rs.60 millions as a fixed cost on developing course materials and other overheads. It also incurs Rs.500 per student as variable cost for every additional enrolment. In order to find the total cost for different enrolments you may use the following formula.

$$TC = FC + VC \times S$$

Where  $TC$  = Total Cost

$FC$  = Fixed Cost

$VC$  = Variable Cost per student

$S$  = Number of students

Now suppose you are given  $FC$  = Rs.60 millions and  $VC$  = Rs.500 per student, you would like to know what will be the total cost for different levels of enrolment. Using the above forecasting formula you may project the total costs for different levels of enrolment as shown in the following table.

**Table 21.1: A Total Cost Simulation**

Number of Students	Fixed Cost (Rs.)	Variable Cost Per Student (Rs.).	Total Cost (Rs. in lakhs)	Average Cost Per Student (Rs.)
1000	600,00,000	"500	605,00,000	60500
5000	600,00,000	500	625,00,000	12500
10000	600,00,000	500	650,00,000	6500
15000	600,00,000	500	675,00,000	4500
20000	600,00,000	500	700,00,000	3500
25000	600,00,000	500	725,00,000	2900
30000	600,00,000	500	750,00,000	2500

Further, you may be interested to find out what will be the average cost per student if the following formula is applied.

$$AC = \frac{TC}{S}$$

Where AC = Average Cost

With these simulations as a policy analyst you may understand that with marginal costs per student you are able to achieve greater economies of scale for additional enrolments. You may conclude that higher level of enrolments in distance education will result in higher level of cost efficiency.

### 21.3.2 Reasons for Using Simulation

Simulation is one of the most frequently used techniques for management decisions. Linear programming problems, input-output analysis, cost-benefit analysis, and forecasting techniques are some of the examples of using simulation. While conducting cost-benefit analysis or solving a linear programming problem, the policy analyst may try to explore different policy alternatives incorporating different perceptions and attitudes about risk and uncertainty. Here, the policy analyst's goal is to clarify the issues and put forward the consequences of a variety of alternatives. This will help the decision makers to choose one of the alternatives that match their values and objectives.

Generally, simulation is used in conditions where mathematical formulation and solution by the use of models are not feasible. Simulation has been used in numerous decision-making problems, ranging from inventory and queuing management to energy policy modelling. Also, simulations are used to analyse large and complex real world situations that cannot be solved by conventional mathematical models. Another advantage of simulation is that it is possible to experiment on a system without exposing the organisation to real world dangers. By exploring the changes in a real world system through simulation you can learn how to improve the system without trying both bad and good proposals on hand.

The decision maker's past experience and intuition are significant factors for successful decisions. Often they have to manage complex systems. Simulation aids the policy decision makers past experience and intuition that ultimately may result in a successful decision.

### 21.3.3 Limitations of Simulation

In spite of several advantages of simulation, there are some limitations in using simulation for decision making. Some of the drawbacks are:

- Simulation by itself does not provide the answer to a problem. It only provides a technique for evaluating possible answers.
- Simulations do not generate optimal solutions like other mathematical models. It is only a trial and error approach that may produce different solutions.
- The simulation for probabilistic systems is susceptible to sampling error.
- The development of a large simulation model can be expensive and can take longer time. For example, it takes years to develop a good corporate planning model.

### 21.3.4 Computer Simulation

With the advent of computers, simulation models are widely used to gain information useful for decision-making. Computer spreadsheet software like Microsoft Excel and Lotus 1-2-3 are used, for financial simulations. The power of these spreadsheets is to do "what if" analysis. The spreadsheets also have a random number generator that supports probabilistic simulations. We will give (section

21.3.5) an example of simulation used in financial planning to illustrate the potential of a spreadsheet for conducting simulations.

A number of general-purpose computer languages, such as, FORTRAN, BASIC, PASCAL, PL/1, and C/C++ are used for computer simulations. In addition a large number of special purpose simulation languages have been developed. The most popular among them are GPSS, SLAM and GEMS. All these programmes are used to simulate queuing systems. IFPS is another special purpose language suited for financial applications, but can also be used for other applications. The artificial languages LISP and PROLOG are the special purpose languages used to develop expert systems that simulate decision-making.

A computer **programmer** can use either a general purpose or special purpose computer **language**. However, general-purpose languages have certain advantages. **General-purpose** computer languages allow more flexibility in **describing** a simulation model. Maximum flexibility is allowed in terms of type of experiments that can be conducted.

The special purpose simulation languages also have some advantages. They reduce the programming time and effort. They provide conceptual guidance in formulating a model, describing a modelled system and analysing the system. The special purpose simulation languages also have some disadvantages. They have inherent limiting structures and, therefore, are not flexible. For example, a language developed for financial planning may not be suitable for some other application.

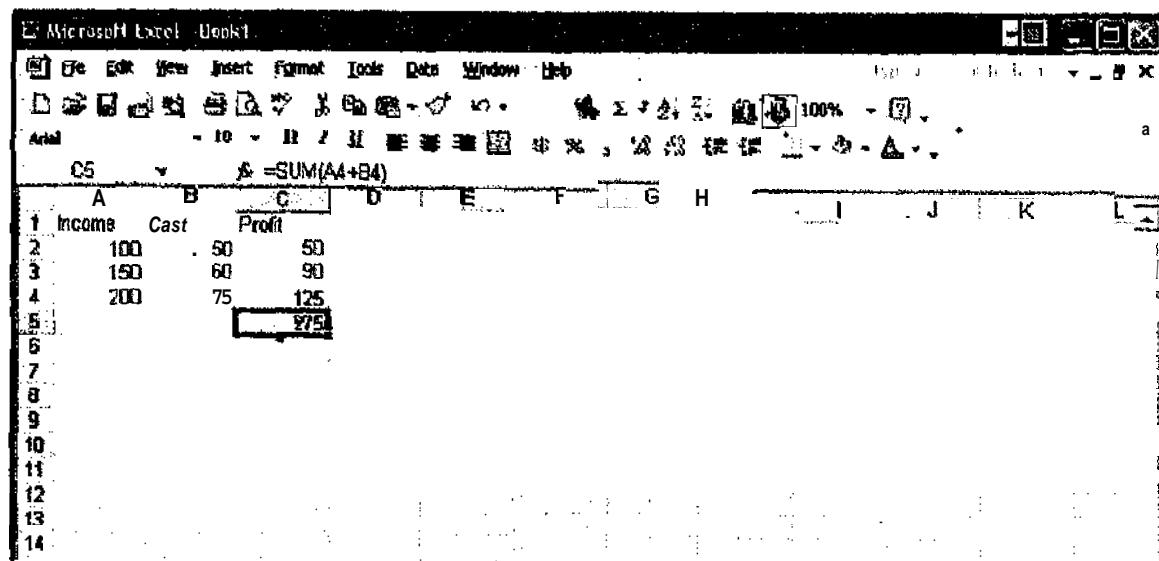
### 21.3.5 Some Applications of Computer Simulations in Public Policy

There are numerous areas and problems where computer simulations have been used successfully. To give you some understanding on how the simulation has been used in decision-making process, we will illustrate some examples in public policy.

## Simulation Using Spreadsheet

Spreadsheet software programmes like Microsoft Excel and Lotus 1-2-3 are not exclusively developed for simulation. But you can use the special features of these packages to conduct financial simulations. Many of the features are common to both these packages. Since Microsoft Excel is widely used in India, we illustrate our example in Microsoft Excel.

A spreadsheet consists of rows and columns. At the intersection of each column and row you have a cell. A cell is used to enter data and formulae. Each cell is addressed by its column label (A,B,C,D, etc.) and row number (1,2,3,4, etc.). For example, cell B5 indicates column B and row



5. Formulae are entered to perform a range of arithmetic calculations. For example, =SUM(A4+B4) means the sum of two numbers located in cells A4 and B4.

The power of these **spreadsheets** is to do 'what-if' analysis. For example, suppose you are involved in the preparation of a budget of a state government. In the process you are interested to know how much revenue can be generated through sales tax on petrol. Suppose, the current sales tax is 30 per cent of the cost of petrol and it is likely that there will not be any change in the sales tax in the coming budget. There are two ways you can expect additional revenue through this tax. These are if and only if either cost of petrol or unit sales of petrol or both increases. However, you may not exactly know how much these two units increase and want to experiment with different rates. This can be done using the spreadsheet and conducting 'what-if' analysis. This is presented in the following figure.

The screenshot shows an Excel spreadsheet titled 'Microsoft Excel - Book11'. The menu bar includes File, Edit, View, Insert, Format, Tools, Data, Window, and Help. The toolbar includes various icons for file operations and data entry. The formula bar shows '=SUM(A4+B4)' and '100%'. The status bar indicates 'F17' and other settings. The spreadsheet contains the following data:

	A	B	C	D	E	F
1	<b>Assumptions</b>					
2	Petrol sales increases by 2%, 5%, 7.5%, 10%					
3	Petrol cost Increases by 5%, 10%, 15%, 20%					
4	Current year unit sales (in litres) = 100,000,000					
5	Current unit cost (Rs./litre) = Rs 25					
6						
7	Petrol sales increases by	Current	2%	5%	7.50%	10%
8	Petrol cost increases by	Current	5%	10%	15%	20%
9	Petrol sales (litres)	100,000,000	102,000,000	105,000,000	107,500,000	110,000,000
10	Petrol unit cost (Rs./litre)	25.00	26.25	27.50	28.75	30.00
11	Petrol unit cost including sales tax 30% (Rs./litre)	32.50	34.13	35.75	37.38	39.00
12	Petrol sales including sales-tax (Rs.)	3,250,000,000	3,480,750,000	3,763,750,000	4,017,812,500	4,290,000,000
13	Petrol sales excluding sales-tax (Rs.)	2,500,000,000	2,677,500,000	2,887,500,000	3,090,625,000	3,300,000,000
14	Revenue (Rs.)	750,000,000	803,250,000	866,250,000	927,187,500	990,000,000
15						
16						

The likely scenario of revenue through sales tax is also presented in the above Figure. You may also be interested to see a **different** scenario like absence of increase in the cost of petrol or sales volume or a different rate of sales (or cost) increase (or decrease). This will take less than a minute to see the new **estimates**. It is very easy to perform 'what-if' analysis using spreadsheets.

### Simulation Using a Special Purpose Language

A special purpose simulation language called SIMSCRIPT was developed by the New York City-Rand Institute (Grace Carter, 1974) to optimise the development of fire fighting units. The decision variables here include how **many** fire-fighting units are required to 'operate, where to deploy them, and how to dispatch them. The SIMSCRIPT language uses three programmes, namely, (a) incident generator, (b) simulator, and (c) compares. The 'incident generator' creates a data file on the sequence of alarms. For each alarm the data continues when and where the alarm occurs, what type of fire fighting equipment is required, and how long the equipment is required. The 'simulator' is the model defined by the 'incident generator'. The model captures the information on dispatch of vehicles, servicing, and returning to the fire station to await the next call. Finally, the third programme 'compares' the information generated by the simulator alarm-by-alarm basis on the assumption of number of fire stations, their locations, and dispatch rules.

The above model was used by David and Thomas (1977) to analyse the fire suppression system of Denver, Colorado. The simulation analysis performed recommended a reduction of the number of fire fighting stations from 44 to 39. This includes closing down obsolete stations and building

better ones at new locations. The recommendations resulted in annual cost avoidance of \$1.2 millions and accumulated net cost reduction of about \$2.3 millions over a 7-year period.

## 21.4 CONCLUSION

This Unit introduced a number of methods for conducting surveys used frequently in policy analysis. You have learned the differences between cross-sectional surveys and longitudinal surveys. The Unit attempted to answer questions, such as, What is a sample and population? Why samples should be drawn in such a way that they represent all the characteristics of the population? What are the considerations in deciding a sample size?

Four methods of survey are discussed. These are: In-person interview, Telephone survey, Mail survey, and Internet survey. Each method has its own advantages and disadvantages. After going through this Unit, you should by now confident of choosing any of the methods suitable for your Survey. These days the mailed survey and Internet survey are gaining much importance because of their cost-effectiveness, time saving, and advancements in the application of information technology.

The questionnaire-design is another important aspect of any survey. Some guidelines are provided in designing questionnaires that will be helpful in improving the response rates.

The sampling methods can be classified into: probability sampling and non-probability sampling methods. The probability sampling methods are based on the equal chance of each population unit, getting included in a sample. The non-probability methods are not in support of representative samples, but they are often used because of their convenience and there is no other way of selecting a sample for conducting a survey.

In this Unit, you have learned what is simulation, and why do you need simulation in policy decisions. In addition an analysis of advantages and drawbacks of simulation is also provided. These will help you to understand before actually using simulation. Two typical examples are given to provide a conceptual framework for simulation models. You can either use the general-purpose computer languages like FORTRAN, Pascal, C/C++, etc. or special purpose simulation languages like GPSS, SLAM, GEMS, SIMSCRIPT, etc. However, each one of them has its own advantages and disadvantages.

## 21.5. KEY CONCEPTS

- Cluster Sampling** : We divide the population into groups called clusters and then select sample units randomly from one or more clusters. This method is also called two-stage sampling.
- Cohort Studies** : Cohort studies focus on the same population over a period of time, but the difference is that the samples are drawn from the same group, which has experienced an event or participated in a programme.
- Convenient Sampling** : In this method of non-probability sampling, the sample units are selected according to the convenience of the researcher/interviewer.
- Judgment Sampling** : In this non-probability sampling method the samples are selected according to an expert's/researcher's judgment, which perceives that the sample units have all the characteristics of the population of the universe.

<b>Longitudinal Surveys</b>	: Longitudinal surveys are used to collect data on a population or sub-groups over a period of time.
<b>Multi-stage Sampling</b>	: This probability sampling method is an extension of cluster sampling where there are more than two stages.
Questionnaire	: A pre-designed format of questions used for collecting data in survey research.
<b>Quota Sampling</b>	: In this non-probability sampling method the sample units are selected according to some quotas after grouping of the population units based on characteristics, such as, age, sex, region, income, education, etc.
<b>Random Sample</b>	: An unbiased sample that consists of all the characteristics of a population of the universe.
<b>Sample</b>	: A sample that represents all the characteristics of the population of a universe.
<b>Simple Random Sampling</b>	: A probability sampling method where each unit of population has equal chance of inclusion in the sample.
Simulation	: Simulation is a method of solving decision-making problems by developing mathematical models and then conducting a series of experiments to predict the behaviour of interacting variables.
<b>Stratified Sampling</b>	: In this sampling method, the heterogeneous population is stratified to make homogeneous groups (strata) for the purpose of sampling.
<b>Systematic Sampling</b>	: In this probability sampling method the sample units are selected at equal intervals in terms of time, space, or order provided that the first sample unit is selected at random from the first k (interval) units of population.

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## 21.6 REFERENCES AND FURTHER READING

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## 21.7 ACTIVITIES

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- 1) When are simulation models more appropriate than optimisation models? Discuss.
- 2) Discuss the advantages and disadvantages of general-purpose computer languages and special purpose simulation languages for conducting simulations.
- 3) Consider the following total revenue function:  
$$R=45-0.5Q^2$$
 where R is the total revenue and Q is the Quantity sold.
  - a) Using optimisation concept (discussed in Unit 22) find out the value of Q that maximises R.
  - b) Suppose you do not know the differential calculus, how do you solve the above problem using a computer? Explain the mode of analysis performed.
- 4) Discuss the differences between trend studies, cohort studies, and panel studies with suitable examples of policy analysis. What are the limitations of panel studies?
- 5) Discuss the merits and drawbacks of various methods of survey. Why are mailed surveys and Internet surveys gaining importance these days?
- 6) Why are probability-sampling methods preferred to non-probability sampling methods? Discuss.
- 7) What are the issues that you consider while designing a questionnaire? Is it important to have a larger sample size? Discuss.

Random Number Table

Column

	1	2	3	4	5	6	7	8	9	10	
Row	1	8321960	3738691	9799403	2048969	5040987	9644530	1043990	5140028	2331956	425675
	2	5455861	8056250	2544572	2352713	8108579	6463133	6545800	8418443	9640450	097755
	3	4124798	2705391	1761560	2390302	7271422	4745529	7958358	1142812	5671381	074349
	4	1756223	4000127	7361071	5190949	2421704	5666414	1964120	1736970	0898522	650136
	5	9981811	2046338	9202574	0588962	6306229	5587217	4168192	7922237	6404399	971111
	6	3483165	5570905	3969523	6801772	2319710	3982216	1458880	9772790	0686358	283416
	7	0273955	6402251	8623800	6450602	3477190	1591945	6604009	0084963	6535604	827625
	8	2623257	3169089	5734610	1713259	8034166	5654825	8150190	5130311	.6897834	574450
	9	5116188	8891882	9287974	9306457	0824236	6936207	2603345	9568262	2010966	180959
	10	8192202	4158078	8597397	7153642	8035351	7294605	2431042	7375233	4280501	091388
	11	7728407	7358939	4251412	5232607	1542070	.6781856	6723336	2000772	1691755	684258
	12	2796466	3168988	4740748	1003690	9357163	8809737	2540113	8564549	4549039	822227
	13	6202090	3028511	5119455	0283291	4316705	6468604	0270553	9215994	2388410	869018
	14	2842317	8369317	7179585	2817675	4501995	6208468	5479155	2895887	2616006	391248
	15	6509176	6647923	1361518	3585571	6002538	3034686	5759994	1011945	0428550	089987
	16	8728736	9827551	8489409	6601482	5270991	8514979	7722147	1321316	8755556	043107
	17	7027408	5705233	3206106	9276893	0474701	4147247	2230458	7446013	9409230	016001
	18	8289615	3571820	0957198	2756292	1656700	2560460	8392388	3760152	0568193	233415
	19	4420793	5882651	5627136	6216428	3649258	1473337	1755096	8908170	9254025	589354
	20	8725326	2591197	0263556	0499703	9692758	4684871	2227638	9745705	4686535	856926
	21	3543878	0870871	4937410	2417481	4193760	9027624	2407109	2328001	5411904	241870
	22	6542864	6236422	0011015	0295963	8769055	2997607	1611662	0250323	0538884	449352
	23	9583781	3045137	8407762	4743086	3956983	3639166	2360412	3721797	3881206	943997
	24	4425626	2091448	2223679	0867541	2228645	9636460	1789379	5600538	4994108	924485
	25	6184612	5847113	6608373	2943696	2155685	3094922	7340263	0838375	5794133	629392
	26	1191788	4731439	9579476	2147703	4707867	8070442	1919593	.4432746	6112606	401582
	27	6667402	1538925	5897065	7186643	2130158	2399644	9013726	5915962	2774931	470973
	28	2669584	6426328	5079538	8251857	3599028	8171955	8882381	5973371	6585703	030608
	29	0093668	8142995	4465615	8916068	6818559	7183686	3093475	3134759	8581724	322765
	30	2026517	0922442	1412703	6266272	3175006	3842448	8796268	0262526	0381968	342588
	31	4534024	7697053	4868217	2868737	5974617	8823016	2949217	6369860	0505759	917430
	32	0760738	2913215	2793140	3540176	0177805	8334427	4521757	0287290	3591531	453879
	33	3325134	7633260	.8364478	9656036	4047642	4009275	7199712	0483862	4124769	147271
	34	8256482	5655913	8839461	4459925	3040043	8377818	0661094	4715872	6695119	488058
	35	9025690	4298285	5574813	2354160	2322047	6938196	2137818	7625460	1752005	855690
	36	3419285	9438115	3838089	5986563	6148386	5410764	1225104	3858088	2391297	704101
	37	2912915	1927810	5139550	7635561	0957373	4470026	2239259	3873148	0294959	890095
	38	9851067	8343236	1033181	8982930	3467555	6966724	2312696	5103618	4742406	727836
	39	9440894	2943427	9510627	5980986	1380771	2665220	7242862	4263393	2892430	867053
	40	1137867	5437166	523544	3842000	4398343	8240530	2355967	66642	6605037	18543
	41	7109003	3313227	1314113	8019056	7260747	9904799	7139823	2318596	3042956	698504
	42	9630926	2208324	66570	5900743	3305479	5226677	3312048	9735251	2013291	464281
	43	7439586	9182637	4795841	2068817	9962328	2133122	1501738	678718	7806841	310339
	44	6284260	538363	9377852	2002132	5048511	3541036	8629627	3682464	7590586	926320
	45	9834361	6063463	1380169	6755535	8223905	9081534	1862991	8544677	9388239	400809
	46	5371604	5618530	1701089	8507762	6842081	8187969	6154011	655217	6998747	680708
	47	6633242	4480982	9836063	2084383	2841356	7070790	4337341	9142806	3614065	584243
	48	7182588	692296	1147474	1451427	6581653	530472	1876589	2098062	7183538	163695
	49	2310988	8626979	7669620	5454810	3800372	5567410	9650555	211692	1137645	492244
	50	6774333	2501281	7189333	8555681	7452621	4303975	1446997	3065976	3067915	210209

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## **UNIT 22 POLICY ANALYSIS: OPTIMISATION STUDIES**

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### **Structure**

- 22.0 Learning Outcome
- 22.1 Introduction
- 22.2 Constrained and Unconstrained Optimisation Problems
- 22.3 Unconstrained Optimisation Techniques
- 22.4 Constrained Optimisation Techniques
  - 22.4.1 Linear Programming
  - 22.4.2 Solution to the Linear Programming Problem through Graphical Method
- 22.5 Decision Under Risk
- 22.6 Conclusion
- 22.7 Key Concepts
- 22.8 References and Further Reading
- 22.9 Activities

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### **22.0 LEARNING OUTCOME**

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After studying this Unit, you should be able to:

- Understand the concept of optimisation;
- Differentiate between constrained optimisation techniques and unconstrained optimisation techniques; and
- Apply decision analysis to take decision under risk.

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### **22.1 INTRODUCTION**

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In economic decision analysis, optimisation is a way of determining the best option among alternative choices to achieve a goal or objective. This means finding a choice that optimises the value of an objective function. The optimisation could be maximisation of profit or minimisation of cost. For example, in the production process we may be interested in finding the output level that maximises the profit. Also, as a policy analyst you may be interested in choosing a project that maximises the net present value. You have learned in Unit 20, how the decisions are taken in choosing alternative projects in capital budgeting problems.

In this Unit, you will learn some techniques for solving optimisation problems. We introduce you to the problem of linear programming, and how to solve the problem graphically. The optimisation techniques are highly mathematical oriented. They include probability, differential calculus, and lot of intricate computations.

Keeping the scope of this Unit, we will focus our discussion on understanding the philosophy and practical application of these techniques. In this world of computers, a number of computer programmes are available to solve the problems by using these techniques. For

example, computers using simplex methods can solve linear programming problems with hundreds and even thousands of variables.

## 22.2 CONSTRAINED AND UNCONSTRAINED OPTIMISATION PROBLEMS

The basic form of an optimisation problem is: identify the alternative means of achieving a given objective, and choose the alternative that accomplishes the objective in the best way. In an optimisation problem you have three elements: decision variables, objective function, and constraints. We will illustrate these elements with an example. Assume that you are a production manager in a manufacturing firm. The firm is producing two products  $P_1$  and  $P_2$ , say tables and chairs respectively. Both the products require wood and labour resources. The following table 22.1 indicates resources required to manufacture a unit of table or chair and the total amount of resources available.

**Table 22.1: Resources Required/ Available for manufacturing**

Resource	Product (requirement of resources per unit)		Total resources available
	Table ( $P_1$ )	Chair ( $P_2$ )	
Labour (hours)	5	10	100
Wood (sq.ft.)	40	20	400

The data highlight the resource requirement and available resources for the product. Now you may be interested to find the number of tables and chairs that can be manufactured given the limited availability of resources (labour and wood) in order to maximise the profit. Therefore, the unknown quantities are the number of chairs and tables that we may decide to manufacture, which we term them as decision variables. We may denote them symbolically as  $X_1$  and  $X_2$ . Thus we can say that the decision variables refer to the candidates like products, services, projects, etc. that are competing with each other in sharing limited resources available on hand. In the above example, your objective is to maximise the production in terms of number of tables ( $X_1$ ) and number of chairs ( $X_2$ ).

Suppose you know the profit for each table is Rs. 10, and for each chair is Rs. 15. Since we do not know what will be the total profit, we indicate this as  $Z$ . Also, your objective is to maximise the profit ( $Z$ ). We express maximisation of  $Z$  as a function of  $X_1$  and  $X_2$  and indicate symbolically as follows.

$$\text{Maximise } Z = 10X_1 + 15X_2$$

The above function is called objective function. Therefore, we can say the objective function is a mathematical relationship between decision variables whose values are to be kept in such a way as to maximise or minimise the function.

In our example we also know that the inputs labour and wood are limited resources. You have only 100 hours of labour and 400 square foot available of wood. That means you can use a maximum of 100 hours labour and 400 square foot of wood in the production process of tables and chairs. Also, you know that how much wood and labour is required to manufacture each table and chair. We can express these relationships in the following equations:

$$5X_1 + 10X_2 \leq 100$$

$$40X_1 + 20X_2 \leq 400$$

We also assume that the number of tables ( $X_1$ ) and number of chairs ( $X_2$ ) to be produced are positive. That is,

$$X_1 \geq 0 \text{ and } X_2 \geq 0$$

The above inequalities are called constraints. Therefore, we can say that the limited resources expressed in terms of linear equalities or inequalities in terms of decision variables are called constraints.

In general, the above optimisation problem can be represented mathematically as:

$$\text{Optimise } Z = f(X_1, X_2, \dots, X_n) \quad (1)$$

$$\text{Subject to } g_j(X_1, X_2, \dots, X_n) \begin{cases} \leq \\ = \\ \geq \end{cases} b_j \quad j = 1, 2, \dots, m \quad (2)$$

Where (1) is the objective function, (2) is the set of constraints,  $X_1, X_2, \dots, X_n$  are the decision variables,  $g_j$  are the input functions,  $b_j$  are the maximum amount of resources available. Depending on the nature of the problem, the optimisation may be maximisation or minimisation of the objective function.

The mathematical techniques used to solve an optimisation problem shown in equations (1) and (2) above depend on the nature of the objective function (linearity or no linearity) and constraints. The above optimisation problem is also called constrained optimisation. The simplest situation is that of an unconstrained optimisation problem. In such a problem you have only objective function and no constraints are imposed on the objective function. Here, our objective is either maximisation or minimisation of the objective function on the assumption that there is no scarcity of resources. We will discuss these two types of optimisation problems in the subsequent sections.

## 22.3 UNCONSTRAINED OPTIMISATION TECHNIQUE

To get optimum solution to the unconstrained problems, we use differential calculus. Some of the most commonly used rules of differentiation (for analysing unconstrained optimisation) are derivation of a constant; derivation of a power; derivation of function; and derivation of sum (difference) function.

### Derivation of Constant Functions

A constant function can be expressed as:

$$y = a$$

Where  $y$  is a variable and  $a$  is a constant. The derivative of any constant function is zero.

$$\frac{dy}{dx} = 0$$

For example, consider the constant function  $y = 5$ , then  $\frac{dy}{dx} = 0$

### Derivative of Power Functions

A power function can be expressed as  $y = ax^b$  where  $a$  and  $b$  are constants and  $y$  and  $x$  are variables. Then,  $\frac{dy}{dx} = abx^{b-1}$

**Example 1:** If  $y = x^2$ , then  $\frac{dy}{dx} = 2x^{2-1} = 2x^1 = 2x$

**Example 2:** If  $y = x^{10}$ , then  $\frac{dy}{dx} = 10x^{10-1} = 10x^9$

**Example 3:** If  $y = 4x^6$ , then  $\frac{dy}{dx} = 4 \cdot 6x^{6-1} = 24x^5$

**Example 4:** If  $y = 4x$ , then  $\frac{dy}{dx} = 4x^{1-1} = 4x^0 = 4$

### Sum (difference) Functions

Suppose a function  $y = f(x)$  represents the sum (difference) of two separate functions  $f_1(x)$  and  $f_2(x)$ , that is, the sum function  $y = f_1(x) + f_2(x)$  or the difference function  $y = f_1(x) - f_2(x)$ .

Then, the derivation of the sum function is,  $\frac{dy}{dx} = \frac{d}{dx} f_1(x) + \frac{d}{dx} f_2(x)$

The derivation of the difference function is,  $\frac{dy}{dx} = \frac{d}{dx} f_1(x) - \frac{d}{dx} f_2(x)$

The above two results can be extended to finding the derivation of the sum (difference) of any number of functions.

**Example 1:** If  $y = 4x + 5x^8$  then  $\frac{dy}{dx} = \frac{d}{dx}(4x) + \frac{d}{dx}(5x^8) = 4 + 5 \cdot 8x^7 = 4 + 40x^7$

### Optimisation Conditions

The reason for introducing differentiation rules for simple functions, above, is that these methods can be used to find optimal solutions to many kinds of **maximisation** and minimisation problems with unconstrained functions in managerial economics. There are two conditions for obtaining either maximisation or minimisation. These are called **necessary** and **sufficient** conditions. Sometimes, they are also referred as first order and second order conditions respectively.

The necessary (first order) condition for solving both maximisation or minimisation problems are

$$\frac{dy}{dx} = 0.$$

The sufficient (second order) condition for solving maximisation problems is  $\frac{d^2y}{dx^2} < 0$ .

(Kindly note that  $\frac{d^2y}{dx^2}$  indicates the derivative of the result of  $\frac{dy}{dx}$ ).

The sufficient (second order) condition for solving minimisation problems is  $\frac{d^2y}{dx^2} > 0$ .

However, at certain points you may find  $\frac{d^2y}{dx^2} = 0$ . Such points are called point of inflection. In such cases, the points are neither maximum nor minimum and no optimum result can be obtained.

By finding the  $\frac{dy}{dx}$ , equating it zero and then simplifying the objective function we can find the value of y. However, we go for second order condition, since the first order condition alone does not guarantee the optimum result. We summarise the optimisation conditions in the following table.

**Table 22.2: Conditions for Optimisation**

Nature of Condition	Maximisation Problems	Minimisation Problems
<b>Necessary Condition</b>	$\frac{dy}{dx} = 0$	$\frac{dy}{dx} = 0$
<b>Sufficient Condition</b>	$\frac{d^2y}{dx^2} < 0$	$\frac{d^2y}{dx^2} > 0$
<i>Note that if the value of <math>\frac{d^2y}{dx^2} = 0</math> then you cannot obtain optimisation result for the problem under study.</i>		

### Examples for Profit or Revenue Maximisation

#### Example-1

For the following profit function, find the optimum output that maximises the profit.

$$\Pi = -20 + 150Q - 5Q^2 \text{ where } \Pi \text{ is total profit and } Q \text{ is the output level.}$$

#### Solution

The necessary condition for profit maximisation is the first order derivative set to zero. That is,

$$\frac{d\Pi}{dQ} = 0$$

$$\frac{d\Pi}{dQ} = 150 - 10Q$$

Setting the above equation to zero,

$$150 - 10Q = 0$$

$$150 = 10Q$$

$$Q = \frac{150}{10} = 15$$

The sufficient condition for profit maximisation is the second order derivative, which should be less

than zero. That is,  $\frac{d^2\Pi}{dQ^2} < 0$

$$\text{Since, } \frac{d\Pi}{dQ} = 150 - 10Q$$

$\frac{d^2\Pi}{dQ^2} = \frac{d(150 - 10Q)}{dQ^2} = -10$  which is negative as required for maximisation. Hence for the given function, the profit can be maximised for the output  $Q=15$ .

### Example-2

For a firm (where Q is the level of output), the total cost function (TC) is given by  $TC = 20 + 5Q + Q^2$ . Also, the demand for the output of the firm is a function of price and the relationship is given as  $Q = 25 - P$ .

- i) Given the total revenue TR equals price (P) per unit multiplied by the number of units sold, that is,  $TR = PQ$ . Also, the total profit ( $\Pi$ ), is the difference between the total revenue and total cost (TC). That is,  $\Pi = TR - TC$ . Express the output as a profit function.
- ii) Determine the output level where total revenue (TR) is maximised.
- iii) Calculate the total output at which profit can be maximised.
- iv) Determine the output that maximises the total profit.
- v) Calculate the price at the profit maximisation output level.

### Solution

- i) Given the demand function  $Q = 25 - P$ , the price function is  $P = 25 - Q$

And total revenue function (TR) is  $TR = PQ = (25 - Q)Q = 25Q - Q^2$

The total profit ( $\Pi$ ) is the difference between TR and TC

$$\Pi = (TR - TC) = (25Q - Q^2) - (20 + 5Q + Q^2) = -20 + 20Q - 2Q^2$$

- ii) The total revenue function is  $TR = 25Q - Q^2$

To maximise the TR, the necessary condition is  $\frac{dTR}{dQ} = 0$

$$\frac{dTR}{dQ} = 25 - 2Q$$

$$25 - 2Q = 0$$

$$Q = \frac{25}{2} = 12.5$$

The sufficient condition to maximise TR,  $\frac{d^2TR}{dQ^2} < 0$

$$\frac{d^2TR}{dQ^2} = \frac{d}{dQ} \frac{(25 - 2Q)}{dQ} = -2$$

Since the second derivative is negative, the total revenue maximises at the output level  $Q=12.5$ .

- iii) The total profit function is  $\Pi = -20 + 20Q - 2Q^2$

To maximise the  $\Pi$ , the necessary condition is  $\frac{d\Pi}{dQ} = 0$

$$\frac{d\Pi}{dQ} = 20 - 4Q$$

$$20 - 4Q = 0$$

$$Q = \frac{20}{4} = 5$$

The sufficient condition to maximise total profit,  $\frac{d^2\Pi}{dQ^2} < 0$

$\frac{d^2\Pi}{dQ^2} = \frac{d}{dQ} \frac{(20 - 4Q)}{dQ} = -4$  which is negative as desired. Since the second derivative is negative, the total profit maximises at output level  $Q=5$ .

- iv) We obtained from (iii) the profit maximisation output level as  $Q=5$ .

Therefore, the total profit at  $Q=5$  is,

$$\Pi = -20 + 20Q - 2Q^2$$

$$\Pi = -20 + 20(5) - 2(5^2) = -20 + 100 - 50 = 30$$

- v) The price at  $Q=5$  is,

$$P = 25 - Q = 25 - 5 = 20$$

## 22.4 CONSTRAINED OPTIMISATION TECHNIQUES

In section 22.2 discussed above, you have learned the concepts of constrained and unconstrained optimisation problems. Also in section 22.3 you have learned how to optimise (maximisation or minimisation) unconstrained optimisation problems using necessary and sufficient conditions of first order and second order derivatives respectively. In this section, you will learn how to solve constrained optimisation problems. There are many types of constrained optimisation problems like linear programming, non-linear programming, dynamic programming, etc. However, we will limit our discussion in this Unit to only linear programming technique.

### 22.4.1 Linear Programming

Linear programming is a technique for mathematical solution of a constrained optimisation problem. As such it has been used in policy analysis for formulating an objective function to be maximised or minimised subject to a set of resource constraints. For example, for a political candidate the objective function could be to maximise votes polled in his/her favour subject to resource constraints or minimise the total costs and still get winning votes. Originally, the linear programming problems are applied widely in business management. For example, to define a sales strategy that maximises the profits, or a production strategy that best uses the scarce resources,

For an effective application of linear programming, it requires a good understanding of the underlying modeling assumptions and pertinent interpretation of the analytical solutions obtained. Therefore, in this section, we discuss the details of the linear programming modelling and its underlying assumption with examples.

#### Formulation of a Linear Programming Problem

Consider a company that produces two types of products  $P_1$  and  $P_2$ . The company has two factories,  $F_1$  and  $F_2$ , both producing the products  $P_1$  and  $P_2$ . The Factory  $F_1$  produces 40 units per

day of product  $P_1$ , or 60 units per day of product  $P_2$ . Similarly, factory  $F_2$  produces 50 units per day of product  $P_1$  or 50 units per day of product  $P_2$ . The company's profit on product  $P_1$  is Rs.200 per unit and on product  $P_2$  is Rs.400 per unit. Suppose if the company sells all the produced units of products  $P_1$  and  $P_2$ , how many units of each product should the company produce on a daily basis to maximise its profit?

The above problem is a constrained optimisation problem. Here our objective is to maximise the company's daily profit. Further, we need to maximise the profit by adjusting the levels of daily production of the two products  $P_1$  and  $P_2$ . Therefore, the daily production levels of product  $P_1$  and  $P_2$  are the decision variables. These decision variables are:

$X_1$  is the number of units produced daily of product  $P_1$ ,

$X_2$  is the number of units produced daily of product  $P_2$

Let the daily profit on both products be  $Z$ .

The profit on one unit of  $P_1$  is Rs.200, and on one unit of  $P_2$  is Rs.400. The total profit function can be expressed as:

$$Z = 200X_1 + 400X_2 \rightarrow (1)$$

In this problem, our objective is to maximise the profit and this can be expressed analytically as:

$$\text{Maximise } Z = 200X_1 + 400X_2 \rightarrow (2)$$

The equation (2) is called objective function of the problem, and coefficients of the decision variables are called objective function coefficients,

Also, we have constraints of producing each product by two factories. Factory  $F_1$  can produce 40 units of product  $P_1$  or 60 units of product  $P_2$  per day. Assuming that production of one unit of product  $P_1$  (and  $P_2$ ) requires a constant amount of processing time, it follows that for product  $P_1$  it is  $1/40$  and for product  $P_2$  it is  $1/60$ . The total capacity in terms of time length required for producing

$X_1$  units of  $P_1$  and  $X_2$  units of  $P_2$  by  $F_1$  is equal to  $\frac{1}{40}X_1 + \frac{1}{60}X_2$ . Hence, the constraints imposed on  $F_1$ , should not exceed its production capacity is expressed as:

$$\frac{1}{40}X_1 + \frac{1}{60}X_2 = 1.0 \rightarrow (3)$$

By similar argument, the constraint imposed on  $F_2$  is expressed as:

$$\frac{1}{50}X_1 + \frac{1}{50}X_2 = 1.0 \rightarrow (4)$$

Finally, for the above constraints the production of  $X_1$  and  $X_2$  cannot be negative. That is,

$$\left. \begin{array}{l} X_1 \geq 0 \\ X_2 \geq 0 \end{array} \right\} \quad (5)$$

Combining equations (2) to (5), the formulation of the linear programming problem is as follows:

$$\text{Maximise } Z = 200X_1 + 400X_2$$

$$\text{Subject to } \frac{1}{40}X_1 + \frac{1}{60}X_2 = 1.0$$

$$\frac{1}{50} X_1 + \frac{1}{50} X_2 = 1.0$$

$$X_1 \geq 0$$

$$X_2 \geq 0$$

### 22.4.2 Solution to the Linear Programming Problem through Graphical Method

Most of the linear programming problems require the use of computer to find optimum solutions. A graphical method of solving is useful to understand the concept of linear programming problem, its formulation and solution. However, graphical solution can be used only for two decision variables problem. A more general method known as Simplex Method is widely used for solving linear programming problems for larger number of variables. As this method requires a large number of computations, it is advised to use computers for solving such problems. We solve the maximisation problem formulated in section 2.4 graphically. Let the horizontal axis represent the number of units of product P<sub>1</sub>, and the vertical axis represent the number of units of product P<sub>2</sub> produced. Since, output (X<sub>1</sub> and X<sub>2</sub>) of both the products are non-negative, the graphical method starts with the first quadrant of the graph.

Now, we plot the constraints on a graph. Since both the constraints are inequalities, for the time being we consider them as equalities for the purpose of plotting them on the graph.

$$\frac{1}{40} X_1 + \frac{1}{60} X_2 = 1.0$$

$$\frac{1}{50} X_1 + \frac{1}{50} X_2 = 1.0$$

When plotted on a graph, the above equalities represent straight lines. A straight line can be completely specified by knowing any two points that fall on the line.

Let us consider the first equality constraint

$$\frac{1}{40} X_1 + \frac{1}{60} X_2 = 1.0$$

We can plot a straight line by substituting 0 for X<sub>1</sub> in the above equation:

$$\frac{1}{40}(0) + \frac{1}{60} X_2 = 1.0$$

$$\frac{1}{60} X_2 = 1.0$$

$$X_2 = 60$$

This represents the vertical intercept on X<sub>2</sub> axis and is written as (0, 60). That is 0 units of product P<sub>1</sub> and 60 units of product P<sub>2</sub>.

Similarly, when X<sub>2</sub>=0

$$\frac{1}{40} X_1 + \frac{1}{60}(0) = 1.0$$

$$\frac{1}{40} X_1 = 1.0$$

$$X_1 = 40$$

It is also written as  $(40, 0)$  and represents 40 units of product  $P_1$ , and 0 units of product  $P_2$  and corresponds to horizontal interceptor  $X_1$ . Join these two interceptors to draw the constraint line as shown in the graph (figure 22.1). Since this constraint is less than or equal to constraint, the points below the line represent the region satisfied by  $\frac{1}{40}X_1 + \frac{1}{60}X_2 = 1.0$  constraint. Any point that lies outside this line gives an infeasible solution.

Now let us consider the second equality constraint, that is,

$$\frac{1}{50}X_1 + \frac{1}{50}X_2 = 1.0$$

When  $X_1 = 0$

$$\frac{1}{50}(0) + \frac{1}{50}X_2 = 1.0$$

$$X_2 = 50$$

This represents vertical interceptor on  $X_2$  axis and is written as  $(0, 50)$ .

When  $X_2 = 0$

$$\frac{1}{50}X_1 + \frac{1}{50}(0) = 1.0$$

$$X_1 = 50$$

This represents horizontal interceptor  $X_1$  axis and is written as  $(50, 0)$ . Using  $(0, 50)$  and  $(50, 0)$  points, we can draw a straight line on the graph. Since it is a less than or equal to constraint, the points below this line represent the region satisfied by  $\frac{1}{50}X_1 + \frac{1}{50}X_2 = 1.0$  constraint.

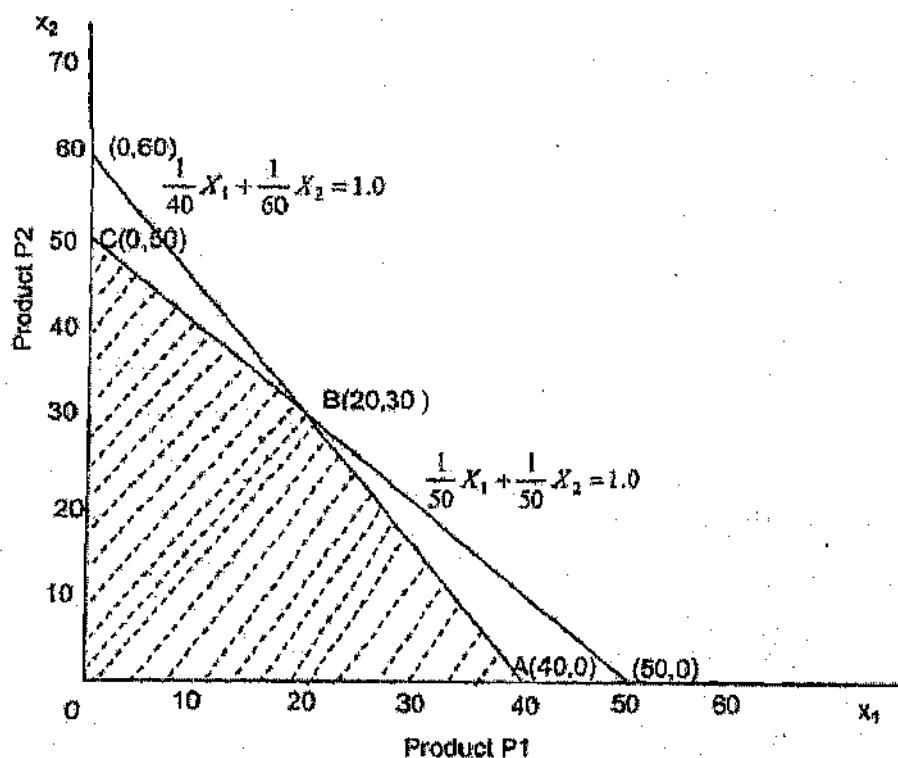


Fig. 22.1: Graph showing Feasible Region for Optimisation

Any combination of values of  $X_1$  and  $X_2$ , which satisfies the given constraints, is called a 'feasible solution' to the problem. The area OABC in the graph satisfied by the constraints is shown by shaded area is the feasible region or feasible set.

To find the best solution, we use our objective function  $Z = 200X_1 + 400X_2$

For extreme point A (40, 0),  $X_1 = 40$  and  $X_2 = 0$ ,  $Z = 200(40) + 400(0) = 8000 + 0 = 8000$

For extreme point C (0, 50),  $X_1 = 0$  and  $X_2 = 50$ ,  $Z = 200(0) + 400(50) = 0 + 20000 = 20000$

Extreme point B is at the intersection of the two lines. We can solve these two equations to find B.

$$\frac{1}{40}X_1 + \frac{1}{60}X_2 = 1.0 \rightarrow (a)$$

$$\frac{1}{50}X_1 + \frac{1}{50}X_2 = 1.0 \rightarrow (b)$$

First, we can solve for  $X_1$  or  $X_2$  in one equation and then substitute that value in the second equation. Solving for  $X_1$  in equation (a) we have:

$$\frac{1}{40}X_1 + \frac{1}{60}X_2 = 1.0$$

$$\frac{1}{40}X_1 = (1.0 - \frac{1}{60}X_2)$$

$$X_1 = 40(1.0 - \frac{1}{60}X_2) = 40 - \frac{40}{60}X_2$$

Substituting this value for  $X_1$  in equation (b) we have

$$\frac{1}{50}\left(40 - \frac{40}{60}X_2\right) + \frac{1}{50}X_2 = 1.0$$

$$40 - \frac{40}{60}X_2 + X_2 = 50$$

$$X_2 - \frac{40}{60}X_2 = 50 - 40$$

$$\frac{60X_2 - 40X_2}{60} = 10$$

$$60X_2 - 40X_2 = 10 \times 60$$

$$20X_2 = 600$$

$$X_2 = 30$$

Substituting this value for  $X_2$  in either of our original equations (a) or (b) we can find  $X_1$  value. Suppose we substitute  $X_2 = 30$  in (b) then

$$\frac{1}{50}X_1 + \frac{1}{50}X_2 = 1.0$$

$$\frac{1}{50}X_1 + \frac{1}{50}(30) = 1.0$$

$$\frac{X_1 + 30}{50} = 1.0$$

$$X_1 + 30 = 50$$

$$X_1 = 50 - 30 = 20$$

Thus at corner point B,  $X_1 = 20$  and  $X_2 = 30$ . From this we can compute Z:

$$Z = 200X_1 + 400X_2$$

$$Z = 200(20) + 400(30)$$

$$Z = 4000 + 12000 = 16000$$

Now we have to maximise objective function  $Z = 200X_1 + 400X_2$ .

This can be obtained from the table given below.

**Table 22.3: Coordinates for Minimisation of objective functions**

Extreme Point	Coordinates	Profit Function $Z=200X_1+400X_2$
A	$X_1=40, X_2=0$	8000
B	$X_1=20, X_2=30$	16000
C	$X_1=0, X_2=50$	20000

The maximum profit obtained at C(0, 50). That is  $X_1 = 0$  and  $X_2 = 50$ . Hence, to maximise profit, the company should produce 50 units of product  $P_2$ . The maximum profit obtained from producing 50 units of product  $P_2$  is 20,000.

### Using Graphical Method for Minimisation

A firm is engaged in breeding pigs. The pigs are fed on various products grown on the farms. In order to ensure certain nutrient requirements, it was decided to buy one or two products ( $P_1, P_2$ ). The nutrient constituents in each unit of the products  $P_1$  and  $P_2$  are given below:

**Table 22.4: Requirements and constraints**

Nutrient Constituents	Nutrient Consisted in the Product		Minimum Requirement of Nutrient Constituents
	$P_1$	$P_2$	
A	36	6	108
B	3	12	36
C	20	10	100

Product  $P_1$  costs Rs.20 and Product  $P_2$  costs Rs.40 per unit. Determine how much product  $P_1$  and/or  $P_2$  must be purchased so as to provide the pigs nutrients not less than the minimum required at the lowest possible cost.

### Solution

First we formulate the above problem as a linear programming problem. Let  $X_1$  and  $X_2$  be the number of units (decision variables) of product  $P_1$  and  $P_2$  required. Here the objective is to

minimise the cost. We are given the cost of product P<sub>1</sub> and P<sub>2</sub> as Rs.20 and Rs.40 respectively. Therefore, the objective function is:

$$\text{Minimise } Z = 20X_1 + 40X_2 \rightarrow (1)$$

Since the number of units of nutrient 'A' in product P<sub>1</sub> and P<sub>2</sub> are 36 and 6 respectively and the minimum requirement of 'A' is 108 units, we write this constraint as:

$$36X_1 + 6X_2 \geq 108 \rightarrow (2)$$

Similarly, the constraints for B and C nutrients are:

$$3X_1 + 12X_2 \geq 36 \rightarrow (3)$$

$$20X_1 + 10X_2 \geq 100 \rightarrow (4).$$

We also have the decision variables as non-negative, that is,

$$\begin{aligned} X_1 &\geq 0 \\ (5) \end{aligned}$$

$$X_2 \geq 0$$

For plotting the constraints as straight lines in the graph, we rewrite the inequality constraints as equality constraints, that is,

$$36X_1 + 6X_2 = 108 \rightarrow (6)$$

$$3X_1 + 12X_2 = 36 \rightarrow (7)$$

$$20X_1 + 10X_2 = 100 \rightarrow (8)$$

Now for drawing straight line (6) we have

$$\text{When } X_1 = 0$$

$$36(0) + 6X_2 = 108$$

$$6X_2 = 108$$

$$X_2 = 108/6 = 18$$

We have the coordinates A(0, 18)

$$\text{When } X_2 = 0$$

$$36X_1 + 6(0) = 108$$

$$X_1 = 108/36 = 3$$

We have the coordinates B(3, 0)

Joining these two coordinate points we get straight line for equation (6) as shown in the graph. Similarly, for constraint (7) we have the coordinate points C(0, 3) and D(12, 0) and for constraint (8) we have the coordinate points E(0, 10), F(5, 0). Now we can draw the straight lines for constraint (7) and (8) as shown in the following graph.

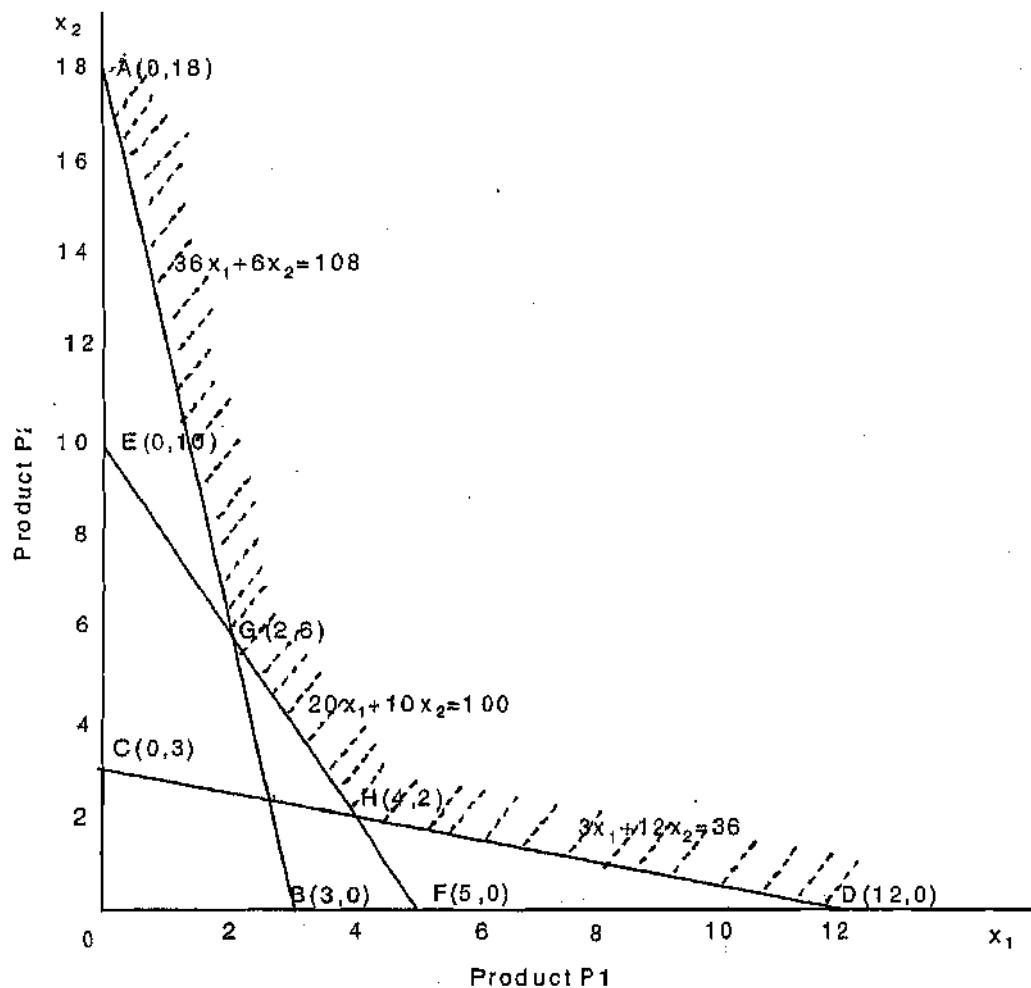


Fig. 22.2: Graph showing Feasible Region for Optimisation

The coordinate  $G$  is an intersection of constraints (6) and (8). Solving these two equations for  $X_1$  and  $X_2$  from (6),  $36X_1 = 108 - 6X_2$ ;  $X_1 = \frac{108 - 6X_2}{36}$ ; substituting this value in (8) we have

$$\frac{20(108 - 6X_2)}{36} + 10X_2 = 100$$

$$\frac{20(108 - 6X_2) + 360X_2}{36} = 100$$

$$2160 - 120X_2 + 360X_2 = 3600$$

$$240X_2 = 3600 - 2160 = 1440$$

$$X_2 = 1440/240 = 6$$

Substituting  $X_2 = 6$  in (8) we have

$$20X_1 + 10X_2 = 100$$

$$20X_1 + 10(6) = 100$$

$$20X_1 = 100 - 60 = 40$$

$$X_1 = 40/20 = 2$$

Therefore, the coordinate points at  $G$  are  $(2, 6)$ .

Similarly, the equations (7) and (8) are intersecting at H.

From (7)

$$3X_1 + 12X_2 = 36$$

$$3X_1 = 36 - 12X_2$$

$$X_1 = \frac{36 - 12X_2}{3}$$

Substituting this value in (8), we have

$$\frac{20(36 - 12X_2)}{3} + 10X_2 = 100$$

$$720 - 240X_2 + 30X_2 = 300$$

$$210X_2 = 420$$

$$X_2 = 2$$

Substituting this value in (8) we have

$$20X_1 + 10(2) = 100$$

$$20X_1 = 100 - 20$$

$$X_1 = 80/20 = 4$$

Therefore, the coordinate points at H are (4, 2).

The feasible region is shown as AGHD as lowerpoints, since the inequality constraints are greater than or equal to type ( $\geq$ ). The Z values for these coordinates are shown in the following table.

**Table 22.5: Coordinates for minimisation of objective function**

Corner Points	Coordinates of Corner Points ( $X_1, X_2$ )	Objective function $Z = 20X_1 + 40X_2$	Z value
A	(0, 18)	$20(0) + 40(18)$	720
G	(2, 6)	$20(2) + 40(6)$	280
H	(4, 2)	$20(4) + 40(2)$	160
D	(12, 0)	$20(12) + 40(0)$	240

Since it is a cost minimisation problem, we have the value 160 at corner point H (4, 2) as minimum, that is,  $X_1 = 4, X_2 = 2$ . Therefore, the required products are  $P_1 = 4$  units and  $P_2 = 2$  units, and the minimum cost is Rs.160.

## 22.5 DECISION UNDER RISK

We take decisions every day. We know the outcome of some decisions at the time of taking decisions. These are called decisions with certainty. For example, suppose you want to invest Rs.10,00,000 as a fixed deposit in a Bank. Suppose the Bank is giving 10 per cent interest on fixed deposits for a five-year period. Also, you have an alternative option of investing this in a saving account where the Bank gives 6 per cent interest. You know that both investments are

secure and guaranteed. Then there is a certainty in your decision of investing the money in a scheme that gives better returns. Cost-benefit analysis, constrained optimisation (linear programming), and unconstrained optimisation are some of the techniques used under certainty conditions that you have already learned.

Now we focus our discussion on decision making under risk. The objective here is to develop guidelines for making rational decisions, given the individual decision maker's attitudes towards risk. The decision makers according to their attitudes in decision-making under risk: may be of 3 types, as under:

- A risk seeker is one who prefers risk.
- A risk averter accepts only favourable conditions. He/she chooses less risky investments.
- Between these two extremes (risk seeker and risk averter) lies the risk neutral person. He/she considers the face value of money to be its **true** worth.

### Decision Tables

Each alternative choice that involves risk (which we term as states of nature or outcomes) is associated with a probability of occurrence or non-occurrence of that choice. For example, the decision on motor vehicle insurance is associated with the probability of accident and/or theft. The decision here is to **make** insurance or not. This decision depends on the probability of occurrence of **theft/accident**. Suppose you are told that the **probability of theft/accident** is 0.05 (that is 5% chance), and no **theft/accident** is 0.95 (that is 5% chance). Also, given that the vehicle costs Rs.5,00,000 and the premium for insurance payment is Rs.5,000 per annum. Now you have four courses of action to expect. These are: a) **make** insurance and no **accident/theft**, b) **make** insurance and **accident/theft**, c) no **insurance** and no **accident/theft**, and d) no **insurance** and **accident/theft**. Each of these courses of action will cost you. If you go for insurance and **accident/theft** takes place still you loose Rs.5,000 towards premium. If you don't go for insurance and no **accident/theft** takes place you will not loose any money. Lastly, if you don't go for insurance and the accident/theft takes place you will loose the cost of the vehicle. That is, **Rs.5,00,000**. We can summaries this problem using a decision table as shown below.

**Table 22.6: Decision Table for Insurance Decision**

Event	Courses of Action	
	Insurance	No insurance
Accident/theft	Loss (Rs.5,000)	Loss (Rs.5,00,000)
No accident/theft	Loss (Rs.5,000)	Loss (Rs.0)

The decision table indicates the relationship between pairs of decision elements (courses of action and events). There is specific information for each course of action and event combination. This information is also expressed in terms of rupees. Therefore, every course of action-event combination has a payoff, which measures the net benefit that accrues from a given course of action and event. Sometimes, they are also known as conditional profit values.

The decisions on the courses of action under risk are based on the availability of prior information, knowledge, experience, or judgment, that we express in terms of event probability values.

### Maximising the Expected Payoff

The expected payoff is a measure of expected returns associated with the probability of the events, that is,

Expected payoff = probability of first event X (payoff) of first event + probability of second event X payoff of second event + ... + probability of nth event X payoff of nth event.

$$\text{Expected payoff} = \text{this is represented by } E(X) = P_1 X_1 + P_2 X_2 + \dots + P_n X_n = \sum_{i=1}^n P_i X_i$$

Where  $P_i$  is the probability of  $i^{\text{th}}$  event

$X_i$  is the payoff of that event

$E(X)$  is the expected payoff (of taking a course of action)

In our insurance example, the calculation of the expected payoff is shown in the following table:

**Table 22.7: Calculation of Expected Payoff for Insurance Decision**

Event	Probability	Courses of Action			
		Insurance		No Insurance	
		Payoff (Rs.)	Payoff x Probability (Rs.)	Payoff (Rs.)	Payoff x Probability
Accident/theft	0.05	-5,000	-250	-5,00,000	-25,000
No accident/theft	0.95	-5,000	-4,750	0	0
Expected Payoff			<b>-5,000</b>		<b>-25,000</b>

Kindly observe that the payoffs are shown as negative numbers since they represent loss in that event. Also, the total probability of all events is 1.00. We calculate the expected payoff for each course of action by multiplying each payoff by the respective event probability and then adding the products.

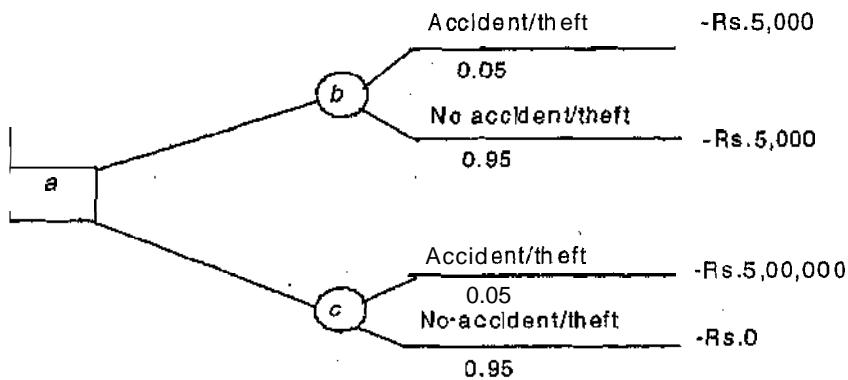
Then how does the decision maker choose a course of action among alternative courses of action available to him/her? The answer to this question is to choose that course of action for which the expected payoff is the highest. In our example of insurance, you can observe from the above table that the expected payoff is highest for insurance course of action. In other words, expected loss is Rs.5,000 when you go for insurance, and Rs.25,000 for not going for insurance.

### Decision Tree Analysis

A decision problem can also be illustrated with a decision tree diagram. It is particularly convenient to display decision problems in the form of decision trees when the choices are to be made at different times or stages. As the name implies, a decision tree consists of network nodes, branches and probability estimates and payoffs. Nodes are of two types: (a) decision node indicated as a square ( $\square$ ), and (b) chance node indicated as circle ( $O$ ) that illustrates the point of uncertainty. A basic guideline for constructing a decision tree diagram is that the flow should be chronological from left to right.

The alternative courses of action are shown as emanating from the decision point and then corresponding to each decision, the possible outcomes are shown emanating from the uncertainty point. The side of the outcome lists the probability and the consequence for each outcome,

Our example of insurance decision can be illustrated using a decision tree as shown in the following figure.



**Fig. 22.3: Insurance Decision Tree**

The initial choice at decision point a is 'insurance' or 'no insurance'. For each of these you have two events. In all you have four courses of action. The probabilities and payoffs associated with each event are also shown in the tree diagram: The main advantage of using a decision tree is that it helps in isolating each chain and follows it through the branches to the terminal event.

## 22.6 CONCLUSION

In this Unit, various optimisation techniques are introduced that may help you in your decision making process. The optimisation decisions may occur under certainty or risk conditions. The optimisation techniques under certainty conditions are further classified into constrained and unconstrained optimisation.

The necessary condition for optimisation (for both maximisation and minimisation problems) is

$\frac{dy}{dx} = 0$ . The sufficient condition for maximisation problem is that  $\frac{d^2y}{dx^2} < 0$ . The sufficient condition

for minimisation problem is that  $\frac{d^2y}{dx^2} > 0$ . To obtain optimisation results both necessary and sufficient

conditions need to be met. In case the sufficient condition  $\frac{d^2y}{dx^2} = 0$ . Then for that problem no optimisation result exists.

The linear programming helps to solve optimisation problems with constraints. To understand the basic philosophy and concepts, we have explained in this unit how to formulate and solve the linear programming problems graphically. The simplex method is widely used to solve linear programming problems. Many computer programmes are available as aids for carrying out the large number of computations required for solving linear programming problems.

The decisions taken under risk are explained with the help of expected payoffs and decision trees. Here, the decision is to choose an alternative where the expected payoff is maximised and risk is minimised.

## 22.7 KEY CONCEPTS

### Constraints

: These are the linear equalities or inequalities arising out of practical limitations.

<b>Decision Trees</b>	: A useful way of analysing sequential decision problems.
<b>Decision Variables</b>	: These are variables whose numerical values are of interest to the decision-maker to obtain optimal solution to problems.
<b>Expected Payoff</b>	: A decision criterion that employs probability.
<b>Feasible Set</b>	: The available set of alternatives to the decision-maker is called a feasible set.
<b>Graphical Method</b>	: A method of finding solution to the linear programming problem through plotting equations (constraints) on a two dimensional graph.
<b>Linear Programming</b>	: A linear deterministic model used to find optimum allocation of scarce resources.
<b>Objective Function</b>	: In linear programming, objective function is a linear function of the decision variables expressing the objective of decision maker.
<b>Optimisation</b>	: Optimisation is an act of selecting the best alternative out of available options to the decision-maker,
<b>Payoff</b>	: The net benefit to the decision-maker, which accrues, from a given combination of decision alternatives or events.
<b>Risk Averter</b>	: A risk averter is one who will select the less risky option in an investment situation.
<b>Risk Neutral</b>	: A risk neutral person considers the face value of money to be its true worth.
<b>Simplex Method</b>	: A mathematical procedure of finding optimum solution to the linear programming problem.

## 22.8 REFERENCES AND FURTHER READING

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## 22.9 ACTIVITIES

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- 1) Given the following total profit function

$$\Pi = -2500 + 200Q - 2Q^2$$

Where Q is the output level.

Determine the output level that maximises profit.

- 2) Given the following total revenue function:

$$TR = 100Q - 2Q^2$$

Where Q is the output level

Determine the output level that maximises the revenue.

- 3) Given the following average total cost function:

$$ATC = 5000 - 100Q + 2Q^2$$

Where Q is the output level.

Determine the output level that minimises the average total cost.

- 4) These are two factories that manufacture three different grades of paper. There is demand for each grade. The company that controls two factories (A and B) has the contract to supply 16 tons of low grade, 5 tons of medium grade and 20 tons of high-grade paper. It costs Rs.10,000 per day to operate the first factory and Rs.20,000 per day to operate the second factory. Factory A produces 8 tons of low grade, 1 ton of medium grade and 2 tons of high grade paper in one day's operation. Factory B produces 2 tons of low grade, 1 ton of medium grade and 7 tons of high grade paper per day. Formulate the above problem for a decision linear programming by applying technique.
- 5) Consider the problem given at (4) above. For how many days should each factory be operated in order to meet the orders most economically? Solve the problem graphically.
- 6) Describe the situations of decision-making undercertainty and risk, and discuss the behaviour of risk averter, risk seeker, and risk neutral persons in investment decisions in the later situation.

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## **UNIT 23 DISINVESTMENT POLICY: A CASE STUDY OF INDIA**

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### **Structure**

- 23.0 Learning Outcome
  - 23.1 Introduction
  - 23.2 Disinvestment: Central Public Enterprises
  - 23.3 Disinvestments: State-Level Public Enterprises**
  - 23.4 Disinvestment Policy: Analysis and Recommendations
  - 23.5 Conclusion
  - 23.6 Key Concepts
  - 23.7 References and Further Reading
  - 23.8 Activities
- 

### **23.0 LEARNING OUTCOME**

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After studying this Unit, you should be able to:

- Understand the policy process of disinvestments in India—its change over the years;
  - Discuss the disinvestments of Central Public Enterprises;
  - Explain an overview of disinvestments and restructuring of the State-Level Public Enterprises in various states in India; and
  - Bring out major recommendations and analysis of the disinvestment policy process in India.
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### **23.1 INTRODUCTION**

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This Unit analyses the strategy, economics, and administrative exercise behind the policy process of disinvestments of public enterprises. It discusses, in brief, the methods of disinvestments and provides a profile of the nature of enterprises and the financial gains to the government. In addition, this Unit highlights the progress made so far and what lies ahead on the road to privatisation and disinvestments.

Public enterprises are incorporated organisations, set up under various statutes, wherein government has equal to or more than 51 per cent of the share capital. There are 236 Central Public Enterprises (CPEs), having a capital of Rs. 2,02,000 crores and gross profitability of 14.53 percent; and 911 State-Level Public Enterprises (SLPEs) with Rs. 2,21,600 crore capital, most of them with negative contribution. In addition, there are departmental enterprises, which are not incorporated; these include Railways, Postal Department, and Ordnance Factories. This Unit relates to disinvestments of CPEs and SLPEs only.

Disinvestment of shareholding in public enterprises by government may be a part of economic reform of the country or/and is in response to the demands of various financing or donor agencies. Disinvestment, a form of privatisation, has been resorted to by a number of countries including India. It refers to the offer of shares or equity to the financial institutions or the public. There are various methods of disinvestments, which are presented as under:

## **Disinvestment- Methods**

- Public Floatation => requires
    - ± Developed Capital Market
    - ± Profitable P E
  - Private Placement => by offering shares to
    - ± Mutual Funds/FII's
    - ± Voucher System
  - Employee/ MGT Buyout
  - Trade Sale
    - ± Strategic Sale
    - ± Share Buy-back
    - ± Share Cross-holding

The auction disinvestments process is relatively less cumbersome; it involves less administrative expenses, and results in higher realisation. Among the disinvestments methods, private sector companies that involve high publicity, other floatation expenses, and net **proceeds** normally follow public floatation. Trade investment method is suitable for industries of **specialised** nature, like telephone or telecommunication, electricity generation, or airline. Piggyback method increases the size of the issue and is reported to be quicker and less expensive.

This Unit attempts, in the first part, to portray and analyse the disinvestments of CPEs. Further, in the second part, it presents the analysis of restructure and disinvestment measures of SLPEs in various states.

## **23.2 DISINVESTMENTS: CENTRAL PUBLIC ENTERPRISES**

Disinvestments of government shareholdings in Central Public Enterprises (CPEs) started in 1991-92 as an integral part of the process of economic reforms. The total realisation from disinvestments up to 2004-05, from about 50 enterprises, had been Rs. 47,645 crores against the target of Rs. 96,800 crores.

A profile of the CPEs in terms of their profitability and service or manufacturing activity is given as under:

**Table 23.1: Number of Central Public Enterprises**

<b>Public Enterprises</b>	<b>Manufacturing</b>	<b>Services</b>	<b>Total.</b>
Profit Making	81	51	132
Loss Making	79	23	102
No-profit no-loss	1	1	2
Total	161	75	236

Throughout, disinvestments had been a part of annual budgetary exercise of the government, and year-wise realisation and target are given in **table 23.2**.

**Table 23.2:** Disinvestment in Central Public Enterprises (CPEs)

<b>Year</b>	<b>Target (Rs. Crore)</b>	<b>Achievement (Rs..Crore)</b>
1991-92	2,500	3,038
1992-93	2,50	1,913
1993-94	3,50	@disinvestmentsproceeds received in 1994-05
1994-95	4,000	4843
1995-96	7,000	168
1996-97	5,000	380
1997-98	4,800	910
1998-99	5,000	5,371
1999-2000	10,000	1,860
2001-01	10,000	1,871
2001-02	12,000	5,632"
2002-03	12,000	3,348
2003-04	14,500	15,547
2004-05	4,000	2,764
<b>TOTAL</b>	<b>96,800</b>	<b>47,645</b>

@Disinvestment proceeds of six enterprises were received next year, i.e.1994-05

"Includes amount realised by way of control premium, special dividends and transfer of surplus cash reserves prior to disinvestments.

Sources: Department of Disinvestment web-site- [www.disinvest.gov.in/disinvest/Economic Survey](http://www.disinvest.gov.in/disinvest/EconomicSurvey), Government of India

Disinvestments of the Central Public Enterprises (CPEs) holdings by the government over the years could be analysed by grouping them under four periods, as presented in the following table.

**Table 23.3: Disinvestments of CPEs**

During 1991-92 to 2004-05

<b>Period</b>	<b>Targets (Rs. Crore)</b>	<b>Actual Receipts (Rs. Crore)</b>
Phase I 1991-92 to 1997-98	29,300	11,251
Phase II 1998-99	5,000	5,371
Phase III 1999-00 to 2003-04	58,500	28,258@
Phase IV 2004-05 onwards	4,000	2,768
<b>TOTAL</b>	<b>96,800</b>	<b>47,645</b>

Characteristics of disinvestments for the four periods are as under:

### i) Period I - 1991-92 to 1997-98

CPEs disinvestments got a-boost from the Industrial Policy of 1991, and as a part of economic reforms, government holdings in **selected public** enterprises were to be disinvested up to 20 per cent of equity in mutual funds, investment institutions in public sector, including sale or transfer to employees of these **enterprises**. Disinvestment was pursued in order to raise resources; introduce market sensitivity to improve the **performance** of the enterprises and; for attracting wide public participation.

Disinvestment process involved auction under which bids were invited for shares having a minimum reserve price for each script — except that in the first year, bids were invited for a 'bundle' of shares, with each bundle comprising of nine 'very good', 'good' and 'average' companies. Bids were initially opened to public sector banks, insurance companies, UTI. Bids were opened to private agencies during 1992-93 and to **approved Foreign Institutional Investors (FIIs)** also from 1993-94 onwards. The government had not laid-down any minimum number of shares offered for sale and there was no underwriter, as had been the practice in the UK.

Disinvestment was a part of annual budgetary exercise and the sale process was to be carried out during the period of validity of the **budget**. A **Disinvestment Commission** was set up in 1996 as an advisory body to draw up an overall long-term disinvestment programme for the Public Enterprises (PEs) referred to it; or to determine the extent of disinvestments and to recommend the preferred model(s) of disinvestments in the overall interest of shareholders, employees and other stakeholders. As an advisory body, the Commission identified enterprises for disinvestments; laid down the extent and mode of disinvestments and issues relating to grant of autonomy. By August 1999, the Commission made **recommendations** on 58 PEs and the **recommendations** indicated, as discussed later, a shift from public offerings to **strategic/trade** sales with transfer of management.

Disinvestment during the early period led only to sale of 'fractional equity' of selected enterprises without any change of management, control or ownership. In fact, disinvestments had been confined mainly to profitable enterprises and that too about half of the total realisation had been from the **disinvestments** of five enterprises, namely, BPCL, HPCL, SAIL, ONGC, MTNL. Still, such sale of fractional equity did not result in **privatisation** of PEs, nor did it bring in **positive** effects like **managerial autonomy**, or introduction of market forces, as there was very little trading for such securities listed on stock exchanges.

To quote from The Economist (1995), "Partial disinvestments of equity in the public sector enterprises fails to address the efficiency problem, it has no impact on ownership, control and management.... It has been used more as a fiscal tool in order to raise cash to finance the government deficit, rather than to improve the efficiency of enterprises operations.... There is also the danger that such an approach can be a temptation to privatise badly, and to postpone the more difficult but much needed longer term fiscal reforms".

In short, this period of disinvestments had a 'passive' or 'silent' approach having no visible or significant impact on economic reforms.

### ii) Period II - Year 1998-99

In the budget speech for the year 1998-99, the then Finance Minister also referred to government decision of bringing down the governments shareholdings in public enterprises to 26 per cent other than enterprises of strategic importance and in the case of enterprises involving strategic considerations, the government was to continue to retain majority holding.

During the year, there were differential alternative proposals of disinvestments which included Special Purpose Vehicle (SPV), sale of shares to financial institutions, buy-back of shares and share cross-

holdings. Disinvestment during the year was mainly through shares cross-holding among IOC, ONGC and GAIL.

This strategy of equity swap, first of its kind, which was expected to have synergic effect on the enterprises' operations, had a dampening effect on the prices of the scripts swapped.

Further, as in the earlier period, the disinvestments had no positive effect on economic reforms.

### iii) Period 111 - 1999-00 to 2003-04

The expression 'privatisation' was used for the first time in the budget speech for the year 1999-2000. The policy towards public sector enterprises was to encompass a judicious mix of **strengthening** strategic units, privatising non-strategic ones through gradual disinvestments or a strategic sale, and devising viable rehabilitation package for weak units. For purposes of disinvestments, public enterprises (PEs) were classified as strategic and non-strategic, and following were reserved as strategic areas:

Arms and **ammunitions** and allied items of defence equipment, defence air crafts and warships;

- Atomic energy (except in certain areas); and
- Railway transport.

List of CPEs under the strategic list are given in table 23.4. Thirteen CPEs in the strategic list include four enterprises, which were earlier (1996) referred to the Disinvestment Commission (but later withdrawn) and of which one had been referred to the BIFR.

**Table 23.4: List of CPEs Under the Strategic List**

Sl.No.	Name	Industry
1.	**Hindustan Aeronautics Ltd.	Transp. Equip.
2.	Airports Authority of India.	Transp. Equip.
3.	*Bharat Electronics Ltd.	M & L Engg.
4.	Nuclear Power Corpn. of India Ltd.	Power
5.	Bharat Dynamics Ltd.	M & L Engg.
6.	"Garden Reach Shipbuilders. and Engg. Ltd.	Transp. Equip.
7.	Indian Rare Earth Ltd.	Minerals & Metals
8.	*Bharat Earth Movers Ltd.	Transp. Equip.
9.	Mazagon Dock Ltd.	Transp. Equip.
10.	Uranium Corporation of India Ltd.	Minerals & Metals
11.	Antrix Corporation Ltd.	M & L Engg.
12.	Mishra Dhatu Nigam Ltd.	Steel
13.	Konkan Railways Corp. Ltd.	Contr. & Constr. Serv.

\* Withdrawn from the First List (September 1996) to Disinvestment Commission.

\*\* Withdrawn from the First List (September 1996) to Disinvestment Commission. Referred to BIFR.

Source: <http://www.disinvest.gov.in/disinvest/>

All other PEs were to be considered non-strategic and for these reduction of government stake would not be automatic and the manner and pace of disinvestments would be decided on a case by case basis. However, decision as regards the percentage of disinvestments, that is, to bring down government stake to less than 51 per cent or to 26 per cent were to be taken on the basis of the following considerations:

- Whether the industrial sector requires the presence of the public sector as a countervailing force to prevent concentration of power in private hands?
- Whether the industrial sector requires a proper regulatory mechanism to protect the consumer interests before public enterprises are privatised?

Further, during 2000-01, it was decided to reduce government stake in non-strategic CPEs even below 26 per cent. However, disinvestments during this period were characterised as 'strategic' sale, whereby, a substantial stake in an enterprise was sold along with the management control to a bidder who was expected to complement the existing strength of the enterprise with a view to impart a long-term viability.

A Department of Disinvestment was established in 1999 under the charge of a Minister to lay down a systematic policy approach to disinvestments and privatisation, and to give an impetus to the disinvestment programme. After this, there had been a strategic sale of shares, of a number of PEs, resulting in the transfer of management control and also privatisation of enterprises. These enterprises included, Modern Food Industries, Hindustan Zinc, IPCL, BALCO, CMC, VSNL, IBP, PPL, HTL. Details of strategic sale of PEs are presented in Table 23.5. In addition, there are a number of enterprises, which are on the anvil of disinvestment; these are listed in table 23.6.

**Table 23.5: Strategic Sale – Central Public Enterprises**

S. No.	Public Enterprise	Equity	Accru- als	Buyer	Paid up Capital@	Net Worth@	Employe- es@
		Sold %	(Rs. Crores)		(Rs. Crores)	(Rs. Crores)	(Nos.)
1	Lagan Jute Machinery Company Ltd. (LJMC)	74	2.53		76.53	5	395
2	Modern Food Industries Ltd. (MFIL)	100	149	HLL		30	2301
3	Bharat Aluminium Company Ltd. (BALCO)	51	826.5	Sterlite	489	913	7294
4	CMC Ltd. (CMC)	.51	158.07	Tatas	15	46	3025
5	HTL Ltd. (HTL)	74	55	Himachal Futuristic	15	45	1171
6	IBPLtd. (IBP)	33.58	1153.7	IOC	22	310	2723
7	Videsh Sanchar Nigam Ltd. (VSNL)	25	3689	Tatas	95	542	2975
8	Indian Tourism Development Corpn. (ITDC) 19 Hotels		444.1	Bharat Hotels & Others	67	264	7890
9	Hotel Corp. of India Ltd. (HCI) 3 Hotels		242.51		40	57	4066
10	Paradeep Phosphates Limited (PPL)	74	151.7	Zuari- Maroc	337	337	1092
11	Jessop	72	18.18	Ruia Cotex	87	88	3285
12	Hindustan Zinc Limited (HZL)	44.92	775.07	Sterlite Inds	422	980	11,851
13	IPCL	26	1490.8	RIL	248	3030	13,402
14	Maruti Udyog Limited (MUL)		1000	Suzuki			
15	STC		40*				
16	MMTC		60*				
			10257.19				

Sources: Department of Disinvestment site- <http://www.disinvest.gov.in/disinvest/>  
Economic Surveys previous years

@ Public Enterprises Survey - Vol I to III - 1999

\*Receipts on account of transfer of cash reserves

**Table 23.6 : Other CPEs which are on the Anvil for Disinvestment**

Sl.No.	Name of the Organisation
1.	Air-India Limited (AI)
2.	Engineering Project (India) Limited (EPIL)
3.	Hindustan Cables Limited (HCL)
4.	Hindustan Copper Limited (HCL)
5.	Hindustan Organic Chemicals Limited (HOCL)
6.	Hindustan Salts Limited (HSL)
7.	Indian Airlines Limited (IA)
8.	Madras Fertilisers Limited (MFL)
9.	Minerals and Metals Trading Corporation of India Ltd. (MMTC)
10.	National Fertilisers Limited (NFL)
11.	Shipping Corporation of India Limited (SCI)
12.	Sponge Iron India Limited (SIIL)
13.	State Trading Corporation of India Limited (STC)
14.	MECON Limited
15.	National Aluminium Company Limited (NALCO)
16.	Tungabhadra Steel Products Limited (TSPL)
17.	Burn Standard Company Limited
18.	Braithwaite and Company Limited
19.	BPCL
20.	HPCL

**Source:** Economic Surveys, Government of India

A strategic sale agreement normally contained safety provisions like, 'claw back' provision, or 'post-closure adjustment' or provisions for the use of assets, or terms of employment for the existing employees of the unit divested. The claw back provision gives a right to the government to share in future profits and specify the period of such sharing. Similarly, the post-closure adjustment clause entitles the successful bidder to claim refund for the losses incurred by the enterprise from the date of last published financial results till the date when the bids were invited from the bidder. Estimated refunds on account of post-closure adjustment in respect of BALCO and MFL were Rs. 8 crores and Rs. 16 crores, respectively. In addition, the government had collected special dividends from certain cash-rich enterprises, like VSNL, MMTC, STC, EIL, and also control premium for MUL; these are included in the disinvestment realisations shown in tables 23.2, 23.3 and 23.5. Strategic sale as shown in table 23.5 included three enterprises (namely, PPL, LJMC, MFL) running into losses, and it resulted in disinvestment proceeds of Rs. 10,257 crores, accounting for transfer of approximately 40 per cent of total equity of the enterprises.

In short, government's policy towards public sector was amplified in the budget speech of the Finance Minister for the year 2000-01. It elaborated on disinvestment/privatisation/public sector restructuring as:

- Restructure and revive potentially viable PEs.
- Close down PEs, which cannot be revived.
- Bring down government equity in all non-strategic PEs to 26 per cent or lower, if necessary.
- Fully protect the interests of workers.

Government policy towards public sector and disinvestments is well portrayed by the address of the then President, Shri K.R. Narayanan, to the Joint session of the Parliament in February, 2002. Excerpts from the address are: "The public sector has played a laudable role in enabling our country to achieve the national objective of self-reliance. However, the significantly changed economic environment that now prevails both in India and globally makes it imperative for both the public sector and the private sector to become competitive. Learning from our experience, especially over the last decade, it is evident that disinvestments in public sector enterprises is no longer a matter of choice, but an imperative. The prolonged fiscal haemorrhage from the majority of these enterprises cannot be sustained any longer. The disinvestments policy and the transparent procedures adopted for disinvestments have now been widely accepted, and the shift in emphasis from disinvestments of minority shares to strategic sale has yielded excellent results. The Government has taken two major initiatives to improve the safety net for the workers of PSUs. The first enhanced VRS benefits in those PSUs where wage revision had not taken place in 1992 or 1997. The second increased training opportunities for self-employment for workers retiring under VRS."

Similarly, the privatisation policy of the government as summarised in a statement laid before the Parliament on December 9, 2002 states, "... the main objective of disinvestment is to put national resources and assets to optimal use and in particular to unleash the productive potential interest in our public sector enterprises".

#### iv) Period IV — 2004-05 Onwards

During this period, the government stated its policy of commitment towards a strong and effective public sector, and that profit-making public enterprises, in general, were not to be privatised; disinvestments was to be made for a fractional equity holdings; and the earlier policy of strategic sale was shelved. A National Investment Fund (NIF) was constituted into which the realisation from the sale of minority shareholdings of the government in profitable PEs was to be channelised. The NIF was to be maintained outside the Consolidated Fund of India and was to be used for social sectors like education, health care, and employment or for revival of PEs. The disinvestment proceeds during the period were Rs 2,764 crores against the target of Rs 4,000 crores. The proceeds were mainly from the disinvestments of 5.25 per cent shares of NTPC by adopting the 'piggy back' method.

Thus, disinvestments of CPEs over the years 1991-92 to 2004-05 yielded Rs. 47,645 crores against the target of Rs. '96,800 crores, and a greater part of it was realised in the later years, with the adoption of the policy of strategic sale of enterprises. The strategic sale resulted in transfer of management control of the enterprises to the strategic buyer, though this process of disinvestments had not been without controversies and resistance from employee unions and local government authorities. The resistance was mainly on political grounds and less on economic considerations. The Supreme Court observed, in its order dated December 10, 2001, with regard to BALCO disinvestments: "Thus, apart from the fact that the policy of disinvestments cannot be questioned as such, that the facts herein show that fair, just and equitable, procedure has been followed in carrying out this disinvestments". Similarly, differences within the government, and more specifically between the Disinvestments and Petroleum ministries on the quantum of shares to be off-loaded and mode of sale, or giving 'strategic' status to certain oil companies, and other details. This highlights the need for political as well as economic justifications of strategies towards disinvestments. .

Political justification of disinvestments warrants that resources are to be owned and managed by people, commonly known as 'popular capitalism' as in the UK. It goes by the principle that government should not interfere in the management of business; rather it should concentrate on 'governance' or regulatory function. It raises a question, is there a political consciousness of

disinvestments among the various major political parties in the country? Or is there political mandate on disinvestments or controversies on disinvestments of BALCO or HPCL or BPCL? Or whether prior Parliament approval is required for disinvestments of enterprises, which were set up by Parliamentary enactment? Or was there any resistance by state governments when the project had been earlier cleared by the Central government? All these issues emphasise the need for political justification.

Disinvestment can be justified on economic grounds as it lessens the burden on government finances. It is also expected to lead to faster economic growth by facilitating technology up-gradation through investment by the private sector in public enterprises whose performance is below par. Further, it encourages greater professionalism in the management of enterprises and frees them from political interference and bureaucratic shackles. Disinvestment would also enable government to mobilise funds, which could be used to reduce debt burden or to take up projects of social and community welfare.

### **23.3 DISINVESTMENTS: STATE-LEVEL PUBLIC ENTERPRISES**

Various state governments initiated steps for privatisation/liquidation/restructure of their public enterprises. As mentioned earlier, 911 state-level public enterprises (SLPEs) were estimated to have an investment of Rs. 2,21,653 crores. Table 23.7 presents details of investment and status of working of PEs in various states. Data from table 23.7 shows that a sizeable number of SLPEs (about 63% of the total) were non-working or were running on losses, for Haryana, Rajasthan, and Andhra Pradesh the corresponding percentages were 31, 38 and 55 respectively. For the other states (Maharashtra, West Bengal, Orissa, Madhya Pradesh, Punjab, Himachal Pradesh, Assam) the proportion of the non-working or loss-making enterprises was around two-thirds of the total. Aggregate data for all the states reveals that about 37 per cent of the non-working or loss making enterprises were identified for restructure (privatisation/disinvestments/liquidation); the ratio was on the higher side for states like Andhra Pradesh, Karnataka, Orissa, Madhya Pradesh, Himachal Pradesh and Haryana. This indicates that a large number of states were actively considering restructuring of their PEs and have in fact initiated steps towards PE reforms. It should be noted that a very small number of enterprises in Rajasthan and Tamil Nadu were running on profits. Accumulated losses from PEs for all the states put together were approximately 14 per cent of the total investment.

A number of states had initiated economic reforms or PE reforms, including their restructure, and some had appointed disinvestments commissions. These states include, Andhra Pradesh, Gujarat, Haryana, Himachal Pradesh, Jammu and Kashmir, Karnataka, Maharashtra, Manipur, Orissa, Punjab, Rajasthan, Tamil Nadu, and Uttar Pradesh. Further, states like Andhra Pradesh, Orissa and Madhya Pradesh have been utilising assistance from multilateral agencies like the World Bank, Asian Development Bank, and DFID for PE restructure or VRS for employees. Most of the states have been utilising financial assistance from B.I.F.R. States like Andhra Pradesh, Karnataka, Maharashtra, West Bengal, Madhya Pradesh, Punjab, Rajasthan and Orissa had initiated measures towards privatisation or disinvestments. Despite the SLPEs being a drastic drain on state resources, a number of states had sizeable budgetary outgo on SLPEs in terms of grants/subsidies, guarantees and waiver of dues and conversion of loans into equity. For six states, these amounts are estimated at Rs. 7,961 crores for the year 2000-01, the corresponding figures for the years 1998-99 and 1999-2000 were Rs. 4,694 crores and Rs. 4,652 crores, as shown in table 23.7.

**Table 23.7 : Budgetary Outgo: Grants/Subsidies, Guarantees,  
Waiver of Dues and Conversion of Loans into Equity**

(Rs. In Crores)

State	1998-99	1999-2000	2000-01
Assam	155	92	117
Haryana	694	848	1206
Karnataka	1341	1771	3974
Kerala	371	269	211
Orissa	336	279	98
West Bengal	1797	4647	2355
<b>TOTAL</b>	<b>4694</b>	<b>4652</b>	<b>7961</b>

Salient features of restructureof SLPEs in various states are as under:

#### i) **Rajasthan**

There were 24 SLPEs having an investment of Rs. 11,576 crores, and only 15 were showing profits. The Re-organisation, Strengthening and Disinvestments Committee studied 21 LSPEs, and the government decided to close/privatise six enterprises.

#### ii) **Uttar Pradesh**

The State has 41 SLPEs with a total investmentof Rs. 17,773crores, of which approximately 30 per cent had been lost; and as a step towards economic reforms, 27 SLPEs were identified for disinvestments or restructure.

#### iii) **Haryana**

The State has 41 SLPEs with a total investmentof Rs. 443 crores, of which approximately 87 per cent was estimated to have been lost. Fourteen enterprises were non-functional or were running on losses, and 22 enterprises were identifiedfor disinvestments, restructuring or winding up and a number of these had been closed after sanctioning VRS benefits to employees.

#### iv) **Himachal Pradesh**

There were 21 SLPEs involving an investmentofRs. 3,143 crores and of these 15 enterprises were identifiedfor disinvestments or restructuring, and many enterprises were non-functional or were running on losses.

#### v) **Punjab**

The State has 53 SLPEs with a total investmentof Rs. 12,425 crores; of these 25 enterprises were running on losses and 23 were non-functional.Five enterprises were closed down and leasing out to private parties through management contracts; and privatised a few others.'

#### vi) **Madhya Pradesh**

There were 26 SLPEs with a total investment of Rs. 7,923 crores, of these 23 were either running on losses ornon-functional.Fourteen enterprises were identifiedfordisinvestments with assistance from the ADB for VRS or a social safety net programme.

vii) **Orissa**

There were 68 SLPEs, with an investment of Rs. 9,796 crores; of these 52 enterprises were either non-working or were running on losses. The amount of losses was estimated to be 12 per cent of the investment. Twenty seven enterprises were identified for disinvestments, and a number of measures including reforms in the power sector, had been initiated.

viii) **Maharashtra**

There was a total investment of Rs. 19,186 crores in 65 SLPEs in the State; of these 60 were non-working or were running on losses. The State Government decided on **disinvestment**, with reduction of government holdings to 49 per cent, which was later reduced to 26 per cent. In addition, a number of enterprises were identified for **restructuring**.

ix) **Gujarat**

These were 54 SLPEs, having an investment of Rs. 23,438 crores, and of these 24 enterprises were identified for restructure or disinvestment. Of the 24 enterprises identified for disinvestment, six loss-making enterprises were to be closed along with VRS to employees. Full privatisation was proposed for four enterprises and partial privatisation for four others. It was also decided to provide social safety net through VRS to employees.

x) **Tamil Nadu**

Of the 59 enterprises, with a total investment of Rs. 6,192 crores, only 26 were showing profits. The government decided to set up Disinvestments Commission for disinvestments of profit-making enterprises and privatisation of loss-making ones. As a step towards **restructuring** PEs, seven units of Tamil Nadu Small Industries Corporation were closed: and 21 State Transport Corporations were reorganised into seven units.

xi) **Andhra Pradesh**

There were 128 SLPEs with an investment of Rs. 48,794 crores, of which Rs. 2,919 crores had been lost. Fifty five per cent of the enterprises were either running on losses or were non-functional. Many enterprises have been disinvested, granting VRS to 16,436 employees.

xii) **Kerala**

Though a small state Kerala had 109 SLPEs, with a total investment of Rs. 9,805 crores, and of these 65 were either **non-functional** or were running on losses.

xiii) **Karnataka**

Of the 82 SLPEs, having an investment of Rs. 21,209 crores 33 were earning and generating profits, and the remaining ones were either running on losses or were not functioning. As part of the exercise in economic reforms the state has identified the SLPEs, which have become a recurring burden on the state exchequer. Following this, the **Karnataka Government** has decided to privatise or close 15 SLPEs in a phased manner, and disinvestment of the equity of a few others.

## 23.4 DISINVESTMENT POLICE ANALYSIS AND RECOMMENDATIONS

Disinvestment as a means to PE reforms, restructure and privatisation started in the early 1990s with the objective to raise resources, to broad base the equity, improve management, or to provide market discipline to the performance of the enterprise. In early years, disinvestments was for a 'fractional equity' or sale of only minority shares without any change of ownership or control; the sale was by inviting bids from mutual funds, public sector banks and FIIs. Later, during 1999 to 2003, there was a shift in emphasis from disinvestments of minority share sale to strategic sale by transferring control to private enterprise with or without change of ownership; again during 2004-05 onwards, disinvestment policy was changed with sale of fractional equity and there was to be no strategic sale involving transfer of ownership/control. In short, disinvestment policy took a full turn from fractional sale to strategic sale to and back fractional sale.

Over the years, the disinvestment process was institutionalised by setting up the Department of Disinvestment in 1999 under the independent charge of a minister. The Department adopted the policy of disinvesting government shareholdings through strategic sale. The strategic sale of 13 CPSEs (in addition, management control in MUL was transferred to Suzuki for Rs. 2,424 crore) and fractional sale in 34 others since 1991 resulted in disinvestment proceeds of approximately 22 percent of the total of Rs. 47,645 crores; it amounted to transfer of approximately two-fifths of the equity capital. Realisation under strategic sales was about ten times that of the equity capital transferred and in about half of the cases equity transfer was more than 50 per cent, including three enterprises running into losses. However, Hindustan Zinc Ltd (HZL) was the first instance where the government ceded management control to Sterlite Company even while it retained approximately 50 per cent stake. Since disinvestment, the performance of the Hindustan Zinc has improved by increasing production and efficiency through de-bottlenecking and cost cutting. On an operational basis, between fiscal year 2001-02 and 2005-06, the production has increased by 60 per cent while earnings per share have increased twenty times. A significant growth has been observed in capital investment, which went up from Rs 19 crore to Rs 214 crore per year, peaking at Rs 1,036 crore during 2004-05. The government, along with the public shareholders, gained a lot from the transaction in addition to the money it received at the time of privatisation. The Central Tax proceeds increased from Rs 210 crore to Rs 1,200 crore over four years. The state exchequer also has seen similar gains. Even shareholders have gained as the share price has risen from Rs 37 to Rs 585, after achieving a peak of Rs 750 in early 2006. (Bajjal, 2006)

The successful strategic bidders included Reliance India Ltd. (for IPCL), Tatas (for CMC and VSNL), Sterlite (for HZL and BALCO), Hindustan Levers Ltd. (for MFIL), Suzuki (for MUL), and IOC (for IBP). The IBP sale to IOC was not a case of privatisation, though it could be argued as a case of restructuring. It was certainly a case of unintended nationalisation resulting in strengthening of IOC, which already accounted for 40 per cent market share of petroleum products (while the remaining share was enjoyed by BPCL and HPCL 40 per cent and 20 per cent respectively). The IOC bid price was approximately four times that of the reserve price of Rs. 455 per share.

In order to ensure that transfer of management control under the strategic sale arrangement, with or without majority ownership transfer, does not lead to the creation of a monopoly a strong regulatory mechanism is necessary. One such instance of gaining monopoly was that of Sterlite Industries, which on acquisition of HZL, became one of the major global players in the non-ferrous mining and metals business.

As mentioned earlier, a strategic investor as per a special agreement, gives the government a veto power on critical issues and the **strategic investor** is required to consult the government on matters regarding sale, lease, exchange or disposal of existing assets or taking up a new line of business.

Similarly, privatisation of PEs or transfer of management control would lead to consideration of issues, such as, reservations in employment for certain categories, or promotion of national language, or 'nodal agency status' of an enterprise for preference in supply of goods and services to other departments.

What about continuance of **some** of the pre-existing facilities in **post-disinvestment** scenario? For example, as a nodal agency the Shipping Corporation of India (SCI) has a preference in supply of services to other departments; one is not sure as to whether on strategic sale of SCI, the successful bidder would enjoy this preference.

Further, there is need to spell out policy regarding the management of minority government shareholdings in the post-disinvestment period.

As a matter of accepted policy, disinvestments proceeds have to be used for meeting of expenditure in social and infrastructure sectors, **restructuring** of PEs and retiring of public debt; accordingly, 'Disinvestment Fund' was set up (during 2002-03) or 'National Investment Fund' was set up (during 2004-05). But we are not sure as to the extent to which the **disinvestments** proceeds are used for financing the purposes intended or diverted for meeting fiscal deficit.

There should be a time-frame for implementation of policies formulated for revival of PEs, or for improvement of their performance, or for reduction of burden on the national exchequer. Similarly, in order to activate the economic reform process, there is a need to lay down the policy to bring in a measure of privatisation of departmental enterprises like ordinance factories (39 in number) to improve their efficiency and productivity. At present, they operate under the purview of Ordinance Production Board and are entirely dependent on the national exchequer for funds.

Further, as regards the states, about 63 per cent of the PEs has been non-functional or running on losses. One striking feature is that a large number of states have initiated measures towards economic reforms, or restructure of public enterprises, or have set up **disinvestment commissions**.

In order to smoothen and accelerate the privatisation and disinvestment process, there is a need to build national consensus so that a decision to disinvest or privatise a particular enterprise should be a national decision and political considerations should not deter such disinvestments. There is also need for co-ordination between the Centre and States to disinvest or privatise once the proposal is agreed upon.

As a step towards coordination between the Union and State Government for purposes of disinvestments and restructure of PEs, there should be a system of **Memorandum of Understanding** (MOU) similar to that of power sector reforms, identifying their respective commitments and roles in this regard. The MOU would also spell out the nature and extent of central assistance for **restructuring/revival** or for VRS schemes, etc. Further, there should be a system of **time-bound** clearances from the state government concerned so as to attract more bids for a strategic sale. Such procedures would prevent the mixing of political considerations with economic ones. Public representatives like MPs or MLAs, irrespective of their party affiliations, should shoulder the responsibility for articulating public opinion on **disinvestment/privatisation** of an enterprise falling in their respective constituencies.

At present, disinvestment is a part of annual budgetary exercise of the government and exerts pressure to achieve the target before the end of the financial year. Disinvestment programme for a longer period, say five years, as recommended by the Disinvestment Commission, will be a desirable step to improve investor confidence and to avoid crowding on the capital market. It would also be helpful in terms of costs and time. This would entail a separate enactment to enable the government to acquire or dispose of business or property, perhaps a task not easily possible in the present democratic set-up having governments of diverse political orientations. It may also cause problems when the five-year stretch overlaps with the tenure of political regimes.

No doubt, strategic sale of enterprises has resulted in change of ownership of PEs, it has also changed management control and is reported to have improved the operational performance of enterprises like, HZL, MFL, especially because of efforts to woo workers to VRS.

Lastly, change in the disinvestment policy over the years, as discussed above, raises a few questions, such as, the following:

What is the overall policy of the union and state governments regarding public enterprises?

To what extent is disinvestment an economic exercise, and to what extent it is influenced by political expediency?

Is disinvestment viewed as revenue-raising exercise or an exercise to improve the working of PEs?

What are the implications of privatisation?

What are the hurdles in granting greater autonomy to PEs?

## 23.5 CONCLUSION

In this Unit, we have discussed the policy process with special reference to disinvestment policy in India. The economic reforms of 1991-92 initiated steps for restructuring/privatisation/sale of equity of some PEs on various economic grounds so as to reduce the burden on the government exchequers since many PEs have not been functioning, or incurring heavy losses. The strategy, economics, and administrative exercise behind the policy process have been analysed. Disinvestment of the Central Public Enterprises (CPEs) has been described for each of the four phases.

In the case of State-Level Public Enterprises, the salient features of restructure of some SLPs in various states have been described. Lastly, the problems in the policy process of disinvestments have been analysed, besides highlighting important problems and major recommendations.

## 23.6 KEY CONCEPTS

**Auction disinvestments** : In this type of disinvestment, selected banks and financial institutions are invited to bid for tenders as per norms. The successful bidders, in their turn, offload the shares purchased in the stock market. This process of disinvestment does not lead to broad basing the equity holding pattern of public enterprises until the shares are listed on a stock exchange, and are made available to the public. This process of disinvestment of shares is relatively less cumbersome, which involves less administrative expenses and results in higher realisation.

- Piggyback method** : Under this method, government simultaneously approaches the stock market along with the public enterprise for a public issue. This method has the advantage of higher realisation from the issue and is reported to be quicker and less expensive.
- Public floatation** : The method of disinvestment of shares to the public through stock market is commonly termed as public floatation, which is normally followed by private sector companies and involves high publicity and other floatation expenses.
- Share-cross holding** : It refers to the selling of the shares of one public enterprise to another public enterprise in the disinvestment process.
- Shares to employees** : Disinvestments can also be by offering shares to employees or workers' co-operatives. Various Eastern European countries like Hungary and Argentina disinvested shares to employees by issuing them 'vouchers', which entitle them for a certain number of shares against a specific price.
- Trade investment** : Trade investment or 'buy out deals' are also called strategic sale under which shares are sold as a process of negotiation to organisations, domestic or foreign, engaged in similar business. This method is suitable for industries of specialised nature like telephone or telecommunication, electricity generation, or airlines.

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## 23.8 ACTIVITIES

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- 1) 'Disinvestments lead to privatisation' Critically comment.
- 2) How does disinvestment by 'sale of minority share' differ from 'strategic sale'? Discuss the political and economic implications of both.
- 3) Describe the process of disinvestments of the Central Public Enterprises in India from 1991 to 2005.
- 4) Describe briefly the salient features of the disinvestment process of State-Level Public Enterprises with reference to any four states in India.
- 5) Discuss the various problems and controversies associated with disinvestment of public enterprises in India, and offer your suggestions in this regard.

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# **UNIT 24 TELECOM POLICY: A CASE STUDY OF INDIA**

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## **Structure**

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- 24.2 Telecom Sector: Broad Policy Framework and Status
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- 24.4 Telecom Policy: Findings and Suggestions
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## **24.0 LEARNING OUTCOME**

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After studying this Unit, you should be able to:

- Understand the reasons for great strides in growth and expansion of telecom sector in India;
- Describe the telecom policies in India;
- Analyse the telecom policies and their impact on the telecom sector; and
- Recommend suitable measures to boost the growth and development of the telecom sector.

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## **24.1 INTRODUCTION**

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Telecommunication is vital for providing connectivity between producers and markets, clients and service providers, exporters and importers, government functionaries and citizens, public and private organisations. The telecom services have also been recognised as an important tool for socio-economic development. With economic liberalisation and the likelihood of large investments flowing into India, new demands of business have spurred many telecom-based technological innovations for competing in global markets.

Telecommunications is one of the fastest growing sectors in India. With 125 million telephone networks, including mobile phones; it is one of the largest networks in the world. However, telephone penetration rate continues to be low at 11.32 phones per hundred population. Major initiatives

undertaken to improve the system and telecom policy include the opening up of international long distance tariff, permitting internet telephony, setting up a mechanism for Universal Social Obligations, permitting a fourth operator in the cellular mobile segment, commissioning of National Internet Backbone, and providing Village Public Telephone Service in rural areas. Under the New Telecom Policy (NTP) private and public sector companies, operating in a competitive market, provide the telecom services.

In this Unit we will give an overview of the various organisations involved in the Indian telecom sector, and assess the policy initiatives of the government. Attempt will be made to discuss telecom policies and consequences of policy changes on policy implementation, response of organisations, and the level of success achieved. In view of the new telecom policy, we will discuss the key policy issues that still need to be resolved to fully achieve the objectives set out.

## **24.2 TELECOM SECTOR: BROAD POLICY FRAMEWORK AND STATUS'**

The Indian Telegraph Act 1885, and the Wireless Telegraph Act 1933 predominantly governed the telecom sector. These Acts had been modified several times. Earlier the telecom sector was a state monopoly. The Department of Telecommunications (DoT), under the Ministry of Communications, administered the telecom services. In this regard, planning, engineering, installation, maintenance, management, and operations of telecom services were managed by the DoT. This Department also lay down and monitored adherence to technical standards, and managed frequency usage.

At present, DoT is responsible for policy formulation, performance review, monitoring, international cooperation, research and development, and grant of licenses to operators for providing basic and value-added services as per approved policy of the government. The Department also allocates frequency and manages radio communications in close coordination with the international bodies. Apart from this, it is also responsible for enforcing wireless regulatory measures and monitoring the wireless transmission of all users in India. The following units cooperate, co-ordinate, and contribute in providing affordable and effective services to the customers.

### **DoT-Units**

- Public Sector Units
  - Bharat Sanchar Nigam Limited (BSNL)
  - Indian Telephone Industries Limited (ITI)
  - Mahanagar Telephone Nigam Limited (MTNL)
  - Telecommunications Consultants India Limited (TCIL)
- Other Units
  - Wireless Planning & Coordination Wing (WPC)
  - Telecom Engineering Center (TEC)
  - Controller of Communication Accounts (CCA)
- R&D Unit
  - Center for Development of Telematics (C-Dot)

Earlier, telecom sector was characterised by outdated equipment, under-investment, and unfocused growth. Therefore, the government made efforts to revise the policy, regulation, and structure of the telecom sector. The main imperatives for reforms were the overall trend of economic liberalisation and the technological advances. In this regard, the DoT has been formulating developmental policies for the accelerated growth of telecommunication services in India.

Under the DoT, Telecom Consultants India Ltd. (TCIL) was incorporated on March 10, 1978. The TCIL has since then been engaged in adopting world-class communication and IT technologies for catering to the local needs of countries, mainly in the developing world. It is undertaking projects in all the fields of telecommunications and IT in India and abroad. The TCIL has also revitalised and restructured the IT Division from software development to take part in IT & Networking Projects and made this a thrust area of development. Its successful high-tech initiatives include E-Governance Network Local Area/Wide Area Network Projects, Telecom Support Systems, Value Added Services, Setting up of Cyber City, Call Centre, and Fibre To The Home (FTTH) and Broadband Networks.

The telecom sector has undergone a major process of transformation through significant policy reforms, especially beginning with the announcement of NTP 1994. Initially the process of expansion of the network was rather slow, being owned and managed by the Government. .

By the early 1990s, the assumption that telecommunications is best run as a state-owned monopoly was challenged and telecom reforms began.

#### i) First Phase – 1980-1990

In India, telecom reforms began in the 1980s with the launch of a "Mission-Better Communication" programme. In 1984, private manufacturing of customer premise equipment was allowed and the C-DOT was established to initiate and manage research in the switching and transmission segments for the development of indigenous technologies. Subsequently, in 1985, the government bifurcated the Department of Post and Telegraph by setting up the Department of Posts and the Department of Telecommunications, which was an important step towards reforms.

The DoT was managing the telecom operations of the entire country, and private franchises were freely given for Public Call Offices (PCOs) that offered local, domestic, and international call services. Even then their approach towards acceptance and induction of new technologies with very little customer orientation was a major obstacle to the growth of telecom sector. As a result, to improve the system, MTNL and VSNL spun off in 1986 from the DoT. The MTNL took over the operation, maintenance, and development of telecom services for Delhi and Mumbai. The VSNL was set up with the objective to plan, operate, develop, and accelerate international telecom services in the country. These corporate organisations were created to allow decision-making, autonomy, and flexibility; and facilitate public borrowings, which began the process of corporatisation of services. However, policy formulation, regulation, and key decision areas remained with the DoT.

In 1989, a high-powered Telecom Commission was created with administrative and financial power of the government to formulate and regulate policy, and prepare the budget for the DoT. The Telecom Commission was setup by the Government of India (vide Regulation dated April 11, 1989). This Commission consists of a Chairman, four full-time members (ex-officio Secretaries to the Government of India in the DoT) with each one managing technology, production, services and finance; and four part-time members (Secretaries to the Govt. of India), that is, Secretary (Information Technology), Secretary (Finance), Secretary (Planning Commission), and Secretary (Industrial Policy and Promotion). The Telecom Commission is involved in policy formulation, review of performance, licensing, wireless spectrum management, administrative monitoring of PSUs, research, and development and standardisation/validation of equipment and international relations.

#### ii) Second Phase – 1990-1997

The early nineties phase of reforms commenced with the general liberalisation of the economy and announcement of a New Economic Policy (NEP) 1991.

In 1991, the telecom equipment manufacturing was delicensed, and in 1992 value-added services were declared open to the private sector. It followed radio paging, cellular mobile, and other value-added services, which were opened gradually to the private sector. In 1994, the National Telecom Policy (NTP) was announced. The major thrust was on universal service and qualitative improvement in telecom services and also, opening of private sector participation in basic telephone services.

Since 1995, there had been pressure from international organisations, such as, the WTO, to review the status of VSNL and the DoT's monopoly in long distance communication. VSNL continued to have monopoly over international telecom and broadcast transmission.

In the Eighth Five-Year Plan (1992-97), the government substantially increased the outlay for telecom sector. It included an investment of about telecom US\$6,000 million, increase of telephone lines from 5.2 million to 10.7 million, and extending the area of operations in terms of route-kilometres from 59,000 to 1,05,000. The government included Telecom as a part of technology mission, a set of dedicated, welfare-oriented, and well-focused programmes being implemented at the national level. Even then the government could not provide commensurate level of benefits due to the diversity in types of switching technology and transmission media. Moreover, meagre government investments on basic infrastructure for rural areas and on provision of integrated digital services network did not result in noteworthy improvements in the telecom sector.

In 1995, 65 per cent of the switching, and 45 per cent of the transmission media had been digitised. Future investments focused on further digitisation of the telecom network, satellite communication, fibre optics, and wireless in the local loop. The satellite programme had been fairly successful, with the development and launch of indigenous multi-purpose satellite systems. The Ministry of Communications, and the Information and Broadcasting used the satellites.

In 1997, legislation was enacted to set up a regulatory body, the Telecom Regulatory Authority of India (TRAI).

### iii) Third Phase — 1999 till date

The most significant landmark in telecom reforms came with the New Telecom Policy, 1999 (NTP-99). The government recognised and accepted the importance of telecommunications as an important service for common man and an important variable in economic growth. Keeping these considerations in view, the following objectives were included in the Tenth Five-Year Plan:

- Provide affordable and effective communication facilities to all citizens.
- Make provision of universal service to all uncovered areas, including villages.
- Build a modern and efficient telecommunication infrastructure to meet the convergence of telecom, IT and the media.
- Transform the telecommunications sector to a greater competitive environment providing equal opportunities and level playing field for all the players.
- Strengthen R & D efforts.
- Achieve efficiency and transparency in spectrum management.
- Protect the defence and security interests of the country.
- Enable Indian companies to become truly global players.

The specific targets of the NTP-99 are as follows:

- Availability of telephone on demand by the year 2002 and sustain it thereafter so as to achieve a tele-density of 7 by the year 2005 and 15 by 2010.
- Encourage the development of telecom in villages, making it more affordable by suitable tariff structure and making rural communications mandatory for all free service providers.

Increase rural tele-density from the current level of 0.4 per cent to 4 per cent by 2010 and provide reliable transmission media in all rural areas.

Achieve telecom coverage of all villages and provide reliable media to all exchanges by 2002.

- Provide Internet access to all District Headquarters in the country,
- Provide by 2002 high-speed data and multimedia capability using technologies including ISDN, to all towns with a population greater than two lakh.

Recognising the potential of ubiquitous broadband service in growth of GDP, and enhancement of quality of life (the government have finalised a policy) to accelerate the growth of broadband service. It enhances quality of life through societal applications including tele-education, tele-medicine, e-governance, entertainment as well as employment generation by way of high-speed access to information and web-based communication. The government's Broadband policy is based on recognition of the need to provide effective and affordable broadband facility to the customers.

### **Broadband Policy 2004: Policy Framework**

The Broadband policy framework visualises creation of infrastructure through various access technologies that can contribute to growth and can mutually co-exist. Spread of infrastructure is also necessary for healthy competition. Various access technologies include Optical Fibre Technologies, Digital Subscriber Lines (DSL) on Copper loop, Cable TV Network, Satellite Media, Terrestrial Wireless, and Future Technologies, new options may be used for provisioning of broadband services in the changing scenario. Most important is the acceleration of Internet use due to broadband.

### **Quality of Service (QoS)**

- As per TRAI Act, 1997, the TRAI has to prescribe QoS parameters. Therefore, keeping in view the impact of QoS on investment and rollout decisions of operators, TRAI will prescribe the QoS parameters.

### **Simplification of SACFA/WPC clearance**

A transparent scheme is outlined separately for time-bound frequency allocation, siting clearance and wireless licensing by removing the cumbersome procedures, computerisation and by setting predetermined standards.

### **Role of other Agencies**

The policy highlights that the broadband services will accelerate decentralised governance at panchayat level. In this regard, to carry the advantage of these services to users, role of other facilitators like electricity authority, Department of IT of various state governments, Departments of Local Self-Government, Panchayats, Department of Health and Family Welfare and Department of Education is very important.

### **Fiscal Issues**

The DoT assigns a very high priority to indigenous manufacture of broadband related equipments. To provide equipments at an affordable price, the DoT works closely with the concerned Ministries and Manufacturers' Associations.

The major policy initiatives in the important areas, such as, reduction of call charges, waiver of mandatory rollout obligations, accession of subscribers, and FDI, as on Jan 1<sup>st</sup>, 2006, are described in the following table.

Table 24.1 : Telecom Policy: Major Initiatives

Area	Policy Initiatives
1. Reduction in calls charges.	<ul style="list-style-type: none"> <li>● BSNL announced 33% reduction in international call charges across the board.</li> </ul>
2. Reduction in Annual license fee w.e.f. January 1, 2006.	<ul style="list-style-type: none"> <li>● Annual license fee for NLD as well as ILD licenses reduced to 6% of Adjusted Gross Revenue.</li> </ul>
3. Reducation in entry fee for NLD licenses.	<ul style="list-style-type: none"> <li>● Entry fee reduced to Rs. 2.5 crore from Rs. 100 crore prospectively.</li> </ul>
4. Reduction in entry fee for ILD.	<ul style="list-style-type: none"> <li>● Entry fee reduced to Rs. 2.5 crore from Rs. 25 crore.</li> </ul>
5. Permission to carry intra-circle traffic.	<ul style="list-style-type: none"> <li>● NLD service provider shall be permitted to carry intra circle traffic with mutual agreement of originating service provider. Here, agreement with terminating service provider is not required.</li> </ul>
6. Waiving of mandatory rollout Obligations for NLD licenses liberalised.	<ul style="list-style-type: none"> <li>● Mandatory roll out obligations for future NLD licenses as well as existing NLD licenses waived off,</li> </ul>
7. Mandatory rollout obligations for ILD. service licenses.	<ul style="list-style-type: none"> <li>○ No more mandatory roll out obligations except for having at least one switch in India. For existing ILD service license, roll out obligations stand waived from the date of issue of orders.</li> </ul>
8. Networth and paid- up capital of the applicant company.	<ul style="list-style-type: none"> <li>○ For NLD as well as ILD service license charge is reduced Rs. 2.5 crore only and while counting the networth, the networth of promoters shall not be counted.</li> </ul>
9. Accession of subscribers	<ul style="list-style-type: none"> <li>● NLD service providers can access the subscribers directly for provision of leased circuits / closed user groups, and can provide last mile connectivity.</li> </ul>
10. Non-issuance of IP-II and IP VPN licenses.	<ul style="list-style-type: none"> <li>○ ILD service providers can access the subscribers directly only for provision of leased circuits/ closed user groups.</li> </ul>
11. License fee for Internet Service Provider (ISP).	<ul style="list-style-type: none"> <li>● No more IP II and IPVPN licenses to be issued with immediate effect as these licenses are allowed to migrate to NLD/ILD service license.</li> </ul>
12. Annual license fee-VSAT	<ul style="list-style-type: none"> <li>● ISP with internet telephony (restricted) to be charged licence fee at 6% of AGR w.e.f. January 1, 2006.</li> </ul>
13. Foreign Direct Investment (FDI) in Telecom Sector liberalised.	<ul style="list-style-type: none"> <li>● Annual license fee in respect of VSAT commercial to be charged at 6% of AGR w.e.f. January 1, 2006.</li> </ul>
	<ul style="list-style-type: none"> <li>● FDI ceilings raised from 49% to 74%.</li> </ul>
	<ul style="list-style-type: none"> <li>● 100% FDI is permitted in the area of telecom equipment manufacturing and provision of IT enabled services.</li> </ul>

**Source:** Ministry of Finance, Economic Division, Government of India.

### **24.3 TELECOM POLICY: CHANGES AND THEIR IMPACT**

In this section, we will concentrate on growth of telecom sector and the important issues in telecom policy, such as, role of the private sector, share of mobile phones, rural telephony, broadband connectivity, spectrum management, foreign direct investment, research & development, validation and standardisation, tariff rebalancing measures, and international cooperation.

The drivers of telecom growth, as presented in the following table (24.2), have undergone a significant change in terms of mobile versus fixed phones, as well as public versus private service providers. It is evident from the data that the spares of mobile phones and the private sector increased from about 6.28 million (2001-02) to about 61.60 million (December 2005), that is, about ten-fold increase. In recent years, with lower capital expenses of mobile technology, it has become the technology of low priced telephony.

**Table 24.2 : Growth of Telephones**

<b>Sl. No.</b>	<b>Year</b>	<b>Fixed (in Million)</b>			<b>Per cent of PSUs</b>	<b>Mobile (including WLL), in million</b>			<b>Per cent of PSUs</b>
		<b>PSUs</b>	<b>Pvt.</b>	<b>Total</b>		<b>PSUs</b>	<b>Pvt.</b>	<b>Total</b>	
1	2001-02	37.90	0.52	38.42	98.65	0.26	6.28	6.54	3.98
2	2002-03	40.53	1.10	41.63	97.36	2.64	10.35	12.99	20.32
3	2003-04	40.49	2.36	42.85	94.49	5.99	27.70	33.69	17.78
4	2004-05	41.11	5.69	46.20	88.98	10.97	41.20	52.17	21.03
5	2005-06*	40.70	7.01	47.71	85.31	16.48	61.60	78.08	21.11

\* first nine months of 2005-2006.

**Source:** Ministry of finance, Economic Division, Government of India

Table 24.2 presents data about the significant growth in the number of telephones from April 2001 to December 2005. It is evident that the PSUs, that is, BSNL and MTNL, have been losing their market share in fixed telephony. The PSUs have shown a decreasing trend, in this sphere as is clear from the data. The share of PSUs in 2001-02 was 98.65 per cent, which decreased to 85.31 per cent by December, 2005. However, the number of fixed phones in the private sector increased from .052 (2001-02) to 7.01 (December 2005), which is almost a fourteen times increase. Data presented above also shows that the public sector operators have improved their share in mobile telephony from 3.98 per cent to 21.11 percent of the market. While the public sector was slow to take off in mobile telephony, the private operator had an aggressive start and kept up their vibrant marketing strategies, capturing nearly four-fifth of this market by the end of 2005.

The Economic Survey of India has applauded telecom companies (public and private) for increasing the teledensity from 2.32 per cent in 1999 to 11.32 per cent by 2005. In addition, significant growth has been identified in broadband service, that is, from about 49,000 subscribers in 2004 to about 7.5 lakh subscribers by the end of 2005 (HT Business, February 28, 2006).

#### **First Nine Months of 2005-06**

Under the NTP with the provision of affordable and effective communication as its vision and goal, the telecom sector has grown a lot in recent years. As mentioned above, with rapid growth, teledensity level has surpassed the targets set. The data reflects that the total number of telephones

(basic and mobile) rose from 44.96 million during 2001-02 to more than 125.79 million by December 2005. However, 21.83 million telephones were added during 2004-05, and another 27.47 million during the first nine months of 2005-06. With the introduction of mobile connection with free incoming lifetime packages during December 2005-February 2006 there has been an unprecedented acceleration of this trend.

The government had initiated several policy changes to provide accelerated growth in infrastructure and services; improve service conditions; and provide autonomy, flexibility, and competitiveness within the telecom sector. The policy changes were initiated mainly in restructuring the telecom sector, increasing investments, service provision, and technology development and transfer. In the following sub-section, we will review the policy changes and assess their impact on the telecom sector.

### **24.3.1 Telecom Sector: Restructuring**

The focus of policy makers on restructuring had been on the organisational form and not so much on identifying the mechanisms for acquisition of new core capabilities, appropriate incentives, and appropriate working conditions in which change could take place. However, major issues such as, management of unions and retraining of the staff to orient itself to a more competitive environment were neglected.

The setting up of the TRAI in 1997 separated the regulatory function from DoT. However, policy-making and operations continued to be with the latter. The government's approach to organisational reform had been ad-hoc, which was driven primarily by increasing pressures from the private operators, but not as a proactive agenda in an overall plan of reform. The government had not addressed adequately the basic requirements necessary for reform, as there was no pre-planned sequence of structural changes, which are the basic determinants of effective reform. Therefore, the various stakeholders, such as, the government, investors and subscribers could expect only marginal benefits, and that too at a slow pace from the reform process.

### **24.3.2 Telecom Policy: Increasing Role of Private Sector**

The private sector has continued to play a significant role in the growth of the telecom sector. Key driver for change in this sector was the NTP (1994), which paved the way for private sector participation in telecom services. In the process of liberalisation, inter-circle communication remained under the DoT. VSNL maintained an exclusive license for international services until 2004. Advanced communication services, such as, cellular, paging, e-mail, fax, data transmission over telephone, and leased circuits were increasingly being made available by private operators. However, adoption of Electronic Data Interchange standards had not made the desired progress due to the problems in long distance communication; and lack of coordination and clarity in policies in the departments, which were involved in implementation. After the NTP 1999, situation of the private sector has changed a lot. The share of private sector in the total telephone connections has increased. It is to be noted that out of the 163.52 lakh additional phone connections provided during 2004-05, 125.87 lakh connections (about 77 per cent) were provided by the private sector. (Vide table 24.2).

### **24.3.3 Telecom Policy: Investment in Telecom Sector**

#### **1) Increasing Investment**

The entire budgetary provision of Rs. 1814.58 crore allocated for the year 2002-03 (Rs. 300 crore), 2003-04 (Rs. 200 crore), 2004-05 (Rs. 1314.58 crore), and 2005-06 (Rs. 1766.85

crore) was fully utilised (Hindustan Times, May 2, 2006). Though the government investment in this sector had steadily increased, telecom's share of investment in the economy remained more or less steady at an average of 2.81 per cent until 1985. Although the budgeted share of investment for 1992-97 showed a sharp increase to 5.8 per cent, it was far less than what other developing countries were investing in the infrastructure at that time. However, in the Tenth Five-Year Plan the share of telecom sector was increased to 6.5 per cent. Data on outlays for the telecom sector from the first to the tenth plan is presented in the following table.

**Table 24.3 : Share of Telecom Sector**

Five-Year Plan	Period	Total Outlays Actual (Rs. in crore)	Communication Outlay	Percent of Total Plan Outlay
First Plan	1951-56	1,960	47	2.4
Second Plan	1956-61	4,672	66	1.4
Third Plan	1961-66	8,577	164	1.9
Annual Plan	1966-69	6,624	159	2.4
Fourth Plan	1969-74	15,779	415	2.6
Fifth Plan	1974-78	28,653	781	2.7
Annual Plan	1978-80	22,950	519	2.3
Sixth Plan	1980-85	1,09,646	2,722	2.5
Seventh Plan	1985-90	2,25,010	8,123	3.6
Annual Plan	1990-91	61,518	3,040	4.9
Annual Plan	1991-92	65,856	3,632	5.5
Eighth Plan	1992-97	4,34,100	25,110	5.8
Ninth Plan*	1997-2002	8,59,200	47,280	5.5
Tenth Plan	2002-2007	15,25,639	98,968	6.5

\* Outlay of Communications for the Ninth Plan also includes Rs. 300 crore for Information Technology.

*Source:* DoT, Ministry of Communication & IT, Government of India.

There were a number of restrictions for raising finances for the telecom sector until 1984. Subsequently, the government removed some of these constraints and allowed MTNL, and VSNL to raise funds by issuing low interest tax-free bonds. VSNL became the first public sector undertaking to offload its equity, in 1997, in the international market. The government had also recognised the role of increased investments, which had been reflected in its bidding guidelines both for basic and VAS, where it mandated foreign financial support.

## ii) Foreign Direct Investment (FDI)

One of the significant sources of the substantial financial investment required for the growth of teledensity has been FDI. In the case of FDI, during 1991 (August) to 2004 (September) 930 proposals of FDI of Rs. 41,369.11 crore were approved, which is second only to Power & Oil Refinery sector. However, after 2001 FDI inflow into the telecom sector improved substantially. The Government is reformulating telecom guidelines.

In view of the Government's commitment to liberalise, the FDI ceiling in the telecom sector was enhanced, in November 2005, from 49 per cent to 74 per cent in certain areas like basic, cellular,

unified access services, national/international long distance, Very Small Aperture Terminal (VSAT) Public Mobile Radio Trunk Services (PMRTS), Global Mobile Personal Communication Services (GMPCS) and other value-added services. Here, 74 per cent FDI ceiling includes direct and indirect foreign holding in the company concerned.

#### **24.3.4 Telecom Policy: Technology Transfer and Development**

India had attempted to follow a policy of self-reliance in the manufacture of telecom products through indigenisation. However, in the wake of liberalisation, the DoT attempted to introduce some advanced technology both by indigenisation and by seeking foreign collaborators. Import of technology was also linked to the requirement of phased indigenisation. India's indigenisation programme in the switching segment carried out by C-DOT was successful in the introduction of rural exchanges.

##### **i) Telecom Equipment and Systems: Research and Development, Validation and Standardisations**

The Centre for Development of Telematics (C-DOT) has been engaged in indigenous research and development of telecom equipment systems. The Centre has developed a wide range of switching and transmission products for rural and urban applications. The C-DOT has also developed main, medium and small automatic exchanges, an integrated Time Division Multiple Access-Point to Multi-Point (TDMA-PMP) for serving 256 subscribers sparsely distributed within a radius of 20 Km.

Recourse to upgraded technology enabled the manufacturers to increase production capacity to seven million lines per annum. The C-DOT extends pro-active support for the operation and maintenance of its products. It's small capacity RAX & C-DOT SBM RAX has also been exported to a number of countries in Europe, Asia and Africa. It is also committed to safeguard the investments made by telecom service providers in technology by upgrading the existing systems with the latest features.

In September 2005, C-DOT formed a joint venture with Alcatel to form C-DOT Alcatel Research Center, which is working on broadband wireless solutions. It is developing WiMAX technology suitable for rural areas in India (Gairola, April 2006).

The National Internet Exchange (NIXI) has been set up by the DoT to ensure that Internet traffic originating and destined for India, is routed within India only. The Telecom Engineering Centre (TEC) is devoted to the product validations and standardisation for the user agencies, and provides technical support to Telecom Commission and the field units. The Indian Telephone Industries Limited (ITIL) manufactures telecom equipment, and offers customised telecom solutions and support to customers.

##### **ii) Spectrum Management**

Radio frequency spectrum has become an essential ingredient in modern telecommunication with its emphasis on mobility; and the Government of India has adopted a technology-neutral policy in the telecom sector. Serious efforts are being made to introduce newly emerging radio communication technologies, without unduly constraining the other existing operations. The policies on allocation of spectrum are critical to the future of the telecom industry. Although the allotment of spectrum is being managed in an objective and transparent manner, the service providers and other wireless users along with the manufacturers need to play a more constructive and disciplined role in mutual understanding and cooperation. There has been an on-going process of addressing bottlenecks in spectrum availability. Automated spectrum management system in India commenced from January

2005. Efforts are being made to get the spectrum required for public telecom services by its release from other existing users. For spectrum management, and augmenting the wireless monitoring systems a World Bank Project is being implemented with an outlay of Rs. 200 crore.

### **24.3.5 Telecom Policy: Service Provision**

In the earlier phase, basic service provision in most areas was poor. Until 1998, private basic service was available in Madhya Pradesh only. Service provision has been receiving considerable attention in the PSUs as well. A network of 76,000 Public Tele-Info Centres (PTICs) and 5,000 High Speed PTICs is being taken up as part of service provision, especially in the rural areas. Further, 1.84 Lakh Multi Access Radio Relay (MARR)-based VPIs will be replaced. In this context, 50 per cent of such VPIs have already been replaced and the remainder will be replaced during 2006.

#### **i) Data Communication Services**

First public data communication network, INDONET was started in 1985 in India by CMC Ltd., which is a public sector computer organisation. However, it could not achieve the desired objectives due to poor service quality and lack of revenues for expansion. Since 1992, the DoT owned and operated data communication network I-NET, which initially linked up eight metropolitan cities in India through 9.6 kbps and 64 kbps data links. However, there were delays in service provision and often the quality of service was poor, resulting in poor growth of network.

National Informatics Centre (NIC), a government agency, had set up a nation-wide network, NICNET, using VSATs for various government and semi-government organisations. NIC has also provided system design and implementation support. In most cases, the system was basically used for generating fixed format reports. There was little flexibility in querying or report generation. Since mid nineties, An educational network, ERNET, set up in the mid-nineties by Department of Electronics with funding from the UNDP, linked up several universities, research and educational institutes and had been successful in providing e-mail, internet connectivity and other network services. However, its services are not generally available to commercial organisations. Although the DoT allowed private VSAT provision, and tariffs were regulated by it, The DoT did not allow leased private networks or VSAT-based networks to be connected to the public switched network.

#### **ii) Increasing role of Mobile Service**

In May 1991, the government announced its intention to award licenses to private operators for providing cellular phones in the four metro cities of New Delhi, Calcutta, Bombay, and Chennai, and paging services in 27 cities across India. Cellular services were viewed as a lucrative segment by private entrepreneurs, and as such there was an enthusiastic response for bids. Despite the initial legal hurdles, by 1997, cellular services were well established in metropolitan cities and several other cities.

#### **iii) Rural Telephony**

The government encouraged new emerging technologies including local loop wireless, cellular telephony and satellite based communication systems that could help to develop rural telecom in a cost effective manner. As many as 5,39,572 villages were connected by December 2005, using a Village Public Telephone (VPT). The government plans to provide connectivity to 14,183 remote and far-flung villages using digital satellite phone terminals. Despite the increase of villages connected by phone, rural connectivity is also an important concern. It is expected that the pace of work in this sphere would considerably accelerate with provision of adequate funds and broadband networking in the rural and remote areas.

Under the Bharat Nirman Programme, 66,822 revenue villages in thirteen states, that is, Andhra Pradesh, Assam, Jharkhand, Gujarat, Himachal Pradesh, Jammu & Kashmir, Madhya Pradesh, Chhattisgarh, Maharashtra, North East, Orissa, Rajasthan, and Uttaranchal (Hindustan Times, May 2, 2006) are expected to be covered by VPT by 2007. As against this target 17,182 villages have been covered. In villages, more than 2 lakh Public Call Offices (PCOs) and 14.18 million phones have been provided.

Telecorn technology has also pioneered programmes of tele-medicine in India. A new Wi-Fi wireless technology allows eye specialists in Arvind Eye Hospital at Theni, Tamil Nadu, to examine patients in five selected villages through video-conferencing. This project has been so successful that now there is a plan to take it to five more hospitals that will connect 5G clinics, to cater to half-a-million patients each year (Rajendran, June 2006).

#### **iv) Broadband Connectivity**

In October 2004, the Government announced the Broadband policy. The main emphasis in this policy is on the creation of infrastructure through various technologies that can contribute to the growth of broadband services. New technologies have been utilised for this purpose. Response to provision of broadband services has exceeded all expectations.

The cost of broadband services has already decreased due to increase in volume and competition. Internet bandwidth will become cheaper to the extent that domestic traffic is switched within India and servers accessed by Indian users are located within the country. With a view to encourage connectivity, both outdoor & indoor usage of low power Wi-Fi and Wi-Max systems in 2.4 GHz – 2.4835 GHz band, and low power indoor systems in 5.15– 5.35 GHz and 5.725–5.875 GHz bands have been delicensed.

#### **v) Telecorn Tariff: Tariff Rebalancing Measures**

The policy initiatives by government resulted in substantial decline in tariffs. A dramatic fall in telecom tariffs has been seen due to increased competition. The public sector operators have launched the 'One-India Plan' with effect from March 1, 2006. The new tariff structure eliminates the difference between intranet work calls and inter-network calls for the purpose of call charges. The TRAI planned to facilitate service provision by ensuring that equitable and fair interconnect agreements were worked out and implemented, and also planned to define and monitor the quality of service parameters.

#### **vi) International Cooperation**

For promoting international co-operation in the field of telecom and IT serious efforts are being made. With assistance of Canadian International Development Agency (CIDA) the Telecorn Operation Project covering 33 villages in Madhya Pradesh was completed during 2004-05. The major investors in the services sector are Hutchison, Singtel, AT&T and Distcom. In this regard, Telecom major Vodafone has announced its entry into the sector with acquisition of 10 per cent shares in Bharti Televentures for a consideration of Rs. 6,700 crore. The agenda for having world renowned Telecorn and IT companies set up their R&D / manufacturing base in India has been to ensure timely delivery, high quality, cost effective supplies and reliable after-sale services. One major advantage of FDI is that it also brings in new technologies into the field,

#### **vii) Software Exports**

To facilitate software exports, which has been a thrust area identified by the government, the exporters were allowed to set up satellite communication at 64 kbps from Software Technology

Parks set up in selected locations in the four metros and in Bangalore, Pune, Hyderabad, and several other cities. In these parks, other infrastructure facilities, such as, buildings, and electricity were made available easily. Previously, such high-speed data links were not available. Procedures for establishing high-speed data links for software export have been simplified by dovetailing and coordinating the activities of various telecom organisations.

## **24.4 TELECOM POLICY: FINDINGS AND SUGGESTIONS**

The following aspects of telecom policy need serious and joint efforts to improve the effective functioning of the telecom sector.

### **24.4.1 Telecom Sector: Need Assessment and Model Building**

There is an urgent need to assess the demand for telecom services under a variety of assumptions, governing delivery of such services. In this context, appropriate models need to be developed, which could be drawn from the successful experiences of other countries.

It is evident that India's 125 million-strong telephone network, including mobile phones, is one of the largest in the world. Even then the telephone penetration rate continues to be low at about 11.32 phones per hundred populations (Economic Survey, 2005-06). However, there are vast avenues for growth, and the end of 2007 targets the total numbers of phones to reach 250 million. In this regard, major policy initiatives in the telecom sector are highlighted in table 24.1. The telecom sector in India needs whole-hearted attempts to fulfil the demand for a variety of telecom services under a variety of scenarios of competition, pricing, and network expansion. In this context, government support and political will are required for implementing reforms; attaining the desired objectives; and developing robust models for forecasting the demand in telecom sector for subsequent planning of how these services can be delivered effectively. An in-depth analysis of need and clarity on required type of telecommunications infrastructure will contribute in estimating delivery mechanisms and the required resources. In addition, public debate on sensitive issues will also contribute to transparency in policy-making and effective implementation of policies.

### **24.4.2 Issues in Financing: Increasing Investments**

Government policies on pricing, revenue sharing, competition, financial arrangements, and tax regimen influence the rate of return of a private investor. In this regard successful experiences of other countries, which had raised finances, need to be explored by policy-makers to raise capital, and provide management incentives to improve the overall functioning of the organisation. Urban teledensities may reach international averages, in case the constraints on availability are overcome and prices are kept low through investment and competition.

New products and ways of providing telecom services are emerging with rapid research and development in telecom technology. Therefore, there is a need to develop an accurate mode to evaluate the proper utilisation of investments, operating costs, quality, and accessibility. As India expects to spend a large amount on telecommunications infrastructure, therefore, efforts should be made to develop appropriate skills as well as to provide adequate resources for technology development,

In telecom sector, the investors can hope to get returns only in the long run. There is a need to build models, which will factor-in all the market uncertainties and policy implications to calculate returns on investments. In addition, new personnel should be trained and proper training of existing personnel is necessary to manage the finances and expansion of the telecom network.

### **24.4.3 Technology Transfer and Development: Policy Issues**

Serious efforts and capabilities are required to introduce innovative approaches in the field of technology and development. Smart phones should be made available at affordable prices, which can handle e-mail, instant messages, web pages and data.

There is an urgent need to harness technical expertise within an institutional framework, which is dominated by generalist bureaucrats, and establish sustainable and responsive high tech organisations; review the policies on pricing of leasedlines, availability of leasedlines, and limitations on interconnection amongst different networks of service providers; and strengthen data communication infrastructure, and make it user-friendly.

C-DOT can do wonders in R & D activities. In the area of communication technologies, C-DOT and Bell Labs (the research and development arm of Lucent Technologies) should be encouraged to work together in the field of new generation communication technologies.

### **24.4.4 Service Provision: Delivery Mechanism and Regulation**

The next important dimension of telecom policy would relate to the nature of institutional infrastructure to augment telecom services, and subsequently deliver these services. In case of private operators, the government must ensure that their conditions for service provision are based on sound commercial principles while at the same time ensuring optimal service to customers.

The government needs to ensure that all the Indian users have easy access to the latest technology, as often such technology is cheaper and better than the existing one. To improve and provide desired services, training programmes should be organised for DoT officials to enable them to understand the fact that demand can be created through better service, which adds value. In this way DoT officials should be prepared to view their business from the consumer perspective,

PCs, content and applications are important constituents for overall growth of Internet and broadband services in India. It is to be noted that the broadband services will have the potential to transform the rural areas if various governmental agencies, local authorities, NGOs and the private sector pull together in working out appropriate strategies.

#### **Telecom Policy: Implications**

As India is moving from a closed economy to a competitive economy, intensive monitoring, detailed implementation plans, and guidelines to ensure fair access to the network need to be designed systematically in the planning process. However, the rural densities need to be projected after careful analysis of existing demand patterns.

A well-defined strategy is crucial to implement telecom policies in an efficient and effective manner. A long-term policy for training and educating the workforce in technical and managerial aspects, software design and maintenance, and service development has to be addressed properly in the telecom policy. The approach to corporatisation needs to be carefully worked out to achieve the desired goals. However, policy-making committees must consist of professionals from a wide range of fields to strengthen the analytical component of telecom policy design, and implementation.

To achieve desired goals the telecom sector needs easy access to capital, skilled manpower and new technologies. In this regard, funds from various sources, either through partial or full privatisation, will have to be obtained for hefty investments on a continuing basis.

To meet the competition with private agencies, introduction of new products and service innovation should be enhanced in the basic and value added services and manufacturing by DoT. In addition, to maintain efficiency and profitability in the changing scenario, policy, especially in marketing,

usage and ownership of datacom channels and other telecom services needs to be improved continuously.

In the policy-making strategy, a coherent technology transfer policy can play a positive coordinating role between foreign collaborators and internal R&D units in technical development. It will ensure availability of latest technology at reasonable prices. In this regard, the Telecom Commission must work as an enabler and catalyst in the change process.

India witnessed a silent revolution in the telecom sector in less than a decade. The monopoly of the public sector was dismantled, and the outcome of the policy change led to highly beneficial results. This had very few parallels in other sectors in which liberalisation and privatisation have been ushered. The private players in the telecom sector displayed unusual dynamism and pumped in significant investments. The efforts of the government and that of the private sector found a great deal of congruence in advancing the interests of the customers. TRAI has also been playing its role as a regulator in a befitting manner by promoting competition among service providers in the interests of the consumers of service.

## **24.5 CONCLUSION**

In this Unit, the first part emphasised the telecopolicies in India. It dealt with reforms in telecom sector through telecom policies, especially NTP 1994, NTP 1999 and Broadband Policy 2004. NTP 1999 modified the provisions of NTP 1994 to take into account the far-reaching technological developments taking place in the telecom sector globally and to implement the government's resolution to make India a global IT superpower. The underlying theme of this policy was to usher in full competition through unrestricted entry of private players in all service sectors. As a result of implementation of telecopolicies the telecom sector has been witnessing an amazing change, in terms of coverage and efficiency of services offered.

The second part of the Unit analysed the changes introduced since 1999, and their impact on the telecom sector. The impact of telecom policies and functioning of DoT was assessed in terms of telecopenetration. The data reveals that about 10 per cent of citizens own wireless phones in India. However, the mobile subscriber base crossed the landmark figure of 10 crore in May 2006. According to the TRAI report, which was released in January 2006, India added more than 4.5 million subscribers each month. In addition, there are about 5 crore landline connections in India, resulting in a total telecom penetration level of about 15 per cent. (Sharma, June 2006)

Last but not least, third part of the Unit attempted to assess the current and future scenarios and suggested policy changes and other measures to improve the telecom sector, especially to achieve the desired objectives through effective policy planning and implementation.

## **24.6 KEY CONCEPTS**

**Access Network** : It is a wireless or wire line network that provides direct connectivity to a corporate building or for an end user's house from the service provider's system. Thus, it provides direct link to any part of the country through the backbone network of the operator(s).

**ADSL** : An ADSL MODEM is a Broadband Internet access device, which utilises the high frequency segment of the phone line to transmit high-speed data without affecting the voice transmission. It is to be noted that the frequency of the ADSL signal is higher than that of voice, so voice and ADSL signal can co-exist in one line by using splitter to insulate each from the other.

<b>Broadband</b>	: In <b>telecommunications</b> broadband refers to a signal or circuit, which includes or handles a relatively wide range of frequencies. It is a relative term, understood according to its context. In data communications, a modem will transmit a bandwidth of 64 Kilobits per second (Kbit/S) over a telephone line; over the same telephoneline a bandwidth of several megabits per second can be handled by ADSL, which is described as broadband.
<b>Broadband Connectivity</b>	: It has been defined as "Always on" with minimum speed of 256 Kbps.
<b>Spectrum</b>	: It is a scarce natural resource, which needs to be allocated in ways that maximise its economic value. The recent trend in <b>telecommunications</b> is towards mobility, for which radio frequency spectrum is one of the essential ingredients.
<b>Teledensity</b>	: It is the number of landline telephones in use for every 100 individuals living within an area. A teledensity greater than 100 means there are more telephones than people in the specified area.

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## 24.8 ACTIVITIES

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- 1) "The two Public Sector Undertakings, that is, BSNL and MTNL, have been losing their market shares in fixed telephony." Explain the above statement on the basis of your study and observation.
- 2) Critically evaluate the impact of Bharat Nirman Yojana, especially in the context of rural telephony. Cite examples of social and economic impact of 11011-availability of telecom services in a particular rural area.
- 3) Explain the factors behind the significant growth in broadband connectivity within a short time.
- 4) Review the telecom policies, and highlight the effects of privatisation on increase in operational efficiency.

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# **UNIT 1 UNDERSTANDING PUBLIC POLICY**

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## **Structure**

- 1.0 Learning Outcome
- 1.1 Introduction
- 1.2 Significant Concepts: Public and Policy
- 1.3 Nature of Public Policy
  - 1.3.1 Policy-Making and Decision-Making
  - 1.3.2 Policies and Goals
  - 1.3.3 Policy-Making and Planning
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  - 1.3.5 Policy Analysis and Policy Management
- 1.4 Public Policy: Scope
- 1.5 Typologies of Policies
- 1.6 Policy Inputs, Policy Outputs, and Policy Outcomes
- 1.7 Significance of Public Policy
- 1.8 Conclusion
- 1.9 Key Concepts
- 1.10 References and Further Reading
- 1.11 Activities

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## **1.0 LEARNING OUTCOME**

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After studying this Unit, you should be able to:

- Understand public policy, and its significance;  
Describe the nature, types, and scope of public policy;
- Discuss and distinguish between policy, decision, plan, goals, policy analysis, and policy advocacy; and
- Explain the terms policy input, policy output, and policy outcome.

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## **1.1 INTRODUCTION**

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'Public Policy', as an academic pursuit emerged in the early 1950s and since then it has been acquiring new dimensions, and is now attempting to acquire the status of a discipline. As a study of products of government, policy forms a significant component in several social science disciplines like political science, public administration, economics, and management. So rapid is the academic growth of public policy that many researchers, teachers, and public administrators now feel that it is becoming increasingly complex. The disciplines associated with public policy cut right across the old academic lines of demarcation. Indeed, it is this interdisciplinary quality, which makes the field of public policy interesting and thought-provoking.

In this Unit, we will discuss the meaning, nature, scope, types and significance of public policy. In addition, an attempt will be made to explain the changing conceptualisation of 'public' and 'private' domains in the study of public policy.

## 1.2 SIGNIFICANT CONCEPTS: PUBLIC AND POLICY

Public policy is a frequently used term in our daily life and in academic literature, where we often make references to national health policy, education policy, wage policy, agricultural policy, foreign policy and so on. It is an area, which had to do with those spheres that are labelled as public. The concept of public policy presupposes that there is a domain of life that is not private or purely individual, but common.

In the past, studies on public policy were dominated by researchers and students of political science. They broadly concentrated on the institutional structure and philosophical justifications of the government. The focus was rarely on the policies themselves. Political science was to some extent preoccupied with the activities of the various political institutions and groups in relation to their success in the pursuit of political power. It hardly recognised the role, which such organisations played towards the formation of policy as one of its main concerns. Yet, policy is an important element of the political process.

Thomas Dye, a leading scholar of policy analysis, observes, "Traditional (political science) studies described the institutions in which public policy was formulated. But unfortunately, the linkages between important institutional arrangements and the content of public policy were largely unexplored." He further notes that today the focus of political science is shifting to public policy, that is, to the description and explanation of the causes and consequences of government activity. While the concern of political science about the processes by which public policy is determined has increased, most students of public administration would acknowledge that the public servants themselves are intimately involved in the shaping of the policies. The study of public administration has hitherto tended to concentrate on the machinery for the implementation of given policies. It has attended to the organisation of public authorities, the behaviour of public servants and increasingly, the methods of resource allocation, administration and review. With such an approach, it is difficult to determine much about the way policy is formulated, although it is generally contended that the experience of policy implementation feeds back into the furtherance of the policy-making process. It is an effort to apply political science to public affairs, but has concerns with processes which are within the field of public administration. In brief, past studies on public policy have been mainly dominated by scholars of political science and public administration and have tended to concentrate more on the content of policy and the process of its formulation and implementation. The study of public policy has evolved into what is virtually a new branch of the social science; it is called policy science. This concept of policy science was first formulated by Harold Lasswell in 1951.

### i) The Idea of Public

It is first important to understand the concept of 'public' for a discussion of public policy. We often use such terms as 'public interest', 'public sector', 'public opinion', 'public health', and so on. The starting point is that 'public policy' has to do with those spheres, which are so labelled as 'public' as opposed to spheres involving the 'private'. The public dimension is generally referred to 'public ownership' or control for 'public purpose.' The public sector comprises that domain of human activity, which is regarded as requiring governmental intervention or common action. However, there has always been a conflict between what is public and what is private. W.B. Baber

(as quoted in Massey, 1993) argues that the public sector has ten key differences from the private sector, that is:

- It faces more complex and **ambiguous** tasks.
- It has more problems in implementing its decisions.
- It employs more people with a wider range of motivations.
- It is more concerned with securing opportunities or improving capacities.
- It is more concerned with compensating for market failure.
- It engages in activities with greater symbolic significance.
- It is held to strict standards of commitment and legality.
- It has a greater opportunity to respond to issues of fairness.
- It must operate or appear to operate in the public interest.
- It must maintain minimal levels of public support.

Public administration emerged as an instrument of the state for securing 'public' interests rather than 'private' interests. Whereas for the political economists, only markets could balance private and public interests, the new liberalism is based upon a belief that public administration is a more rational means of promoting the public interest. For Max Weber, the growth of **bureaucracy** was due to the process of rationalisation in industrial society. The civil servant is a rational functionary whose main task is to carry out the will of those elected by the people. Public bureaucracy is, therefore, different to that which exists in the private sector because the former is motivated to serve the public interest. The rational public interest argument started eroding after the Second World War. To Herbert Simon, bureaucracies exhibit a large measure of 'bounded rationality'. According to Mueller, bureaucrats do not always function in the **public interest** and display an inclination to have distinct goals of their own. In this connection, in his work on a comparative study of bureaucracy, Aberbach observes, "The last quarter of this century is witnessing the virtual disappearance of the Weberian distinction between the roles of the politician and the bureaucrat, producing what may be labelled a pure hybrid." The public and private sectors reveal themselves as overlapping and interacting, rather than as well-defined categories.

### ii) The Concept of Policy

Like the idea of 'public', the concept of '**policy**' is not a precise term. Policy denotes, among other elements, guidance for action. It may take the form of:

- a declaration of goals;
- a declaration of course of action;
- a declaration of general purpose; and/or
- an authoritative decision.

Hogwood and Gunn specify ten uses of the term 'policy', that is policy as a label for a field of activity; an expression of desired state of affairs; specific proposals; decisions of government; formal authorisation; a programme; an output; an outcome; a theory or model; and a process. Unfortunately, the policy itself is something, which takes different forms. There is a thrust to designate policy as the 'outputs' of the political system, and in a lesser degree to define public policy as more or less inter-dependent policies dealing with different activities. Studies of public policy, on the contrary, have tended to focus on the evaluation of policy decisions in terms of specified values – a rational rather than apolitical analysis. The magnitude of this problem can be recognised from the other definitions, which have been advanced by scholars in this field. Y. Dror, a pioneer among

scholars of the policy sciences, defines policies as general directives on the main lines of action to be followed. Similarly, Peter Self opines policies as changing directives as to how tasks should be interpreted and performed. To Sir Geoffrey Vickers, policies are "... decisions giving direction, coherence and continuity to the courses of action for which the decision making body is responsible". Carl Friedrich regards policy as, "... a proposed course of action of a person, group, or government within a given environment providing obstacles and opportunities which the policy was proposed to utilise and overcome in an effort to reach a goal or realise an objective or a purpose". James Anderson suggests that policy be regarded as "a purposive course of action followed by an actor or set of actors in dealing with a problem or matter of concern". Taken as a whole, policy may be defined as a purposive course of action taken or adopted by those in power in pursuit of certain goals or objectives. It should be added here that public policies are the policies adopted and implemented by government bodies and officials. David Easton (1957) defines public policy as "the authoritative allocation of values for the whole society". Public policies are formulated by what Easton calls the "authorities" in a political system, namely, "elders, paramount chiefs, executives, legislators, judges, administrators, councillors, monarchs, and the like". According to Easton (1965), these are the persons who "engage in the daily affairs of a political system", are recognised by most members of the system as having responsibility for these matters and take actions that are "accepted as binding most of the time by most of the members so long as they act within the limits of their roles".

Thomas Dye's definition states, "Public policy is whatever governments choose to do or not to do". Similarly, Robert Lineberry says, "it is what governments do and fail to do for their citizens". In these definitions there is divergence between what governments decide to do and what they actually do.

### **1.3 NATURE OF PUBLIC POLICY**

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A policy may be general or specific, broad or narrow, simple or complex, public or private, written or unwritten, explicit or implicit, discretionary or detailed and qualitative or quantitative. Here the emphasis is on public policy, that is, what a government chooses as guidance for action. From the viewpoint of public policy, the activities of government can be put into three categories. *First*, activities that are attached to specific policies; *second*, activities that are general in nature; and *third*, activities that are based on vague and ambiguous policies. However, in practice, a government rarely has a set of guiding principles for all its activities. The Supreme Court of India may, through its decisions, give new interpretations to some of the articles of the Constitution, which may amount to a new policy.

A public policy may cover a major portion of its activities, which are consistent with the development policy of the country. Socio-economic development, equality, or liberty or self-reliance or similar broad principles of guidance for action may be adopted as a developmental policy or basic framework of goals. A public policy may be narrow, covering a specific activity, such as prevention of child labour or it may be broad, as women's empowerment. A public policy may be applied to a limited section of people of a country or to all its people. .

Besides, each level of government – central, state and local – may have its specific or general policies. Then there are 'megapolicies'. General guidelines to be followed by all specific policies are termed as 'megapolicy'. According to Dror, 'megapolicies' form a kind of master policy, as distinct from concrete discrete policies, and involve the establishment of overall goals to serve as guidelines for the larger sets of concrete and specific policies. All policies generally contain definite goals or objectives in more implicit or explicit terms. Policies have outcomes that may or not have been anticipated.

Public policies in modern political systems are purposive or goal-oriented statements. Again, a public policy may be either positive or negative in form. In its positive form, it may involve some form of overt government action to deal with a particular problem. On the other hand, in its negative form, it involves a decision by public servants not to take action on some matter on which a governmental order is sought. Public policy has a legally coercive quality that citizens accept as legitimate, for example, taxes must be paid unless one wants to run the risk of severe penalties or imprisonment. The legitimacy of coercion behind public policies makes public organisations distinct from the private organisations. The nature of policy as a purposive course of action can be better or more fully understood if it is compared with related concepts.

### 1.3.1 Policy-Making and Decision-Making

Policy-making is closely related to decision-making. However, it is not the same as decision-making. Policy-making does involve decision-making, but every decision does not necessarily constitute a policy. Decision-making often involves an identification of a problem, a careful analysis of possible alternatives and the selection of one alternative for action. Generally, decisions are taken by the administrators in their day-to-day work within the existing framework of policy. The policy decisions eventually taken, thus, provide a sense of direction to the course of administrative action.

Anderson says, "Policy decisions are decisions made by public officials that authorise or give direction and content to public policy actions". These may include decisions to issue executive orders, promulgate administrative rules, or make important judicial interpretations of laws.

### 1.3.2 Policies and Goals

Policies are distinct from goals and can be distinguished from the latter as means from ends. By goals or objectives, one means the ends towards which actions are directed. It is reasonable to expect a policy to indicate the direction towards which action is sought. Policies involve a deliberate choice of actions designed to attain those goals and objectives. The actions can take the form of directives to do or refrain from certain actions. Public policy is about means and ends, which have to have a relationship to each other. To say that policy-making involves a choice of goals or objectives is to argue that it deals with values. The choice of policies as well as objectives are often influenced by values. Decision-makers, including judges of the apex courts, often act on the basis of their values, beliefs or perceptions of the public interest concerning what is a proper or morally correct public policy. Thus, goals and objectives depend on the values of the policy-makers. This could be explained in the following manner:



Many students of policy sciences would like to apply science or reason (making use of the rationality model) for the determination of policy objectives and goals. They try to solve problems mainly by using such objective methods as operational research or cost-benefit analysis. Such an approach, based on a rationality model can, however, be applied only to a limited number of problems.

### 1.3.3 Policy-Making

Policy-making must be directed towards definite action for attaining definite

objectives. Broadly speaking, a plan is a programme of action. In this sense, a plan is a policy statement. Specific

policies may stem from plan documents, especially in India. Often the goals or policies of a plan may not be clearly stipulated in the plan documents. They may be stated only in very general or vague terms, or may sometimes be internally inconsistent or contradictory. A national development plan, broadly speaking, is a collection of targets or individual projects which, when put together, may not constitute an integrated scheme. Allocation of resources for investments and pinpointing of targets in different sectors of the economy are considered to be at the core of planning. However, it has been aptly stated that a plan needs a proper policy framework. Targets cannot be achieved just because investments are provided for. They have to be drawn within the framework of policies. Successful policies make for successful plans, and their implementation.

### 1.3.4 Policy Analysis and Policy Advocacy

A distinction may be drawn between policy analysis and policy advocacy. Policy analysis is nothing more than finding out the impact of policy. It is a technique to measure organisational effectiveness through an examination and evaluation of the effect of a programme. Chandler and Plano opine that policy analysis is a systematic and data-based alternative to intuitive judgements about the effects of policy and policy options. It is used for problem assessment and monitoring before the decision; and for evaluation following implementation. Policy analysis is not the same as prescribing what policies government ought to pursue. Policy advocacy is concerned with what government ought to do, or bringing about changes in what they do through discussion, persuasion, organisation, and activism. On the other hand, policy analysis is concerned with the examination of the impact of policy using the tools of systematic inquiry. Thomas Dye labels "policy analysis" as the "thinking man's response" to demands. Policy analysis has three basic concerns. **First**, its primary concern is with the "explanation" of policy rather than the "prescription" of policy. Secondly, it involves a rigorous search for the causes and consequences of public policies through the use of the tools of systematic inquiry. **Thirdly**, it involves an effort to develop and test general propositions about the causes and consequences of public policies. Thus, policy analysis can be both scientific as well as relevant to the problems of society. The role of policy analysis is not to replace but to supplement political advocacy. As Wildavsky has argued, "The purpose of policy analysis is not to eliminate advocacy but to raise the level of argument among contending interests.... The end result, hopefully, would be higher quality debate and perhaps eventually public choice among better known alternatives."

### 1.3.5 Policy Analysis and Policy Management

The distinction between policy analysis and policy management needs to be highlighted, though in practice these two related processes overlap to some extent. According to Dror, 'policy analysis' deals with the substantive examination of policy issues and the identification of preferable alternatives, in part with the help of systematic approaches and explicit methods. Policy management deals with the management of policy making and policy preparation process, to assure that it produces high quality policies. The interdependence of policy analysis and policy management can be seen in the necessity of assuring, with the help of appropriate policy management, that adequate policy analysis is undertaken as an integral part of management systems and, wherever necessary, by reinforcing innovativeness. Policy analysis covers several methods and concepts, some of which are quantitative in character, including methods like social experimentation, game simulation and contingency planning. Despite such distinctions between policy analysis and policy management, both are interrelated aspects of policy-making and cover a major part of the tasks of senior administrators. Therefore, it is essential that these two processes should be treated jointly.

## 1.4 PUBLIC POLICY: SCOPE

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A significant part of the study of public policy consists of the development of scenarios and extrapolations of contemporary trends in the public domain. The scope and sheer size of the public sector has grown enormously, especially in developing countries in response to the growing public needs and demands; and the increasing impact of other trends, such as, the complexity of technology, social organisation, industrialisation and urbanisation. At present, functions of all, governments in the developing countries have significantly increased. They are now concerned with the more complex functions of nation-building and socio-economic progress. Today the government is not merely the keeper of peace, the arbiter of disputes, and the provider of common goods and day-to-day services, it has, directly or indirectly, become the principal innovator, the major determinant of social and economic programmes and the main financier as well as the main catalyst for economic enterprise and development.

In many developing countries, there is great pressure on governments to accelerate national development, make use of up-to-date and relevant technological innovations, adopt and facilitate necessary institutional changes, increase national production, make full use of human and other resources, and improve the standards of living. These trends and developments have therefore enhanced both the size and scope of public policy. Public policies touch almost all stages of the citizen's life cycle. With the increasing recourse to privatisation and outsourcing by public agencies the situation is undergoing rapid changes even in the developing countries. Michael Teitz wrote this nearly 40 years ago. The range of public policy is vast, that is from vital to trivial. Today, public policies may deal with such substantive areas as defence, environment protection, medical care and health, education, housing, taxation, inflation, science and technology, and so on.

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## 1.5 TYPOLOGIES OF POLICIES

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Some social scientists and scholars have attempted to discuss the typologies of policy issues. These facilitate comparison between issues and policies. Lowi, for example, suggests a classification of policy issues in terms of being: i) distributive, ii) regulatory, iii) redistributive, and (iv) constituent policy issues.

### Distributive Policy Issues

Policy issues concerned with the distribution of new resources are distributive policies. Distributive policies are meant for specific segments of society. It can be in the area of grant of subsidies, loans provision of education, welfare or health services or other public assistance schemes. Some more examples of distributive policies are adult education programme, food security, social insurance, scholarships to students from disadvantaged social backgrounds, assistance to aged, physically challenged persons, etc.

### Redistributive Policy Issues

Redistributive policy issues are concerned with changing the distribution of existing resources. Redistributive policies are concerned with the rearrangement of policies, which are concerned with bringing about basic socio-economic changes. Certain public goods and welfare services are disproportionately divided among certain segments of the society, these goods and services are streamlined through redistributive policies. Income tax policies usually carry elements of redistribution of incomes.

### **Regulatory Policy Issues**

Regulatory policy issues are concerned with regulation and control of activities. They deal with regulation of trade, business, safety measures, public utilities, etc. This type of regulation is done by independent organisations that work on behalf of the government. In India, the Reserve Bank of India, the Telecom Regulatory Authority of India, the Controller of Drugs and Pharmaceuticals, the Registrar General of India, the Bureau of Indian Standards, Securities and Exchange Board of India (SEBI), the Board of Control for Cricket in India (BCCI), etc. are engaged in regulatory activities. Organisations like the University Grants Commission, the All-India Council of Technical Education, and the Central Board of Secondary Education perform both promotional and regulatory activities. The Indian Medical Council, the Bar Council of India, the National Council of Teacher Education, the Pharmacy Council of India, and the Nursing Council of India are examples of regulatory agencies intended to protect the standards of the respective professions. The policies made by the government, pertaining to the relevant services, and organisations rendering these services are known as regulatory policies.

### **Constituent Policy Issues**

Constituent policy issues are concerned with the setting-up or reorganisation of institutions. Each of these policy issues forms a different power arena. However, it may be mentioned here that Lowi's view of politics as a function of policies has been criticised as over-simplistic, methodologically suspect, and of doubtful testability. Cobbe and Elder, for instance, observe that Lowi's typology has basic limitations. It does not provide a framework for understanding change as the categories suggested become less clear and more diffuse.

### **Conflict Policy Issues**

Cobbe and Elder propose an alternative classification of policy issues in terms of conflict rather than content. Their focus is on the way in which conflict is created and managed. To them, a conflict may arise between two or more groups over issues relating to the distribution of positions or resources. These may be created by such means and devices as presentation of an alternative policy by a contending party which perceives unfairness or bias in the distribution of positions or resources; manufacture an issue for personal or group gain; and the occurrence of unanticipated human events, natural disasters, international conflict, war and technological changes. Such issues then constitute the agenda for policy or decision-making and are known as the conflict policy issues.

### **Bargaining Policy Issues**

Hogwood and Wilson use the criteria of costs and benefits from the point of view of the possibilities of different outcomes, forms of bargaining and conflict, and a range of alternatives. There are redistribution issues, which involve bargaining over who gets what, who gets more, and who gets less. For Wilson, criteria of costs and benefits may be concentrated or dispersed. An issue, which may have very concentrated benefits to a small section of society but whose costs are widely dispersed, may not be appreciated by one who is in favour of "the greatest happiness of the greatest number". However, such typologies involving costs and benefits exclude important dimensions of complexity, and technical or expert knowledge. Gormley, for example, suggests that the degree and kind of technical complexity will give rise to different forms of conflict.

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## **1.6 POLICY INPUTS, POLICY OUTPUTS, AND POLICY OUTCOMES**

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Policy inputs are the demands made on the political systems by individuals and groups for action or inaction about some perceived problems. Such demands may include a general insistence that

government should do something about a proposal for specific action on the matter. For example, prior to the passing of the Commission of Sati (Prevention) Act of 1987, some organisations voiced a general desire for enactment of law on the 'sati-pratha' issue.

In the political system model, outputs are regarded either as effects on the environment or as 'feedback' to the political supporters of the system. Easton(1957) says that outputs are said to constitute a body or specific inducements for the members of a political system to support it, either by threats of sanctions, or rewards for support given, or by socialisation into the political norms of the society. In this sense, policy outputs are the **actual decisions of the implementers**. They are what a government does, as distinguished from what it says it is going to do. Examples of policy outputs relate to such matters as the education institutions built, compensation paid, or curbs on trade eliminated. Outcomes are real results, whether intended or unintended.

Policy outputs are, however, different from policy outcomes. The concept of outcomes lays stress on what actually happens to the target groups intended to be affected by the policy. If the intended changes on target groups do not occur, or if they produce unintended consequences, something is wrong. Labour welfare policies in India may be used to illustrate this point. Although one can measure welfare policy outputs, the number of persons helped, the amount of benefits paid, the safety net provided and the like — it is difficult to measure the consequences of the policies for industrial productivity; the emergence of other power centres in the organisation, indiscipline, weakening of organisational authority, etc. are the other unintended effects. Here our intention is to evaluate the outcome of the policies or undertake an assessment as to whether the policies in question actually achieve what they are intended to achieve.

## **1.7 SIGNIFICANCE OF PUBLIC POLICY**

The focus in public policy is on the public and its problems. It is concerned with how issues and problems come to be defined and constructed and, how they are placed on the political and policy agenda. But it is also a study of how, why and to what effect the government pursue particular courses of action or inaction, or, as Thomas Dye puts it, "what governments do, why they do it, and what difference it makes."

It is clear from the above sections of the Unit that policy is a purposive course of action in dealing with a problem or a matter of concern within a specific timeframe. Before going into the question of importance that is attached to policy formulation, implementation, and monitoring, it would be better to recapitulate the components of public policy.

- i) Policy is purposive and deliberately formulated. Policy must have a purpose or a goal. It does not emerge at random or by chance. Once a goal is decided the policy is devised in such a way that it determines the course of action needed to achieve that goal.
- ii) A policy is well thought-out and is not a series of discrete decisions.
- iii) A policy is what is actually done and not what is intended or desired; a statement of goals does not constitute a policy.
- iv) Policy also delineates a time frame in which its goals have to be achieved.
- v) Policy follows a defined course of action in a sequential order viz., formulation, implementation, monitoring, and evaluation.

Actually the scope of public policy is determined by the kind of role that the state adopts for itself in a society. In the nineteenth century, the state was assigned a limited role and it was expected that it would merely act as a regulator of social and economic activity and not its promoter. However, since the middle of the twentieth century, the state has come to be perceived as an active agent in

promoting and shaping societies in its various dimensions. As a consequence, public policies expanded their scope from merely one of regulation to that of promoter development and enterprise. In many developing countries like India, the activist role of the state meant the assumption of responsibility for the formulation of long-term development plans and policies to set the direction, which the country would follow. So, the first major goal of public policies in our country has been in the area of socio-economic development. Wide-ranging policies were formulated in the area of industrial and agricultural development, regulation and control of the private sector. From time to time, the spheres of the state and non-state sectors, and the type of goods to be produced have been specified. As a concomitant to changing policies, controls have been introduced or liberalised. With the onset of liberalisation, policies of deregulation were introduced. In India, the government undertook a major responsibility in the social sphere too. The enactment of the Anti-Dowry Act, Divorce Act, etc., are examples of this. A number of policies aimed at national integration, protection to disadvantaged groups have come into force. Empowerment of women, and decentralisation and devolution of authority to local bodies have been adopted as major constitutional policies. Indian experience with public policy indicates that current policies need not reflect pre-existing notions or perspectives about the role of the state. But, at any given point of time, they represent the means of governance.

These days policy analysis is acquiring a lot of importance in the realm of the study of public administration. This trend is observable all over the world. The degree of effectiveness in policy formulation, execution, and monitoring ultimately would depend to a large extent upon the rigour in policy analysis. Policies may also go haywire, as India realised, in the aftermath of the foreign exchange crisis of 1990-91. The 'highs' and the 'lows' in the role of the state provide learning experiences to the policy analyst.

The policy analyst should also be open to new conceptualisations and frameworks for analysis. For instance, theorists of public administration found it difficult to sustain the classical concept of separation of politics and administration. This distinction categorised policy formulation and implementation as two distinct activities. Policy formulation was regarded as apolitical activity, and policy implementation as an administrative one. But this distinction got increasingly blurred and it was not an easy task to determine where policy formulation ended, and where policy implementation began. It came to be accepted that both were interactive processes and had to be seen in an integrated way. With this change in the conceptual and analytical arena, scholars of public administration began to devote greater attention to the deficiencies in policy formulation as also to matters relevant to the influence of policy design on implementation.

## **1.8 CONCLUSION**

On the basis of discussion in this Unit, it can be slated that the field of public policy has assumed considerable importance. It is not only concerned with the description and explanation of the causes and consequences of government activity, but also with the development of scientific knowledge about the forces shaping public policy. Although the subject is of recent origin, it has incorporated many refinements in the conceptual and methodological apparatus, thereby enabling it to meet the requirements of theoretical depth and analytical rigour.

## **1.9 KEY CONCEPTS**

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| <b>Policy sciences</b> | : Policy sciences is the discipline concerned with explaining the policy-making and policy-executing processes; and with locating data and providing explanations that are relevant to policy analysis. |
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**Operation Research** : It is used to describe the discipline of applying advanced analytical techniques to help make better decisions to solve problems. The prevalence of operations research in the Nation's economy reflects the growing complexity of managing large organisations, which require the effective use of money, materials, equipment, and people. Operations research analysts help to determine better ways, to coordinate these elements by applying analytical methods from mathematics, science, and engineering.

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## **1.11 ACTIVITIES**

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- 1) Distinguish between policy inputs, policy outputs, and policy outcomes. Describe briefly with suitable examples.
- 2) "Public policy is the authoritative allocation of values" (Easton). Discuss.
- 3) On the basis of typologies of policies, explain any three categories of policy issues with examples.

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# **UNIT 2 THE POLICY CYCLE**

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## **Structure**

- 2.0 Learning Outcome
  - 2.1 Introduction
  - 2.2 Policy Cycle: Approach
    - 2.2.1 Identifying the Underlying Problem
    - 2.2.2 Determining Alternatives for Policy Choice
    - 2.2.3 Forecasting and Evaluating the Alternatives
    - 2.2.4 Making a Choice
    - 2.2.5 Policy Implementation
    - 2.2.6 Policy Monitoring
    - 2.2.7 Policy Outcomes
    - 2.2.8 Policy Evaluation
    - 2.2.9 Problem Structuring
  - 2.3 Limitations of Policy Analysis
  - 2.4 Conclusion
  - 2.5 Key Concepts
  - 2.6 References and Further Reading
  - 2.7 Activities
- 

## **2.0 LEARNING OUTCOME**

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After studying this unit, you should be able to:

- Understand the framework for policy analysis;
  - Discuss the issues associated with identification of the underlying problem;
  - Describe the issues related to implementation of policies;
  - Explain the issues relating to monitoring and evaluation of policies; and
  - Highlight the limitations and need for a systematic Policy process.
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## **2.1 INTRODUCTION**

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Policy is primarily a purposive course of action, but one which cannot be said to have served its purpose unless action takes place. Without action it is merely a wish. **Policy-making** is a continuing process. It does not come to an end once a policy is set out or approved. As Anderson expresses it, "Policy is being made as it is being administered and administered as it is being made". Thus the policy cycle or stagist approach continues to be the basis for both the analysis of the policy process and of analysis for the policy process. In this Unit, we will concentrate on the policy cycle.

## 2.2 POLICY CYCLE : APPROACH

By the 1980s a number of elements were identified by scholars to map the stages of the policy process, thereby helping to structure its analysis. Herbert Simon (*Administrative Behaviour*, 1947) mentioned the following three stages involved in decision-making, that is intelligence, design and choice. According to Harold Lasswell, (*The Decision Process*, 1986), there are seven stages in the policy process, like intelligence, promotion, prescription, invocation, application, termination and appraisal. However, W. Jenkins (*Policy Analysis*, 1978) sets out seven stages for the policy process, such as, *initiation, information, consideration, decision, implementation, evaluation, and termination*.

Hogwood and Gunn (*Policy Analysis for the Real World*, 1984) have identified nine important stages in the policy process: deciding to decide (agenda setting), deciding how to decide (issue filtration), issue definition, forecasting, setting objectives and priorities, options analysis, policy implementation, monitoring and control, evaluation and review and policy maintenance, succession and termination.

Lindblom echoed policy process as a "highly relative and pluralistic decision-making system characterised by compromise, incrementalism, and continual adjustment". In order to understand government actions, it is, therefore, essential to acquire knowledge of the policy process.

In comparison to Quade's model, May and Wildavsky describe a policy cycle (1978) in which they include agenda-setting, issue analysis, implementation, evaluation, and, termination. Similarly, Brewer and Deleon describe policy process with stages comprising initiation, estimation, selection, implementation, evaluation, and, termination. We may discuss the policy cycle as given in the following figure.

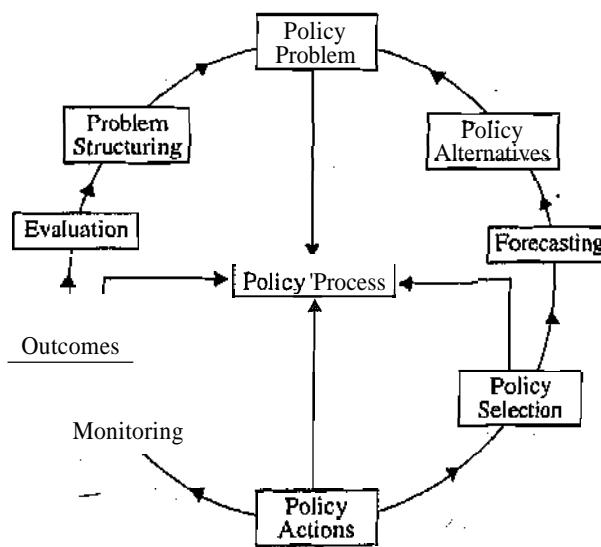


Fig. 2.1: Cycle of the policy process

The above figure indicates the basic linkages of a framework for the systematic analysis of information and its use in a **policy-related** context. The basis to the framework is information for policy analysis, which is derived from system or programme performance in terms of interaction among:

- inputs, which indicate needs and demands  
processes concerning the provision of services for **long-term care**
- outputs in terms of the use of services and costs of care
- outcomes, which identify the end results of certain courses of action.

'Based on the **appraisal** of systems performance using the above linkages, issues for various goals can be identified. Once these issues are identified, information is analysed in terms of how it pertains to the larger issues (for example, health, illness and the quality of life). In this way, issues related to needs and demands are defined in terms of health and illness as well as other co-existing social problems.

For example, in **the** context of the National Health Policy, **the** inputs (in terms of needs and demands) comprise health, illness, and the quality of life, expressed in physical, **psychological**, social, and environmental terms. Needs are the conditions that ask for action. They are among the most important predictors of utilisation, and are mostly described in terms of diagnosis, functional limitation, perceived illness, symptoms, or poor self-rated health status. On the other hand, demands are expressed as desires in relation to the services sought, whether they are needed or not. Other inputs include resources, such as manpower, facilities and **equipments**, and performance standards. On the process linkage, it is concerned with the delivery of services to meet the needs and demands of clients and professionals. Services are described in such terms as their types, delivery, management and controls of cost and quality. Other services include supports such as legal aid, income support, consumer education, and professional development. The outputs of service-related programmes are described in terms of the use of those services, the costs and the quality of care. Finally, the outcomes are the responses to the services expressed in terms of the levels of well-being and health, and client and professional satisfaction that are attained as a result. The foregoing analytical framework facilitates programme evaluation, which is expected to lead to rational policies and decisions about health services. In the next section, we will describe the stages in policy analysis.

### 2.2.1 Identifying the Underlying Problem

For an analytic approach, the first step is to identify whether and why there is a problem at all. Defining the problem involves moving from mundane descriptions to a more abstract, conceptual plane. Here, an attempt should be made to diagnose the form of market failure, that is confronted. For example, an environmentalist who is investigating alternative pollution control measures for the Ganges will find that the water is being polluted by the dumping of industrial wastes and untreated sewage into the river. Having identified the context of the problem, the next step is to determine what objectives are to be achieved in confronting it. Too often, we lose sight of the basic objectives. Paying careful attention to the objectives is, therefore, important. For example, the provision of the services of doctors is merely a means to the end of improving people's health.

### 2.2.2 Determining Alternatives for Policy Choice

The next step is to determine alternative courses of action. Government intervention can take any form. It is important to determine which kind of intervention is most positive in any particular situation.

In the case of pollution of the Ganges, consider the following possibilities:

- Abutters in some areas of the river might be granted rights by the government to clean water. The government would then have the right to sue a polluter.
- The government may require the industrialists concerned, and cities and town dwellers concerned to stop dumping waste and untreated sewage into the river. It may otherwise impose restrictions on them on the quantity of dumping. In the latter case, the government may prescribe such specifics as enforcement of stringent standards.

- The government may permit polluters to purchase rights to discharge a certain amount of pollutants. Polluters may be required to pay effluent charges and to install pollution control devices.
- The state government or the local authority itself can directly undertake the work of cleaning and removing the pollutants that others dump.

These are some of the alternatives for pollution control. As difficulties are identified and additional information becomes available, refinement of alternative courses of action will continue throughout the analysis. Determining alternatives for policy choice generally offers a chance for creative thought as well as hard work. Often, the process is treated merely as a mechanical exercise, and consequently, attractive policies are not paid adequate attention: It rarely proceeds in a straightforward fashion from the identification of the problem to the selection of the preferred action.

### **2.2.3 Forecasting and Evaluating the Alternatives**

Having identified the underlying problem and having determined the alternatives for policy choice, the policy analyst evaluates the consequences of each of the alternatives. For this, he will turn to a relevant model for forecasting consequences. In the case of the pollution control problem, the models needed would be far more complex. Here, the analyst would have to build a model of how the quality of water in the Ganges responds to the various types of pollution and weather conditions. Only then can he forecast the consequences, in terms of quality of water and the alternative measures and degrees of pollution control. In such a case, a model based on computer simulation is the most appropriate. The analyst must also try to predict the effect on the individuals and industrialists affected by various control measures on water quality. It is necessary here to predict all the effects of the proposed policies, not just the economic effects desired by the decision-maker.

If the consequences of an alternative course of action are uncertain, and especially if the possible outcomes differ widely from one another, the analyst may wish to develop a decision tree and evaluate the probability of each outcome. For example, in the Ganges pollution case, it is difficult to predict with complete accuracy, either the weather or future developments in pollution control measures, or the vagaries of the political executive. It is, therefore, difficult to have a rational policy choice unless the relative merits of alternative options are compared. The question of measuring success in the pursuit of each objective is a difficult one. However, if the analyst is to recommend a policy decision, he must find some way to evaluate the possible degrees of improvement of water quality. Improvements in water quality will be achieved only at a very high cost. While the benefits of pollution control may be enjoyed by one section of the community, the state may have to bear a substantial portion of costs in administering the pollution controls over pollution. These costs need to be evaluated. However, the effects of pollution controls will extend over many years and the relative benefits and costs must be discounted. In view of such conflicting objectives, it becomes difficult for an elected or appointed policy-maker to make these tough policy choices. However, evaluation of the outcomes is of great importance as it reminds us to look carefully at the cost-benefit analysis of a particular policy choice. Too often, policy choices have been sabotaged by bureaucrats and interested politicians. The analysts should seek the counsel of experts in the field.

### **2.2.4 Making a Choice**

The last step in policy analysis relates to making the preferred choice (course of action). The situation may be so simple for the policy-maker that he can simply look at the consequences predicted for each alternative and select the one that is best. In contrast, it may be so complex that

he will have to think of his preferences among the various possible outcomes, that is, in terms of how the world might behave in response to the possible choices.

The policy process may be represented in a **diagrammatic** form, as shown in figure 2.1.

It has been observed that countless policy studies have led nowhere. Sometimes the fault is attributed to the public decision-makers who do not take advantage of readily accessible data. Too often, it is the producers of the analysis who are to blame. Most policy analyses are gathering dust because they have not been properly understood. The analysis should be brought out in such a way that the essential points can be easily grasped and communicated. The choice among competing policy alternatives is complex, for the future is always uncertain. But, by enhancing our capability to forecast the consequences of the alternative courses of actions, and providing a framework for valuing those consequences, the techniques of policy analysis lead us to better decisions and policies.

### 2.2.5 Policy Implementation

In the final analysis, the success of public administration can be measured only in relation to the implementation of policies. Policy implementation is of critical importance to the success of government. However good the political system, however noble the goals, however sound the organisational system, no policies can succeed if the implementation does not bear relationship to the intentions of policy makers.

In its most general form, implementation is a phase between a policy statement and operation'. It seeks to determine whether an organisation is able to carry out and achieve the stated objectives of its policies. The exercise involves developing and pursuing a strategy of organisation and management to ensure that the policy process is completed with the minimum of delays, costs and problems. More specifically, the task of implementation is to form a bridge that allows the objectives of public policies to be achieved as outcomes of governmental activity. It **involves** the creation of a policy delivery system in which specific mechanisms are designed and pursued in the hope of reaching particular ends.

#### Constraints in Policy Implementation

Policies can become very difficult to implement if the **implementers** are not given sufficient **autonomy** and flexibility in carrying out their tasks. In order to ward off political pressures and adhere to the goals of a policy, the **implementers** need adequate powers. Very often, the government itself modifies or abandons its policy in the face of strong opposition from **interest** groups.

A second reason why the policies may be difficult to implement is that the bureaucracy does not have the necessary professional skills needed for the implementation of the policies. Bureaucracy must have experts from different areas of specialisation but due to inappropriate recruitment policies, such expertise is not always available. In such cases, vast training programmes are initiated so that adequate skills can be imparted to those who need them most. Bureaucracy should be strengthened to enable it to become an effective instrument of **policy** implementation.

Lack of resources, **personnel**, financial and technical, also becomes a hindrance in the implementation of public policy. Inadequate staff, lack of expertise and skills, shortage of funds etc. frustrate proper policy implementation. Another problem in policy implementation might arise due to lack of response from the target groups. **Sometimes**, people do not take interest in the implementation of a programme; at times they may not be aware of the objectives and goals of a programme. Lack of people's participation often leads to upsets in implementation.

Actually, the effectiveness of policy implementation depends to a great extent on the adequacy of the policy design. The activities associated with these two stages of policy cycle are closely interconnected. The setting of goals and objectives, allocation of resources, minimising political influences and the choice of implementation strategies influence the extent to which policy aims can be achieved.

## 2.2.6 Policy Monitoring

Monitoring is essentially a subset of the implementation process. It is an activity which occurs in the course of implementing a policy or programme. It is in the process of monitoring that the implementer actually gets to begin seeing the results of policy. The objective of policy monitoring is to ensure through the policy implementation process that resource inputs are used as efficiently as possible to yield intended results. The standards which are used for both efficiency of resource utilisation and effectiveness of policy implementation are inherent in the policy-making process. The monitor has to be able to appraise resource use, technical activities and policy implementation results with an amount of detail which permits him to make changes or corrections when necessary. On the contrary, if the monitor flies too high, as it were, then the details will be lost and the opportunity for effective policy control is lost. The monitor becomes, often buried in the detail of policy programme and loses sight of overall policy performance standards.

The significance of the monitoring of public policy lies in seeing that intended results are achieved through the efficient use of resources. Monitoring helps in designing and implementing systems for the processes, which provide just the right amount of detail for adequate control of policy execution. Experience has shown that effective monitoring can ensure the proper execution of policy with desired results in the shortest period of time.

An effective monitoring of public policies aids in cost reduction, time saving and effective resource utilisation. The key issue in monitoring is to create an information system that gives policy makers and policy implementers the information they need to make timely decisions and policies that will keep policy/programme performance as close as possible to the objectives of the policy. Therefore, it is important that monitoring and control processes should be given due importance and be designed properly.

### Constraints in Policy Monitoring

Policy implementation, to be effective, requires adequate monitoring. Policy programmes or activities have to be properly monitored in order to produce the maximum efficiency in resource utilisation. But quite often, monitoring is constrained by many factors and forces operating in the internal and external spheres.

One of the serious problems in monitoring relates to poor design of the implementing system for the processes, which provide the amount of detail for good monitoring. Second, time is a constraint for policy monitoring. Too often, the implementing staff feel so pressed to achieve results that they take shortcuts and avoid management steps like monitoring and control. Experience has shown that monitoring and control processes, when adequately designed and executed, can generate results of the highest quality in the shortest possible of time. Third, a common constraint for the policy implementation manager is the shortage of corrective actions, which would be applied when the programme is found to be deviating in some respect from projected performance. Fourth, a pervasive obstacle to policy monitoring is ignorance about its role and methods. It is often observed that the monitoring staff and key personnel associated with implementing policies lack the requisite skills to monitor and control policy/programme performance.

## 2.2.7 Policy Outcomes

The next stage in the policy cycle is the policy outcomes. In the political system, outputs are regarded either as effects on the environment or as 'feedback' to the policy-makers of the political system. According to David Easton, outputs are the actual decisions of the implementers. They are what a government does, as distinguished from what it says it is going to do. Policy outputs are, however, different from policy outcomes. The concept of outcomes lays stress on what actually happens to the target groups intended to be affected by the policy. If the intended changes on target groups do not occur, something is wrong. State housing schemes for the poor may be used to illustrate this point. Although one can find the fulfilment of targets, including the physical presence of houses, it was observed that in a majority of the instances the beneficiaries choice not to occupy them because they were not to their liking in terms of the size, ambience or quality of construction. In some instances, the deficiencies in the quality of construction led to leaks and other serious problems, driving the occupants out of the houses. The policy outputs were achieved, but not the outcomes. Here our intention is to evaluate the policies. In other words, it means assessing whether the policies actually achieve what they are intended to achieve.

## 2.2.8 Policy Evaluation

The final stage of the policy process, in the sequential pattern of activities, is the evaluation of policy. Evaluation is concerned with what happens, once a policy has been put into effect. It is concerned with the worth or social utility of a policy or programme. Policy evaluation is the assessment of the overall effectiveness of a programme in meeting its objectives, or assessment of the relative effectiveness of programmes in meeting the expected objectives.

Evaluation is not monitoring. Monitoring, however, is a prerequisite for evaluation. Monitoring is concerned with establishing factual premises about public policies. It is fundamentally about control and review. Monitoring answers the question: "What happened, how, and why?" On the contrary, evaluation answers the question: "What differences does it make?" Evaluation is retrospective and occurs after actions have been taken. It is concerned with 'trying to determine' the impact of policy on real life conditions.

Evaluation performs several functions in policy analysis. In the first place, it provides reliable information about policy performance. The prime purpose of evaluation is to measure the impact of policies on society. It reveals the extent to which particular goals have been achieved (for example, increase in the life expectancy at birth). It also helps us to understand the degree to which policy issues have been resolved. Secondly, evaluation helps clarify the values that underline the selection of goals and objectives. Values are clarified by properly defining goals and objectives. Since the appropriateness of policy goals and objectives can be questioned in relation to the problem being addressed, evaluation provides procedures for evaluating goals and objectives themselves. Thirdly, evaluation may result in efforts to restructure policy problems. It may also contribute to the emergence of new objectives and potential solutions, for example, by showing whether a previously adopted policy alternative should be replaced with another one or abandoned. In the course of policy implementation, the policy actions may be either restructured to the new conditions that have been evaluated or terminated altogether, either because the information permits the inference that the needs have been met or because policy actions have created more problems than they have resolved. Evaluation is primarily an effort to analyse policy outcomes in terms of some set objectives. It determines identification of the utility of policies. It brings out the utility of the policies under consideration.

## **Criteria for Evaluation**

The criteria for evaluation of policy enable analysts to produce information about the likelihood that particular courses of action will result in the realisation of outcomes. In producing information about policy performance, analysts use different types of criteria to evaluate policy outcomes.

Frohock has suggested four concepts—Equity, Efficiency, Pareto Optimality and Public Interest—as helpful in evaluating policy. Suchman proposes a five-dimensional scheme for evaluating success or failure. Effort refers to, ‘...the quantity and quality of activity that takes place’. Performance ‘...measures the results of efforts rather than the effort itself. Adequacy of performance measures the ‘...degree to which effective performance is adequate to the total amount of need’. Efficiency concerns the questions: ‘Is there a better way to attain the same results?’ Process deals with the complex problem of, “how and why a program works or does not work”? Smith suggests three criteria for policy judgements: policy design; policy process; and policy achievement. The perspectives given above provide a useful starting point to examining policy evaluation. We consider that six major categories for policy evaluation are evident: effectiveness, efficiency, adequacy, equity, responsiveness and appropriateness.

## **Constraints in Policy Evaluation**

Evaluating a public programme is a difficult exercise. It involves specifying the goals of the programme, measuring the degree to which these goals have been achieved, and perhaps suggesting changes that might improve the performance of the organisation. The evaluation of public programmes is confounded by many factors. Some of these are as follows:

If policy goals are unclear or are not specified in any measurable form, determining the extent to which they have been achieved becomes a complex and cumbersome task. Officials such as legislators and administrators who are in different positions in the policy system may have different perceptions and hence, define goals of a programme differently and reach differing conclusions about the accomplishment of the programme.

Even when the goals have been expressed in clear language and concrete terms, there is the difficulty of measuring the extent to which these goals have been achieved. In the public sector, measuring results is still more difficult. It is difficult to measure the performance of the public sector programmes in the absence of any ready means of judging the performance. For example, although the short-term goal of education is to improve reading, writing and learning, in the long run, the goal of education is to improve the quality of life for those who receive it. This seems to be an elusive quality to measure when an evaluation must be made quickly.

The evaluation of public programme is often confounded by some other related programmes also. For example, if we are to evaluate the effectiveness of a health programme on a poorer section of the community, we may find it difficult to isolate the effects of that health programme from those of a nutrition programme or those of an educational programme.

Related to the problem of determination and achievement of goals, is the problem of target population. Data necessary to evaluate the programme may not be available or may be available in an unsuitable form. The information gathered in the course of delivery of policy may highlight much about the characteristics of the people actually receiving the benefit but little regarding the target population. Programmes that have significant effects on the population as a whole may not have the desired effects on the target population. For example, though the integrated rural development programme was intended to help the rural population as a whole, yet the condition of the poor people in the rural area had not improved commensurately.

Rural development programmes directed at the poor and the less educated frequently face difficulties in disseminating information widely about the programme among the target population. Again, cumbersome administrative procedures and other difficulties in utilising the benefits may make the programme less effective than desired. Sometimes, programmes may select clients who actually need little help, rather than those who have greater need. Obviously such programmes achieve limited results only.

### 2.2.9 Problem Structuring

The final stage of the policy process is about the assessment of what has happened regarding the implementation of the policy. Policy evaluation sometimes gets enmeshed in the political process. Evaluating a public programme involves the listing of the goals of the programme, measuring the degree to which these goals have been achieved, and finally, suggesting changes that might bring the performance of the organisation more in line with the intended purposes of the programme.

As mounting pressure is brought to bear on the public sector to play its role more effectively and efficiently, evaluation may even become a point of conflict or reinforce pre-existing conflicts. Negative evaluation of the performance of a public programme may result in its termination. The content of an evaluation, the goals that are contained in it, and even the organisation performing the functions, all of them will affect the final assessment. Therefore, there is a need for structuring the problem. This requires adequate information, feedback, resources and political will. Putting policy into effect involves not the end of policy-making, but a continuation of policy-making by other means.

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## 2.3 LIMITATIONS OF POLICY ANALYSIS

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As the future is always uncertain, it is questionable whether policy analysis can find solutions to the problems regarding the future of society. Poverty, unemployment, inequality, and environmental pollution are some of the major problems in the Indian society. Of course, this is an excuse for failing to strive for a better society. It must be realised that solutions to these problems may be difficult to find. There are several reasons for tempering our enthusiasm for policy analysis.

It has been observed that policy analyses are gathering dust because they are either too long or too technical to understand. Policy analysis is of no use if it cannot be communicated to others. Too often, policy analysis deals with subjective topics and must rely upon the interpretation of results. Professional researchers often interpret the results of their analyses differently. Obviously, quite different policy recommendations can come out from these alternative interpretations of the results of their research.

Secondly, policy analysis by itself cannot provide solutions to problems when there is no general consensus on what the problems are. It is incapable of resolving societal value conflicts. At best, it can offer advice on how to accomplish a certain set of end values. It cannot determine what those end values should be. Furthermore, social science research cannot be value-free.

It is also very difficult for the government to cure all or even most of the maladies of society. The government is constrained by many forces, both from within and outside—such forces, as population growth, societal patterns, family class structure, religious beliefs, diversity of cultures and languages and financial resources that influence policy outcomes, cannot be easily managed by the government.

Then there are the inherent limitations in the design of policy analysis research. For example, it becomes difficult to conduct some forms of controlled experiments on human beings (e.g., the researchers cannot order middle-class children to go to the D.A.V. schools for several years just

to see if it has an adverse impact on their achievement levels). Further, it has been noted that the persons doing policy research are too often programme administrators who might be interested in proving that the results of their programmes are positive. It is desirable to separate research from policy implementation, but this seems to be a difficult thing to do, more so in the Indian political and bureaucratic context.

Another limitation is intrinsic to the current professional standing of the social sciences. Many of the society's problems are complex as they are shaped by myriad forces. In the absence of reliable data, collected in a scientific manner, some social scientists are tempted to offer simple explanations to complex problems. Differences in perceptions, ideological predilections, inadequacies in professional orientation and training also tend to influence their assessments of the causal sequence. The language (jargon) of the specialists poses yet another problem. The policy makers may have to utilise the services of well-trained professionals only in order to overcome such limitations. Wherever contradictory recommendations emerge from two or more social scientists, brainstorming sessions and panel discussions about the conceptual and methodological approaches and the inferences drawn from their studies would edge out major problems. Yet, building up a reliable data base itself poses a major challenge. As such, major to minor limitations would still persist, depending upon the policy arena and the level of complexity of the problems on hand. Despite these limitations on policy analysis, it seems safe to say that social scientists can at least attempt to measure the impact of present and past public policies and make this knowledge available to policy-makers. Reason, knowledge and scientific analysis are always better than the absence of any knowledge. Robert Lineberry notes, "policy analysis rests on the assumption that information is better than no information, and that right questions are better than no questions asked, even when the answers may not be definitive." Policy analysis may not provide solutions to society's ills but it is still an appropriate tool in approaching policy questions. Policy analysis enables us to describe and explain the causes and consequences of public policy. Policy analysis is applied to inform the policy-maker about the likely future consequences of choosing various alternatives.

## **2.4 CONCLUSION**

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The use of the **policy-cycle** can bring benefits to the analysis of public policy. Perhaps more attention could have been paid to implementation and policy evaluation. As with any set of headings, it can guide or suggest things to be looked at, in an orderly manner, when someone in government is faced with a **particular** policy problem. It is even possible that the results of the analysis, based on a policy cycle, may be better than without one. In this connection, Patton and Sawicki make a succinct observation: "We organize the methods according to the steps in the process because we believe that policy analysis is more than methods or techniques. It is a way of thinking about problems, of organizing data, and of presenting findings. Policy analysis involves craft and creativity, and policy analysis develops their own styles and their personalized ways of orchestrating information. However, we believe beginning analysts can develop a set of basic skills and a general approach that will provide a foundation for analytical development".

This Unit attempts to bring together at one place a lot of information relevant to public policy. The details of each section explored in this unit could be helpful, especially for the target audience, and beginning policy analyst. In general, though there are some difficulties, yet a model check list of items like this could be helpful in formulating, implementing and evaluating public policy.

## 2.5 KEY CONCEPTS

- Effectiveness** : Effectiveness means the degree of goal or objective achievement.
- Efficiency** : Efficiency refers to the amount of effort required to produce a given level of effectiveness in terms of favourable cost-benefit ratio.
- Policy analysis** : Policy analysis as a technique puts data to use in, or in deciding about estimating and measuring the consequences of public policies. Its purpose is twofold: i) it provides maximum information with minimal cost about the likely consequences of proposed policies; and ii) the actual consequences of the policies already adopted. The Dictionary of Public Administration defines policy analysis as a systematic and data-based alternative to intuitive judgments about the effects of policy or policy options, which is used for problem assessment and monitoring, as a 'before the fact' decision tool, and for evaluation.
- Policy implementation** : Implementation is a process of interaction between the setting of goals and actions geared to achieve them. In simple words, it is putting policy into effect.

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## 2.7 ACTIVITIES

- 1) Explain the linkages and interaction patterns among items in a policy cycle with the help of a diagram,
- 2) Describe the various stages in policy analysis and explain the ways by which the policy process can be improved.
- 3) It is said that policy analysis may not provide solutions to society's ills, but it is still an appropriate tool in approaching policy questions. Discuss this statement.

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# **UNIT 3 MODELS OF PUBLIC POLICY**

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## **Structure**

- 3.0 Learning Outcome
- 3.1 Introduction
- 3.2 Systems Model for Policy Analysis
- 3.3 Institutional Approach to Policy Analysis
- 3.4 Rational Policy-Making Model
- 3.5 Lindblom's Incremental Approach
  - 3.5.1 Strategic Policy-Making
  - 3.5.2 Partisan Mutual Adjustment
- 3.6 Dror's Normative-Optimum Model
- 3.7 Political Public Policy Approach
- 3.8 Mixed Approach by Hogwood and Gunn
- 3.9 Conclusion
- 3.10 Key Concepts
- 3.11 References and Further Reading
- 3.12 Activities

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## **3.0 LEARNING OUTCOME**

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After studying this Unit, you should be able to:

- Understand the Eastonian model for policy analysis;
- Discuss the Rationality model for policy-making;
- Highlight the Institutional approach, which addresses the role that state and social institutions have in defining and shaping public policies;
- Describe Lindblom's Incremental approach to policy-making;
- Explain Y. Dror's Normative-Optimum model to policy-making; and
- Describe the Political Public Policy approach.

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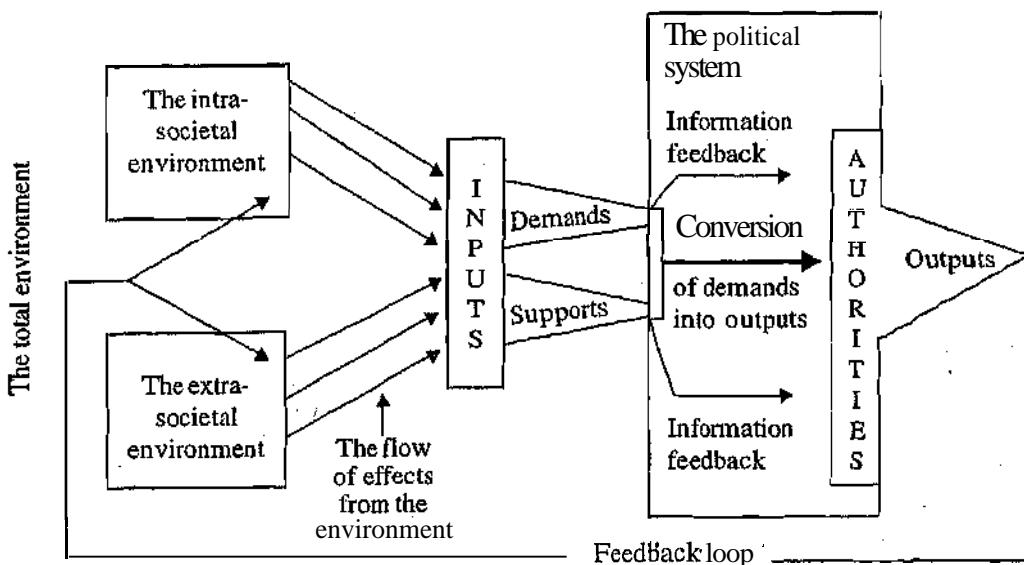
## **3.1 INTRODUCTION**

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The idea of models and frames that structure and provide a discourse of analysis came into use in the 1970s and 1980s. They were thought of as modes of organising problems, giving them a form and coherence. A model involves the notion of constructing a boundary around reality, which is shared or held in common by a group of scholars or a theorist. When we study **public policy** we must be aware of how different models of analysis define and discuss problems, and how these clash and shift around.' In this Unit, we will examine certain models and theoretical frameworks that analysts employ. A few of these models and approaches will be discussed in the subsequent sections.

## 3.2 SYSTEMS MODEL FOR POLICY ANALYSIS

The policy-making process has been regarded by David Easton as a 'black box', which converts the demands of the society into policies. While analysing political systems David Easton argues that the political system is that part of the society, which is engaged in the authoritative allocation of values. The systems approach to political analysis is shown in figure 3.1.



Source: Adapted from Easton's *A Framework for Policy Analysis* (1965)

Pig. 3.1: The Estonian 'black box' model

Notes:

The intra-societal environment:

- ecological system
- biological system
- personality system
- social system

The extra-societal environment:

- international political systems
- internationalecological systems
- international social systems

Above figure gives an idea of what Easton describes as a political system. Inputs are seen as the physical, social, economic and political products of the environment. They are received into the political system in the form of both demands and supports.

Demands are the claims made on the political system by individuals and groups to alter some aspect of the environment. Demands occur when individuals or groups, in response to environmental conditions, act to effect public policy.

The environment is any condition or event defined as external to the boundaries of the political system. The supports of a political system consist of the rules, laws and customs that provide a basis for the existence of a political community and the authorities. The support is rendered when individuals or groups accept the decisions or laws. Supports are the symbolic or material inputs of a system (such as, obeying laws, paying taxes, or even respecting the national flag) that constitute the psychological and material resources of the system.

At the heart of the political system are the institutions and personnel for policy-making. These include the chief executive, legislators, judges and bureaucrats. In the system's version they translate inputs into outputs. Outputs, then, are the authoritative value allocations of the political system, and these allocations constitute public policy or policies. The systems theory portrays public policy as an output of the political system.

The concept of feedback indicates that public policies may have a modifying effect on the environment and the demands generated therein, and may also have an effect upon the character of the political system. Policy outputs may generate new demands and new supports, or withdrawal of the old supports for the system. Feedback plays an important role in generating suitable environment for future policy.

### **Limits of Systems Approach to Policy Analysis**

The systems theory is a useful aid in understanding the policy-making process. Thomas Dye (*Understanding Public Policy*) says that the value of the systems model to policy analysis lies in the questions that it poses. They are noted below:

- What are the significant dimensions of the environment that generate demands upon the political system?
  - What are the significant characteristics of the political system that enable it to transform demands into public policy and to preserve itself over time?
  - How do environmental inputs affect the character of the political system?
  - How do characteristics of the political system affect the content of public policy?
  - How do environmental inputs affect the content of public policy?
- How does public policy affect, through feedback, the environment and the character of the political system?

The usefulness of the systems model for the study of public policy is, however, limited owing to several factors. It is argued that this input-output model appears to be too simplistic to serve as a useful aid to understanding the policy-making process. This model is accused of employing the value-laden techniques of welfare economics, which are based on the maximisation of a clearly defined 'social welfare function'. Another shortcoming of the traditional input-output model is that it ignores the fragmentary nature of the 'black box'. The missing ingredients in the systems approach are the "power, personnel, and institutions" of policy-making. Lineberry observes that in examining these "we will not forget that political decision-makers are strongly constrained by economic factors in the environment in the political system."

The Estonian model also ignores an important element of the policy process, namely, that the policy-makers (including institutions) have also a considerable potential in influencing the environment within which they operate. The traditional input-output model would see the decision-making system as "facilitative" and value-free rather than "causative", i.e., as a completely neutral structure. In other words, structural variations in the systems are found to be having no direct causal effect on public policy.

Further, it is argued that both the political and bureaucratic elite fashion mass opinion more than masses shape the leadership's views. The concept of 'within puts' as opposed to inputs has been created to illustrate this point. Thus, policy changes may be attributed more to the political and administrative elite's redefinition of their own views than as a product of the demands and support from the environment. Quite often, policy initiation does emerge from the bureaucracy. Under certain situations, the bureaucracy becomes a powerful institution in formulating and legitimising policy. In the Western democracies, the bureaucracy's role in the shaping of policy direction is

largely technical and fairly minimal. The policy direction remains, still largely, in the traditional domain of the political elite. On the other hand, in a developing country like India where the state's objectives are not fully articulated and clear, the bureaucracy easily **capitalises** on the process of policy selection out of alternative policy strategies. It does participate in the formulation of public policy in addition to performing purely technical tasks. Finally, the extent to which the environment, both internal and external, is said to have an **influence on the policy-making process** is influenced by the values and ideologies held by the decision-makers in the system. It suggests that policy-making involves not only the policy content, but also the policy-maker's perceptions and values. The values held by the policy-makers are fundamentally assumed to be crucial in understanding the policy alternatives that are made.

### **3.3 INSTITUTIONAL APPROACH TO POLICY ANALYSIS**

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In a democratic society, a state is a web of government **structures and institutions**. The state performs many functions. It strives to adjudicate between conflicting social and economic interests. The positive state is regarded as the guardian of all sections of the **community**. It does not defend the predominance of any particular class or section. Ideally speaking, it has to protect the economic interests of all by **accommodating** and reconciling them. No organisation has ever been able to succeed in its objectives across the whole range of public policies; and policy issues tend to be resolved in ways generally **compatible** with the preferences of the majority of the public.

In the pluralist society, the activities of individuals and groups are generally directed toward governmental institutions, such as, the legislature, executive, judiciary, bureaucracy, etc. Public policy is formulated, **implemented** and enforced by **governmental** institutions. In other words, a policy does not take the shape of a public policy unless it is adopted and implemented by the governmental institutions. The government institutions give public policy three different characteristics, Firstly, the government gives legal authority to policies. Public policy is the outcome of certain decisions and is **characterised** by the use of legal sanctions. It is regarded as a legal obligation, which commands the obedience of people. Secondly, the application of public policy is universal. Only public policies extend to all citizens in the state. Thirdly, public policies involve coercion. It is applied to the acts of government in backing up its decisions. A policy conveys the idea of a capacity for **imposing** penalties, through coercion of a kind usually reserved to the government itself. Only the government can legally impose sanctions on violators of its policies. Since the **government** has the ability to command the obedience of all its people, to formulate policies governing the whole country and to monopolise coercion, the **individuals** and groups generally work for the enactment of their preferences into policies.

Assuch, there is a close relationship between public policy and **governmental** institutions. It is not surprising; then, that social scientists would focus on the study of governmental structures and institutions. The institutional study has become a central focus of public policy. Thus, one of the models of the policy-making system might be called the **institutional approach** because it depends on the interactions of those institutions created by the constitution, government or legislature.

In **policy-making**, different individuals and groups, such as, the **Executive** or Cabinet, the Prime Minister, the Members of Parliament, bureaucrats, or leaders of interested groups exercise power. Each exercise of power constitutes one of the **influences**, which go to make up the **policy-making** process. This is to say that there is a process through which public policy is enacted. The process generally **comprises** a sequence of related decisions often made under the influence of **powerful** individuals and groups, which together form what is known as state institutions. The institutional approach is also concerned with explaining how social groups and governmental institutions bring influence to bear on those entitled to take and implement legally binding decisions. Such decision-

makers include those who hold office within the formal and constitutional system of rules and regulations, which give formal authority and power to the various positions within the governmental structures and institutions. The institutional approach attempts to study the relationship between public policy and governmental institutions.

Institutionalism, with its focus on the legal and structural aspects of institutions, can be applied in policy analysis. The structures and institutions and their arrangements and interactions can have a significant impact on public policy. According to Thomas Dye governmental institutions are structured pattern of behaviour of individuals and groups, which persist over a period of time.

Traditionally, the focus of study was the description of governmental structures and institutions. The approach did not, however, devote adequate attention to the linkages between government structures and the content of public policy. The institutional approach was not backed by any systematic enquiry about the impact of these institutional characteristics on public policy decisions. The study of linkage between government structures and policy outcomes, therefore, remained largely unanalysed and neglected.

Despite its narrow focus, the structural approach is not outdated. Government institutions are, in fact, a set of patterns of behaviour of individuals and groups. These affect both the decision-making and the content of public policy. The institutional approach suggests that government institutions may be structured in such ways as to facilitate certain policy outcomes. These patterns may give an advantage to certain interests in society and withhold this advantage from other interests. Rules and institutional arrangements are usually not neutral in their impact. In fact, they tend to favour some interests in society over others. Certain individual groups may enjoy, therefore, greater power or access to government power under one set of structured patterns than under another set. In other words, there is the impact of institutional characteristics on policy outcomes. Under the institutional approach one can study the relationships between the institutional arrangements and the content of public policy. The policy issues can be examined in a systematic fashion with a focus on institutional arrangements.

The value of the institutional approach to policy analysis lies in asking what relationships exist between institutional arrangements and the content of public policy, and also in investigating these relationships in a comparative fashion. However, it would not be right to assume that a particular change in institutional structure would bring about changes in public policy. Without investigating the true relationship between structure and policy, it is difficult to assess the impact of institutional arrangements on public policies. In this context, Thomas Dye says, "both structure and policy are largely determined by environmental forces, and that tinkering with institutional arrangements will have little independent impact on public policy if underlying environmental forces – social, economic, and political – remain constant".

### **3.4 RATIONAL POLICY-MAKING MODEL**

Rationality and rationalism are words too often found and used in the literature of social science, but they are more widely espoused than practised in policy-making. However, rationality is considered to be the 'yardstick of wisdom' in policy-making: This approach emphasises that policy-making is making a choice among policy alternatives on rational grounds. Rational policy-making is "to choose the one best option". Robert Haveman observes that a rational policy is one, which is designed to maximise "net value achievement".

Thomas Dye equates rationality with efficiency. In his words, "A policy is rational when it is most efficient, that is, if the ratio between the values it achieves and the values it sacrifices is positive and

higher than any other policy alternative". He further says that the idea of efficiency involves the calculation of all social, political, and economic values sacrificed or achieved by a public policy, not just those that can be measured in monetary terms.

Hence political policy-makers should be rational. But it is not easy. In order to be rational, it is desirable that there should be:

- i) identification and determination of the goals;
- ii) ranking of goals in order of importance;
- iii) identification of possible policy alternatives for achieving those goals; and
- iv) cost-benefit analysis of policy alternatives.

A policy-maker wedded to rational policy-making must:

- i) know all the society's value preferences and their relative weights;
- ii) clarify the goals and objectives and rank them;
- iii) know all the policy alternatives available;
- iv) compare the consequences of each policy alternative;
- v) calculate the ratio of achieved to sacrificed societal values for each policy alternative; and
- vi) select the most efficient policy alternative that matches with the goals.

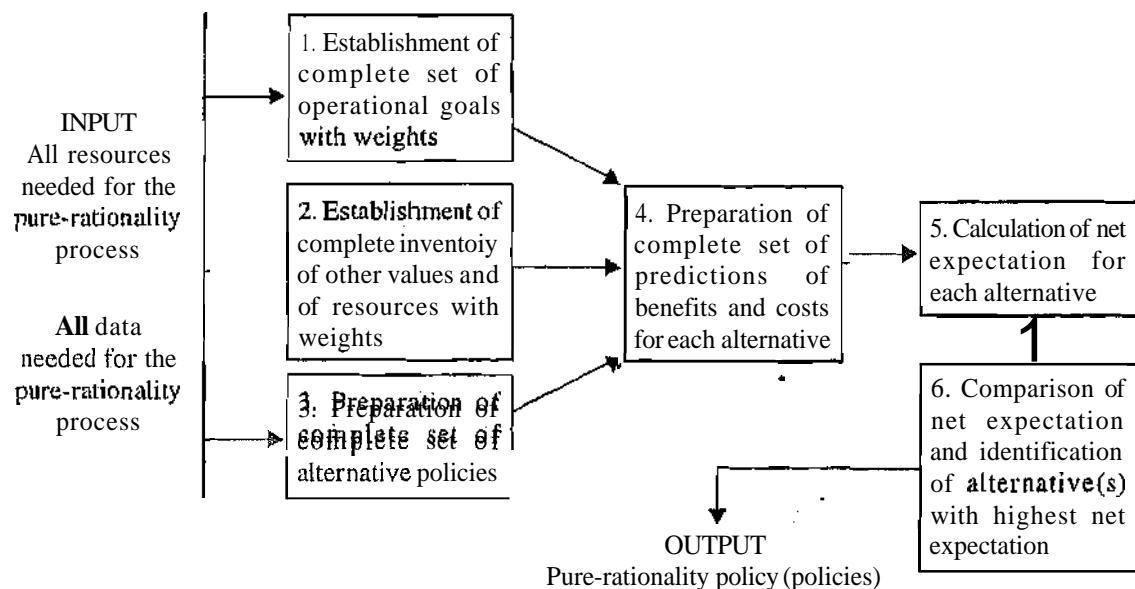
In a rational decision-making process, instead of making an 'ideal' decision as Simon observes, policy-makers will break the complexity of problems into small and understandable parts; choose the one option, that is, best and satisfactory; and avoid unnecessary uncertainty. Herbert Simon further notes, "although individuals are intendedly rational, their rationality is bounded by limited cognitive and emotional capacities."

Rational policy-making, thus, requires making hard choices among policy alternatives. It entails many stages:

- i) To begin with the policy-maker identifies the underlying problem. He formulates and sets goal priorities, This is necessary because one goal may be more important than another.
- ii) At the second stage, the policy-maker identifies the range of policy alternatives and options that help to achieve the goals. He prepares a complete set of alternative policies and of resources with weights for each alternative. The process of identifying policy alternatives is of critical importance as it affects both the range and quality of alternatives.
- iii) The third stage requires the calculation of predictions about the costs and benefits of policy alternatives. The policy-maker is required to calculate for each policy alternative both the expectation that it will achieve the goal, and also its cost. Here there is a question of calculation of the "cost-payoff" ratios of each alternative.
- iv) Although simultaneously calculating net expectation for each alternative, the policy-maker is required to compare the alternatives with the highest benefits. It is possible that by comparing two alternatives, one may derive the benefits at less cost.
- v) Finally, the policy maker selects the most efficient policy alternative.

Once a policy choice is implemented, the rational policy-maker is required to monitor this implementation systematically to find out the accuracy of the expectations and estimates. If necessary, the policy-maker may modify the policy or give it up altogether. This is called 'the feedback stage' of rational policy-making. If decision-makers make use of feedback to monitor and adapt policy, the policy system becomes self-correcting or cybernetic.

The concept of rationality is espoused to such an extent that many types of rational decision models are to be found in the literature of social sciences. Thomas Dye, as shown in figure 3.2, has given an example of a rational approach to a decision system that facilitates rationality in policy-making.



**Fig. 3.2: A Rational Model of a Decision System,**

### Constraints to Rationality

Rational decision-making suffers from many constraints. The concept of rationality is bandied about so much and so indiscriminately that it threatens to lose its meaning. It is more widely espoused than practised. Some of the important constraints to rational policy-making are:

#### i) Accomplishing Goals

Rational policy-making is a very difficult exercise. The expectation that a rational policy will emerge is small. By the time the policy-maker recommends a rational policy, the problem in question may, at times, become so complex that the prescriptions become decisions that are made on the basis of other goals. Instead, decision makers may try to maximise their own rewards, such as, power, status, money and re-election. Therefore, rational policy-making might turn out to be more an exercise than the actual realisation of a set of goals.

Yet, attempts at rationality have some positive purposes. Rationality is somewhat like democracy. In this context, Lineberry says, "... as democracy is the measuring rod of virtue in a political system, so too is rationality, supposedly the yardstick of wisdom in policy-making".

#### ii) Securing Optimisation

The rational policy-making model is expected to produce optimal results. But in reality, it does not always happen. The public interest is considered to be more important than being merely the sum of individual interests in the policy. If air pollution control is a public interest, because all share in its benefit, then the strategy might require that every automobile sold is to be fitted with an expensive set of anti-pollution emission control devices, making it to cost more. Yet, few citizens are willing to pay more of their own money to reduce automobile emissions. If pollution control is a public good, which is individual's own decision, in fact, too often, others should also be guided by the same rational perspective while taking individual decisions. Contrary to this, many of them tend to proceed with a different assumption, "everybody's doing it and my little bit won't really matter".

much." Thus, the motivation for various stakeholders in a policy to try to maximise net goal achievement is missing. Further, policy makers in government merely try to satisfy certain demands for progress. They do not strive to search until they find the one best way.

### iii) Conflict between Rational Choice and Need for Action

There is a conflict between the search for rational behaviour and the need for action. As already stated, policy-makers are not motivated to make decisions on the basis of rationality, but try instead to maximise their own rewards, such as, power?status, money. Secondly, the time for a thorough analysis of impending legislation may be short. In an emergency situation, action is sought immediately. But the time is too short for careful analysis. In routine policy-making also, the sheer number of potential issues limits the time available to analyse any one issue carefully.

There is also no consensus on the societal values themselves. The prevalence of many conflicting values among specific groups and individuals make it difficult for the policy-maker to compare and weigh them.

### iv) Dilemma of Political Feasibility

The dilemma of political feasibility concerns also confronts every policy maker. By political feasibility is meant "the probability that, however rational and desirable, a policy option would actually be adopted and implemented by the political system". Politicians too often resolve the dilemma of political feasibility by avoidance of conflict. Uncertainty about the consequences of different policy alternatives may also force politicians to stick to previous policies. Elected officials do not want to sacrifice their chance of re-election at the cost of rationality in policy-making. Postponement of the decision, or recourse to other dilatory tactics is common ways to avoid a rational decision in the event of political costs. Thus, political executives often weigh the rational choice against political feasibility.

### v) Problem of Cost-Benefit Analysis

It is difficult for the policy-makers to calculate the cost-benefit ratios accurately when many diverse social, economic, political and cultural values are at stake. Apart from these, policy-makers have personal needs, inhibitions and inadequacies, which render them incapable of assessing the alternatives to arrive at rational decisions.

Rational policy-making requires making hard choices among policy alternatives. But there are several constraints in gathering the amount of information required to be aware of all possible policy alternatives, and the consequences of each alternative including the time and cost involved in information gathering.

### vi) Nature and Environment of Bureaucracy

Another important obstacle to rational policy-making is the environment of the bureaucracies. Thomas Dye observes, "The segmentalised nature of policy-making in large bureaucracies makes it difficult to coordinate decision-making so that the input of all of the various specialists is brought to bear at the point of decision." Fragmentation of authority, satisfying personal goals, conflicting values, limited technology, uncertainty about the possible policy alternatives and consequences thereof, and other factors limit the capacity of bureaucracies and other public organisations to make rational policies.

There are policy analysts who warn against placing too much reliance on the rational model. For example, Patton and Sawicki argue, "If the rational model were to be followed, many rational

decisions would have to be compromised because they were not politically feasible. A rational, logical, and technically desirable policy may not be adopted because the political system will not accept it. The figures don't always speak for themselves, and good ideas do not always win out. Analysts and decision-makers are constantly faced with the conflict between technically superior and politically feasible alternatives".

Following the rational model by analysis of facts, setting out alternatives and choosing the alternative with the highest utility weight, would often be undemocratic. Denhardt observes that policy analysts typically apply technical solutions to the immediate problems and "under such circumstances, technical concerns would displace political and ethical concerns as the basis for public decision-making, thereby transforming normative issues into technical problems". Even a small issue, such as, the shifting of a small-scale industry from the capital, New Delhi, can rarely be decided, as the people involved would not accept a technical solution. Politicians and pressure groups do intervene unless the decision is imposed, which would often be undemocratic.

It stands to reason that the rational policy-making model sets up goals and procedures that are both naive and utopian. It seems that rational policy-making is a very difficult exercise. Some decision-making theorists, and perhaps most decision-makers, believe that rational policy-making is impossible. Yet, this model remains of critical importance for analytic purposes as it helps to identify the constraints to rationality.

Herbert Simon observes that policy-makers do not really "optimize", but rather "satisfy". To him, a "good" decision will do even if it is not the best decision. A rational decision depends on having clear and well-defined goals as well as sufficient authority to coordinate action. The private organisation is a profit-maximising system that aims at its goal, single-mindedly, whereas public organisations often lack goal specificity.

### **3.5 LINDBLOM'S INCREMENTAL APPROACH**

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As an alternative to the traditional rational model of decision-making, Charles Lindblom presented the 'incremental' model of the policy-making process. His article on the "Science of Muddling Through", published in 1959, gained wide recognition in the development of policy analysis as concerned with the "process" of making policy. Since then Lindblom's thought has evolved beyond his original argument.

In criticising the rational model as advocated by Simon and others, Lindblom rejects the idea that decision-making is essentially something which is about defining goals, selecting alternatives, and comparing alternatives. Lindblom wants to show that rational decision-making is simply "not workable for complex policy questions". To Lindblom, constraints of time, intelligence, cost and politics prevent policy-makers from identifying societal goals and their consequences in a rational manner. He drew the distinction in terms of comprehensive (or root) rationality advocated by Simon and his own 'successive limited comparisons' (or branch decision-making).

The incremental approach (branch method) of decision-making involves a process of "continually building out from the current situation, step-by-step and by small degrees". In contrast, the 'root' approach, as favoured by the policy analysts, was to start from "fundamentals anew each time, building on the past only as experience embodied in a theory, and always prepared to start from the ground up".

According to Lindblom, constraints of time, intelligence, and cost prevent policy-makers from identifying the full range of policy alternatives and their consequences. He proposes that "successive limited comparison" is both more relevant and more realistic in such a condition of "bounded rationality".

## Features of Incremental Decision-Making

The following features characterise the decision-making in terms of 'muddling through'. First, it proceeds through a succession of incremental changes. Policy-makers accept the legitimacy of existing policies because of the uncertainty about the consequences of new or different policies. Second, it involves mutual adjustment and negotiation. The test of a good decision is agreement rather than goal achievement. Agreement arrived at is easier in policy-making when the item in dispute increases or decreases in budgets or modifications to existing programmes. Thus, incrementalism is significant in reducing political tension and maintaining stability. Third, the incremental approach involves trial and error method. It is superior to a "futile attempt at superhuman comprehensiveness". Human beings rarely act to maximise all their values; on the contrary, they act to satisfy particular demands. They seldom search for the "one best way", but instead search to find "a way that will work". This search usually begins with the familiar, that is, with policy options close to contemporary policies. Incrementalism is, thus, more satisfactory from atheoretical point of view as it scores high on criteria like coherence and simplicity.

### 3.5.1 Strategic Policy-Making

Etzioni was a critic of both the rational and incremental approaches. He advanced the 'mixed-scanning' approach, a third one. According to Etzioni, models based on pluralist decision-making were biased because of the pre-existing inequities in the power of the participating interests and individuals.

In his work, Politics and Markets, Lindblom concedes much to Etzioni's critique of his theory of incremental pluralism. He recognises that pluralist decision-making is biased. Not all interests and participants in incrementalist politics are equal, some have considerably more power than others. Business and large corporations, he analyses, occupy a predominant position in the policy-making process. In his later work (1977), Lindblom proposes the need to improve mutual partisan adjustment by "greatly improved strategic policy-making".

In his subsequent article, "Still Muddling Through" (1979), Lindblom makes clear that the core idea in an incrementalist approach is the belief in skill in solving complex problems, and his aim is to suggest 'new and improved' ways of 'muddling through'. To do this he draws a distinction between: i) incrementalism as a political pattern, with step-by-step changes, and ii) incrementalism as policy analysis. In this article he makes the case for 'analytical incrementalism' as a method of securing the balance of power in a pluralist polity in which business and large corporations tend to exercise a powerful influence over the policy-making process. He argues that there are three main forms to incremental analysis, as mentioned below:

- i) **Simple Incremental Analysis:** It is a form of analysis in which only those alternative policies, which are marginally different to the existing policy are analysed.
- ii) **Strategic Analysis:** Lindblom argues that since completeness of analysis is not possible because of many constraints, an analyst should take a middle position: 'informed, thoughtful' and uses methods to make better choices. These methods include: trial and error learning; systems analysis; operations research; management by objectives; and programme evaluation and review technique.
- iii) **Disjointed Incrementalism':** Disjointed Incrementalism is an analytical strategy, which involves simplifying and focusing on problems by following six methods: a) the limitation of analysis for a few familiar alternatives; b) intertwining values and policy goals with empirical analysis of problems; c) focusing on ills to be remedied rather than on goals to be sought; d) trial-and-error learning; e) analysing a limited number of options and their consequences; and f) fragmenting of analytical work to many partisan participants in policy-making.

In his work, "A Strategy of Decision" (1963) jointly authored with **David Braybrooke**, Lindblom introduced the notion of "disjointed incrementalism". He sees this as a method of decision-making in which comparison takes place between policies, which are only 'marginally' different from one another and in which there is no 'great goal' or vision to be achieved. Objectives are set in terms of existing resources, and policy-making takes place by a 'trial and error' method. It is disjointed because decisions are not subject to some kind of control or coordination. This work places incrementalism in a continuum of understanding and scale of change.

### **3.5.2 Partisan Mutual Adjustment**

In his work "The Intelligence of Democracy" (1965), Lindblom argues that decision-making is a process of adjustment and compromise which facilitates agreement and coordination. Partisan mutual adjustment, he observes, is the democratic and practical alternative to centralised hierarchical controls. As Lindblom argues in his latest presentation, "...policy evolves through complex and reciprocal relations among all the bureaucrats, elected functionaries, representatives of interest groups, and other participants". (The Policy-Making Process, 1993).

Since 1959 when Lindblom first advocated incremental decision-making, there had been an apparent 'volte face' in his arguments. In 1977 and 1979, Lindblom attacks the idea of pluralism, offers a radical critique of the business, and believes that there is a need for drastic radical change in a whole range of policy areas, and that the whole world is in need of more than simply incremental change. But societies "seem incapable, except in emergencies, of acting more boldly than in increments". Such are the constraints on decision-making and on the way in which policy agendas are narrowly formulated, he has grave doubts as to the possibility of drastic change in policies.

In 1959 we have observed Lindblom, the pluralist, as an advocate of incremental decision-making as the most effective mode of policy-making. Yet, Lindblom of the 1970s through 1990s is indeed a more radical critic of incrementalism as a 'political ideology'. He has developed his ideas about the policy-making process as moving slowly, but has continued to maintain that it can be improved.

Both Y. Dror and A. Etzioni, however, are not convinced that incremental model is either a realistic or a satisfactory normative account of decision-making. To Dror, this model is profoundly conservative and is suitable in those situations where policy is deemed to be working or is satisfactory, where problems are quite stable over time, and where there are resources available.

The incrementalist approach to policy-making is in a dilemma, critics note that its deductive power is constrained by the difficulty in specifying what an increment is whilst its degree of confirmation is reduced by the typical occurrence of shift-points in policy-making which defy the interpretation of the incrementalist equations as stable linear growth models. For all its simplicity this model seems to be too crude in the context of the complexity of policy process. Taken as a whole, the central concern of his work has been to explore the constraints that shape decision-making in the modern policy process.

Incrementalism, it may be noted, has not been a major concern of his writings so much as the relationship between power, human knowledge and politics. Lindblom (1993) notes, "Hence, anyone who wants to understand what goes wrong in the effort to use government to promote human well-being needs to comprehend how power relations shape and misshape public policy — and to probe how power relations might be restructured to produce better policy".

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### **3.6 DROR'S NORMATIVE-OPTIMUM MODEL**

Yehezkel Dror (1969) finds Lindblom's 'Incrementalist Model' of decision-making quite conservative and unsatisfactory. He believes that incremental approach is unjust as it creates

a gap between those who have more power and those who have little power. The latter category of people will find it difficult to bring about change. In place of incremental and rational models, Dror offers an alternative model which seeks to accept the :

- i) need for rationality (in Simon's definition);
- ii) need for introduction of management techniques for enhancing rationality of decision-making at low levels;
- iii) policy science approach (Lasswell's term) for dealing with complex problems requiring decisions at the higher levels; and
- iv) need to take account of values and irrational elements in decision making.

Dror's (1964) aim is to increase the rational content of government; and build into his model the 'extra-rational' dimensions of decision-making. Dror calls it 'normative optimism', which combines core elements of the 'rational' model (such as, the measurement of costs and benefits) with 'extra-rational' factors that are excluded from the 'pure rationality' model. He argues, "what is needed is a model which fits reality while being directed towards its improvement, and which can be applied to policy-making while motivating a maximum effort to arrive at better policies."

Thus, Dror presents a modified form of rational model, which can move policy-making in a more rational direction. Policy analysis, he argues, must acknowledge that there is a role of extra-rational understanding based on tacit knowledge and personal experience. He argues that the aim of analysis is to induce decision-makers to expand their thinking to deal better with a complex world. Thus in place of a purely rational model, Dror (1989) puts forward a more complex model of about 18 stages, which include the following main stages.

Metapolicy-making stage includes processing values; processing reality; processing problems; surveying, processing, and developing resources; designing, evaluation, and redesigning the policy-making system; allocating problems, values and resources; and determining policy-making strategy.

Policy-making stage covers sub-allocating resources; establishing operational goals with some order of priority; establishing a set of their significant values with some order of priority; preparing a set of major alternative policies including some 'good ones'; preparing reliable predictions of the significant benefits and costs of the various alternatives; comparing the predicted benefits and costs of the various alternatives, and identifying the 'best' ones; and evaluating the benefits and costs of the 'best' alternatives and deciding whether they are 'good' or not.

Post-policy-making stage includes motivating the execution of policy; executing the policy, evaluating policy-making, after executing the policy; and communication and feedback channels interconnecting all phases.

To Dror, this 18-stage model operates at two interacting levels, that is, rational and extra-rational. For example, in phase 1 – "the processing of values" – decision-making involves specifying and ordering values to be a general guide for identifying problems, and for policy-making. At the rational 'sub-phase' this involves "gathering information on feasibility and opportunity costs"; and at the extra-rational sub-phase decision-making will involve "value judgements, tacit bargaining and coalition-formations skills".

In this 'normative-optimalism' combination both descriptive (in the real world decision-making is driven by rational and extra-rational aspects) and prescriptive (improving both the rational and extra-rational aspects) approach, as a radical reform of the public policy-making process. According to Dror, bringing about changes in the personnel (politicians, bureaucrats and experts); and process (to improve systematic thinking and integrating experts into policy-making as well as in the general environment of policy-making).

Thus, his model aims to analyse the real world, which involves values and different perceptions of reality, and creates an approach that combines core elements of the rational model with extra-rational factors.

Dror is of the concerted view that a long-term strategy to improve public policy-making is necessary for human progress. Dror comes close to Lasswell, but there is a significant point of difference between the two. While Lasswell saw the policy sciences as having a "role in enlightenment, emancipation and democratization", Dror seems to have very little regard for the public in policy-making. To quote Dror (1989): "But if the success of democracy depended on the people's ability to judge the main policy issues on their merits, then democracy would surely have perished by now".

His model of 18 stages is seen as a cycle, which has its 'rational' and 'extra-rational' components. It may be of relevance to point out the real strength of Dror's analysis is not in terms of the prescription dimension of his model, so much as in the framework it provides to analyse the policy-making process.

### **3.7 POLITICAL PUBLIC POLICY APPROACH**

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A significant departure from the rationality model is the Political Policy Process Approach espoused in policy-making. Writers, such as, Laurence Lynn and Peter deLeon have advocated this approach.

In this approach, public policy-making is viewed as a 'political process' instead of a 'technical process'. The approach emphasises the political interaction from which policy derives. Lynn sees public policy as the output of government. According to him, public policy can be characterised as the output of a diffuse process made up of individuals who interact with each other in small groups in a framework dominated by formal organisations. Those organisations function in a system of political institutions, rules and practices, all subject to societal and cultural influences. According to Lynn, individuals in organisations function under a variety of influences, and "to understand policy-making it is necessary to understand the behaviour of and interactions among these structures: individuals holding particular positions, groups, organisations, the political system, and the wider society of which they are all a part." Therefore, instead of involving particular methodologies, policy-making in this approach is a matter of adapting to and learning to influence political and organisational environments. The policy-making process is constrained by such factors as institutions, interest groups, and even 'societal and cultural influences'. The focus in the political process of policy-making approach is on understanding how particular policies were formed, developed, and work in practice. Lynn argues that policy-making "... encompasses not only goal setting, decision-making, and formulation of political strategies, but also supervision of policy planning, resource allocation, operations management, programme evaluation, and efforts at communication, argument, and persuasion".

Lynn uses 'managers of public policy' who operate under a variety of influences. He observes, "Public executives pursue their goals within three kinds of limits: those imposed by their external political environments; those imposed by their organisations; and those imposed by their own personalities and cognitive styles". Rather than being technical experts, effective managers of public policy, observes Lynn:

- i) establish understandable premises for their organisation's objectives;
- ii) attain an intellectual grasp of strategically important issues; and identify and focus attention on those activities that give meaning to the organisation's employees;

- iii) remain alert to and exploit all opportunities, whether deliberately created or fortuitous, to further their purposes;
- iv) consciously employ the strong features of their personalities as instruments of leadership and influence; and
- v) manage within the framework of an economy of personal resources to govern how much they attempt to accomplish, and how they go about it.

Under this approach, managers use appropriate means to achieve their goals. They work in this way because their own positions are at stake.

### **3.8 MIXED APPROACH BY HOGWOOD AND GUNN**

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In addition to the above approach, there is another approach described by **Hogwood** and Gunn which is mixed and concerned both with the application of techniques and with political process. They value the political aspects of the policy process. **Hogwood** and Gunn set out a nine-step approach to the policy process, which they say is 'mixed', that is, can be used for both description and prescription. The nine steps of their model are:

- i) deciding to decide (issue search or agenda-setting);
- ii) deciding how to decide;
- iii) issue definition;
- iv) forecasting;
- v) setting objectives and priorities;
- vi) options analysis;
- vii) policy implementation, monitoring, and control;
- viii) evaluation and review; and
- ix) policy implementation, succession, or termination.

James Anderson's model of the policy process reduces these stages into five. They include: i) problem identification and agenda formation; ii) formulation; iii) adoption; iv) implementation; and v) evaluation.

The policy process model by **Hogwood** and Gunn is a typical one. While its roots may be in the rational model, it does deal with the political aspects of the policy process. They argue for a "process-focussed rather than a technique-oriented approach to policy analysis". It is seen as "supplementing the more overtly political aspects of the policy process rather than replacing them".

As to the main difference between the two approaches, it may be emphasised that policy analysis looks for one alternative, that is, best or satisfactory from a set of alternatives and is aided by empirical methods in their selection. On the other hand, political public policy sees information in an advocacy role, that is, it realises that cogent cases will be made from many perspectives, which then feed into the political process.

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### **3.9 CONCLUSION**

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This Unit dealt with the various approaches to public policy as an important area of study. It has been considered a distinct paradigm, and it is useful in studying the interaction

between politics and models of public policy. It emphasised on the relationship between politics and public management. Or public policy could be seen as a separate approach, it is concerned with government that produces policies, and its people for

whom the policies are intended. There are now two public policy approaches each with its own methods and emphases. The first is labeled as 'Policy Analysis'; the second, 'Political Public Policy'.

From a policy analysis perspective, Putt and Springer argue that the function of policy research is to facilitate public policy process by providing accurate and useful decision-related information. The skills required to produce information, which is technically sound and useful lie at the heart of the policy research process, regardless of the specific methodology employed. Attempting to bring modern science and technology to bear on societal problems, policy analysis searches for good methods and techniques that help the policy-makers to choose the most advantageous action.

There is another approach (Lynn) that emphasises on political interaction from which policy is derived. Here, it is rather more difficult to separate public policy from the political process and sometimes it becomes difficult to analyse whether a particular study is one of public policy or politics. Public policy is seen to be different from the traditional model of public administration. Public policy is, therefore, more 'political' than 'public administration'. It is an effort to apply the methods of political analysis to policy areas (for example health, education, and environment), but has concerns with processes inside the bureaucracy, so it is more related to public administration. The policy analysts use statistical methods and models of input-output analysis. However, the political public policy theorists are more interested with the outcomes of public policy. Whatever may be, both public policy and policy analysis remain useful in bringing attention to what governments do, in contrast to the public administration concern with how they operate, and in applying empirical methods to aid policy-making. Public policy-making, as distinct from its study, now seems to be a mixture of these perspectives, and managerialism or public management combines them.

### **3.10 KEY CONCEPTS**

#### **Black Box**

It is a model of system analysis popularised by David Easton (1965). Black box denotes the processes, whereby the processing of inputs takes place to produce outputs/outcomes. It applies the logic of cybernetics, propounded by Norbert Weiner to understand political processes and behaviour. The cybernetics is the science of control systems theory – via feedback relationship. Positivist assumes and believes that there is a definable cause and effect relationship between supports, demands, and outputs. However, critics argue that it is too mechanical and rigid.

#### **Bounded Rationality**

- : The concept appears in Herbert Simon's Administrative Behavior. According to Simon, human behaviour is neither totally rational nor totally non-rational. It has its limits. Hence, decisions are never the 'best possible' outcomes in choice behaviours on the part of decision-makers, but are only solutions that 'satisfy'.

#### **Meta Policy-Making**

- : A meta policy is 'policy about policies', that is, decisions regarding who will make the policies, how, what authority and responsibility would be prescribed at each stage etc.

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### **3.12 ACTIVITIES**

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- 1) Outline the characteristics of the institutional approach to policy-making and point out its shortcomings.
- 2) Critically examine the policy-making models and suggest best suitable model/models for a specific policy.
- 3) Differentiate Lindblom's incremental approach from Dror's Normative-Optimum model.

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## **UNIT 4    IMPORTANCE OF PUBLIC POLICY: CONTEMPORARY CONTEXT**

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### **Structure**

- 4.0 Learning Outcome
  - 4.1 Introduction
  - 4.2 Importance of Public Policy
    - 4.2.1 Developing Study of Policy Science
    - 4.2.2 Political and Administrative Reasons
  - 4.3 Role of the State in Contemporary Context
  - 4.4 National Policy Agenda in a Global Context
  - 4.5 Conclusion
  - 4.6 Key Concepts
  - 4.7 References and Further Reading
  - 4.8 Activities
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### **4.0 LEARNING OUTCOME**

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After studying this Unit, you should be able to:

- Understand and assess the importance of public policy;
  - Discuss and analyse as to why we study public policy; and
  - Explain the national policy agenda in a global context.
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### **4.1 INTRODUCTION**

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Public policy forms a significant component of the society and government. It is a frequently used term in our daily life and in our academic literature where we often make references to national health policy, the new education policy, wage policy, agricultural policy, foreign policy and so on. It is an area, which had to do with those spheres that are labeled as public. The concept of public policy presupposes that there is a domain of life that is not private or purely individual, but held in common. This Unit will highlight the importance of public policy, role of the state, and national policy agenda.

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### **4.2 IMPORTANCE OF PUBLIC POLICY**

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Public policy focuses on what John Dewey (1927) wrote as "the public and its problems". It is concerned with how issues and problems come to be defined, and constructed, and how they are placed on the political and party agenda. But it is also the study of "how, why and to what effect governments pursue particular courses of action and inaction", or as Dye puts it, with "what governments do, why they do it, and what difference it makes". This study of the nature, causes, and effects of public policies requires that we avoid a narrow focus and draw on a variety of approaches and disciplines.

It is maintained that the delivery of goods and services is important, but as Kirlin notes, "it is not the critical role of government. Government is the institution of society with singular obligations to facilitate societal choice making and action. Its ability to make decisions and to act are the dominant dimensions by which governmental performance should be judged". Parsons says, "The wider purposes of public policy as involving enlightenment, the fuller development of individuals in society, and the development of consent, consensus, social awareness and legitimacy, rather than simply the delivery of goods and services, is a theme which has preoccupied the work of leading scholars in the field of public policy and policy analysis, such as Lasswell, Lindblom, and Etzioni." It is a theme which, in the context of the appearance of public-sector 'management' and the notion of the citizen as customer, we do well to remember and articulate today. Public policy involves improving the democratic or political capacities of people, and not simply the efficiency and effectiveness of the delivery of services. This means extending democratic control over the managerial arrangements through reinvigorating and reforming governance arrangements.

For many scholars the study of public policy and policy analysis has an important role in education. For Lasswell, public policy as public education was vital if democracy was not to fall prey to the interests and manipulations of powerful elites. The ultimate aim of policy-making, he believed, was in the formation of values, which could shape the full development of individuals and society as a whole. Thus, public policy and policy analysis has (as Lasswell understood) its source and focus in the personnel and in the self.

For many scholars public policy should, above all, be concerned with values, the most important of which are the transmission and application of knowledge and democratic skills to as wide a public as possible. The goal of policy analysis should be to facilitate a policy-making process, which is informed by enlightenment and emancipation and which can keep "alive the pluralism of authority and control that prevents the absolutization of political power". As we have studied, there are models and approaches that are more concerned with public policy as public education and which stress values, such as, 'participation', 'communication', 'decentralisation' and 'community'. These alternative models offer the prospect of using dialogue, communication, cooperation, and social learning as modes of both policy 'production' and 'delivery' so as to promote a more 'operationalised citizenship' and active participation in the making of public choices.. This may well require a radical shift away from the so-called 'realistic' conceptualisation of representative democracy towards an openly idealistic vision of public policy as public learning and education. This re-orientation of public policy as a mode of public learning will also involve the re-design of the institutional context of policy-making. It may be emphasised that institutions do matter, and the challenge for the future will be to design and adapt political and social institutions especially to improve the communicative—rather than the instrumental—rationality of democratic societies.

At this point, it is necessary to highlight a few aspects of the study of public policy. The approaches, concepts, and strategies contribute towards fulfilment of the goals of government. The study of public policies, therefore, represent a powerful approach for this purpose. Public policy is also an important device for moving a social system from the past to the future. It helps to shape the future.

Public policy is generally influenced by the past. How the present dimensions of public policy in the developing countries emerged, how they now appear, and how the present sustains them are important questions in the study of public policy. Over the years the growth of public functions has paralleled the growth of public policies. The study of the past is very important as it helps in explaining the present policy system. Past policies often perpetuate themselves into present and future policies.

The study of public policy helps in defining a policy problem. The definition of a problem may sometimes generate more conflict than consensus. In policy-making, the locus of political power tends to influence the definition of a problem. In this context, Schattschneider says, "He who determines what politics is about runs the country, because the definition of alternatives is the choice of conflicts, and the choice of conflicts allocates power". Thus, present policy-making can be thought as problem-solving behaviour, realising that the definition of the alternatives is the supreme instrument of power.

The earliest writings of social scientists reveal an interest in the policies pursued by various governments, and their impact on society. Yet, the focus of attention has never really been on the policies themselves, but rather on the political processes and institutions of government. This is not to say, however, that traditional curriculum was unconcerned with policy. In the western countries constitutional policy, foreign policy, and policies relating to civil rights were also the subjects of attention. The focus of attention was primarily on the institutions and structures of government in which public policy was formulated. The studies, however, did not explore the linkages between important institutional arrangements and the content of public policy. Currently, the focus of public administration is shifting to public policy -- to the description, analysis and explanation of the causes and consequences of government activity. Thomas Dye puts the matter in this way that public policy "...involves a description of the content of public policy; an assessment of the impact of environmental forces on the content of public policy; and analysis of the effect of various institutional arrangements and political processes on public policy; an inquiry into the consequences of various public policies for the political system; and an evaluation of the impact of public policies on society, in terms of both expected and unexpected consequences".

Earlier, most people assumed that once the legislature passed a law and appropriated money for it, the purposes of the law would be achieved. They believed that governments could achieve such goals as the elimination of poverty, and the prevention of crime through the adoption of right policies. But now there is a growing uneasiness among social scientists about the effectiveness of governments. The result has been the sudden awakening of interest in the study of public policy. Policy, in the main, may be studied for two reasons, that is, for developing the study of policy science, and for political and administrative reasons.

#### **4.2.1 Developing Study of Policy Science**

First of all, public policy can be studied with a view to gaining greater knowledge and understanding of the causes and consequences of policy decisions. Public policy may be regarded as either a dependent or an independent variable. When it is viewed as a dependent variable, our focus of attention is on environmental factors that help to shape the content of policy. For instance, the study of public policy in this arena helps us to understand how environmental protection and industrialisation help to shape the content of policy. On the other hand, if public policy is viewed as an independent variable, our focus of attention shifts to the impact of policy on the environment. For example, what effect does economic policy have on the conditions of labour? By raising such questions we can improve our understanding of the linkages between the economic environment and public policy.

An understanding of these linkages contributes to the development of policy science. Not only this, an understanding of the causes and consequences of public policy helps us to apply scientific knowledge to the solution of practical social problems. The professionals, if they understand and know something about public policy, would be in a better position to say something useful concerning how governments or public authorities can act to achieve their policy goals. Such advice can either be on what policies can be pursued for achieving particular goals or what

environmental factors are conducive to the development of a given policy. Indeed, factual knowledge is a prerequisite to solving the problems of society. In other words, the study of public policy helps the development of professional advice about how to achieve particular goals.

#### **4.2.2 Political and Administrative Reasons**

Public policy can also be studied for political and administrative reasons in order to ensure that governments select and adopt appropriate policies. The study of public policy has much to offer to the development of administration in different sectors of the economy. It will enable the administration to engage in issues of public importance; in the transformation of desired values into public policy-making; and in demanding meaningful actions from public servants. The manifest concern of social scientists is with what governments should do by coming up with appropriate public policy. They cannot be 'silent' or 'impotent' on current social and political problems and that academics in public administration have a moral obligation to put forward specific policy agenda to deal with given problems.

They should advance the level of political knowledge and improve the quality of public policy in whatever ways they think best, notwithstanding the fact that substantial disagreement exists in society over what constitutes appropriate policies.

The goal of policy analysis should be to facilitate a policy-making process, which is informed by the pursuit of democratic values and enlightened goals. Parsons concludes: "It is the clarification, shaping and sharing of values so as to extend and enhance democratization which still remains the core and vital task of the theory and practice of public policy". Policies do more than effect change in societal conditions. They also hold a people together and maintain an orderly state.

### **4.3 ROLE OF THE STATE IN CONTEMPORARY CONTEXT**

To understand the nature and utility of public policies, it is important to comprehend the nature of the state's role. At the outset it may be emphasised that the role of the state changes with the change in the nature of the state. The present nature of the state differs greatly from that seen in the preceding two centuries, especially before 1945.

Beginning around 1945 significant changes began to take place, which altered the nature of development and greatly complicated its objectives. After World War II, the independence of former colonies has been one of the most important events to mark 'independence from dependence'. This has been true in most developing countries in Asia, Africa and Latin America and other parts of the world. Most developing countries in Asia, the Middle East, and Africa came out of the colonial period, with a strong belief in state-dominated economic development. The state would mobilise resources and people; and direct them toward economic growth, and the eradication of poverty and social injustice. State control of the economy, following the example of the erstwhile Soviet Union, was central to this strategy.

The new interventionist philosophy had its counterpart in the development strategy of the day, adopted by many developing countries at independence, which emphasised the prevalence of market failures and accorded the state a central role in correcting them. Centralised planning, corrective interventions in resource allocation, and a heavy state hand in infant-industry development were part and parcel of this strategy.

Development goals in the later part of the 1970s (1976-1980) and the policies to be pursued to achieve those goals have been reflected in the national development plans of developing countries.

In their plans, the focus of policy was on such basis as the “**expansion** and **diversification** of the production of goods and services, an increase in employment opportunities, an improvement in both the level and distribution of income, the elimination of extreme poverty, an increase in self-reliance in carrying out development tasks, and the mobilisation of natural, human and financial resources in the common cause of national-building”. But the cost of state intervention and development strategy were suddenly exposed when the debt crisis hit in the 1980s, and oil prices plunged.

The collapse of the Soviet Union shook the centralised planning model based on state activism. Suddenly, government failure, including the failure of publicly **owned firms**, seemed everywhere glaringly evident. Governments began to adopt policies designed to reduce the scope of state's intervention in the economy. States curbed their involvement in production, prices, and trade. **Market-friendly** strategies took hold in large parts of the developing world. The pendulum had swung from the state-dominated development **model** of the 1960s and 1970s to the minimalist state of the 1980s and 1990s.

With such radical shifts in perspective, governments had to change their role. To meet their interest obligations, countries mired in debt squeezed critically important **programmes** in education, health, and infrastructure as often as they cut low-priority **programmes**, bloated state enterprises and civil service rolls. The result, seen most starkly in Africa, the former Soviet Union, and even parts of Latin America, was neglect of the state's vital functions, threatening social welfare and eroding the foundations for market development.

The effect of rejection of government has shifted attention from the debate of state versus market to a more fundamental crisis in state's capability. In some countries, the crisis has led to outright collapse of the state. In others, the erosion of the state's capability has led non-governmental and people's organisations-civil society more broadly-to try to take its place. In their embrace of markets and rejection of state activism, many have wondered whether the market and civil society could ultimately supplant the state. “But the lesson of a half-century's thinking and rethinking of the state's role in development is more nuanced. State-dominated development has failed, but so will stateless development. Development without an effective state is impossible.”

The World Bank, in its World **Development Report**, lays stress on a two-pronged strategy to improve the state's ability to enhance economic and social welfare. The first task is to match the state's role to its existing capability. The second is to reinvigorate the state's capability through allies, partnerships, and competitive pressures outside and within the state.

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#### **4.4 NATIONAL POLICY AGENDA IN A GLOBAL CONTEXT**

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Public policies are everywhere being conditioned by the external environment. It is impossible to separate the external environmental factors as **they** invariably influence **the political processes** and policy outcomes. The influence, being brought to bear on socio-economic problems of a country by agencies, such as, the United Nations and its **allied agencies** (WHO, ILO, UNEP, UNDP, etc.), the World Bank, the International Monetary Fund, Asian Development Bank, European Policy Forum, the Organisation for Economic Cooperation and Development (OECD) etc. is of critical importance in shaping its policies,

Developing countries are particularly vulnerable to global events and **actions** and have come to depend heavily on the international community for inflows of **capital** and technology. Consequently, national policies are interlocked with global processes. For instance, the price of oil and other major commodities in the global market tend to influence domestic markets and public policies of

developed as well as developing countries. Given the impact of the forces of globalisation and liberalisation, the boundaries of national political systems are no longer impermeable to outside pressures and influences. Public policy now takes place in a global context as well as in national political systems. With the acceptance of the regime of the World Trade Organization (WTO), the international environment has an added role to play in influencing the national policies.

As multinational corporations and international organisations come to exercise a great deal of influence, the capacity of national policy-makers to frame their own agendas is correspondingly reduced. National policies on labour, environment, drugs, customs and excise levies, taxes on commodities, subsidies or matters of trade have to reckon with the transnational economic context. With globalisation there is a greater scope of interaction between a nation state and other countries. A nation state has now come to exercise less control on its own policy agenda than it was in the second half of the twentieth century. From the national perspective this means that the policy agenda may be global but the policy-making and implementation remain national. Global politics has an added role to play in the determination of national policies, especially of developing nations. Global issues interact with national issues, which in turn interact with the local level. The process is termed as 'glocal' which in turn interact with the local level. The emergence of regional economic blocks is yet another factor. For example, in the European context a new policy level is developing in terms of a Europeification of national policy-making. Europe's common currency (Euro notes and coins issued by the European Central Bank from 1 January, 2002) has opened the way to a closer political and economic union among European nations. Similarly, most developing countries undertook significant liberalisation of their trade regimes during the 1990's and the beginning of the 21<sup>st</sup> century, slashing tariffs, reducing non-tariff barriers to trade, and privatising public enterprises. It is, therefore, important for policy-makers to take account of the global processes when considering the context of policy problems in a national setting.

### i) Environment

Pollution of the air and water, deforestation and loss of fertile soil are becoming critical problems with serious consequences for health, food production, productivity, and perhaps even the ability of the earth to support human life. Protection and improvement of the quality of the environment has become a global issue since the 1980s. There is a sustained pressure on national policy-makers to change or modify their policy positions due to growing global environmental stress.

The World Commission on Environment and Development (WCED) observed, "The traditional forms of national sovereignty are increasingly challenged by the realities of ecological and economic interdependence. Nowhere is this more true than in the shared ecosystems and in 'the global commons – those parts of the planet that fall outside national jurisdictions'. Industrial growth places pressures on policy-makers to prevent and control pollution. International agreements on ways to control pollution and close ties between environmentalists have provided an exchange of information that shapes the policy agenda. The United Nations Conference on Environment and Development, held in Brazil in June 1992, produced treaties to control global warming and preserve the diversity of species. The meeting issued the *Rio Declaration*, setting forth broad principles of environmental protection and sustainable development, and Agenda 21, a detailed plan for combating various environmental problems. In such sectors as land, fresh water, forests, biodiversity and climate change, the 1997 UN assessment found that conditions either were no better than in 1992 or had worsened.

### ii) Poverty and Population Growth

Developing countries face increasingly serious population growth and poverty problems. Despite higher economic growth, the number of poor people has increased mostly because of population

growth in the developing countries. It has also resulted in uneven development and increasing concentration of wealth.

Almost half the world's people (some 3 billion) live on less than US \$2 a day, and a fifth (some 1.2 billion) live on less than US \$1 a day. This horrific level of poverty persists despite an unprecedented increase in global wealth in the past century. As the 21<sup>st</sup> century begins, growing number of people and rising levels of consumption per capita have been depleting natural resources, and in developing countries increasing the dimensions of poverty.

Poverty and population growth have now become global concerns. The World Bank's (WB) new strategy proposes, for example, an approach to **fighting poverty**. The three-pronged approach of the WB focuses on increasing opportunities for people, facilitating their empowerment, and enhancing their **security**. **Policy-makers** and environmentalists now largely agree that efforts to reduce poverty and population growth, and to achieve better living standards can be closely linked and are mutually reinforcing. The policy agenda at **the** global level is now on slowing the increase in population and attacking poverty.

Most countries, especially developing ones, have come out with national **health** policies, which are global in context. "Health for All" by 2000 AD, for example, for India was drawn as a policy measure in the wake of **Alma-Ata Declaration**.

Family limitation is seen as a strategy to reducing population growth. The 1994 International Conference on Population **and Development** (ICPD) Programme of Action states that "the aim of family planning programmes must be to enable couples and individuals to decide freely and responsibly the number and spacing of their children" with a view to reducing population size. Governments of nations that sign **international** documents of principles **make a commitment** to act on these principles. China has worked for nearly three decades on a zero-per cent population growth strategy. The success of the Chinese Strategy in containing population growth has provided a model to other countries facing this problem.

### iii) **AIDS**

As a communicable disease, AIDS has become a serious concern to the international community. AIDS has already killed more than 20 million people, and today 40 million people are living with HIV/AIDS – 23 million of them in Africa alone. Every day another 15,000 people are infected. And around the world, the epidemic is having a huge effect on GNP!

Since it is a global issue, the policy analyst **must** find a global solution involving a coordinated international cooperation and national political action. Johnathan Mann, the Director of the WHO's AIDS Programme stressed that AIDS is bringing about a 'new paradigm of health' because of four factors: "it is a global problem; it is understood and spoken as a global problem; and it is known worldwide; and AIDS is combated at a truly global level."

### iv) **Drugs**

The use of drugs has become an equally global concern. Earlier, it was regarded as a social problem and the **focus was** on promotion of a national policy. However, since the 1980s drug use, and **smuggling** of narcotics across national boundaries have posed a serious menace to the international community, requiring global cooperation and action. The **international** concern has pinpointed the need for curbing the supply and transportation of **drugs** from the producer nations, such as, Thailand, Pakistan, **Myanmar**, Columbia, Peru and Bolivia.

### v) **Trade and Industry**

Changes have occurred in industry as a consequence of global economic **changes** and shifts. The major sources of global shift are transnational corporations, which **organise** production on a world-

wide scale, the policies pursued by national governments, and the enabling technologies of transport, communication, and production. This has largely weakened the ability of national governments to make policies, independently, of those changes. In this context, Dicken observes, "...the well-being of nations, regions, cities and other communities depends increasingly not merely on events in their own backyards but on what happens at a much larger geographical scale... We need a global perspective".

However, national policy-makers have the task of formulating policies which help to create a business climate. The global industrial environment interacts with the national economic processes, consequently, national policies have been increasingly influenced by activities and events happening outside their national boundaries. So the capacity of the national policy-makers to frame their own agendas is considerably reduced.

#### **vi) Privatisation Policies**

The 1990s witnessed a marked trend towards privatisation. Instead of government control, there has been now a renewed emphasis on privatisation and competition throughout the world. Governments of most countries, both developed and developing, have adopted policies of transferring government-controlled enterprises to the private sector; and opening up a large number of industries to the private sector to encourage competition. **Privatisation** is now a widely accepted approach not merely in Europe, South and North America, Australia, and New Zealand, but also in countries of Asia, Africa and Eastern Europe.

#### **vii) Terrorism**

Terrorism is another global problem, which is spreading like a cancer. In India, for example, People's War Group in Andhra Pradesh, the Maoist Communist Centre in Bihar, Jharkhand and Orissa, Lashkar-e-Taiba, Hizbul-Mujahideen and Jaish-e-Mohammad in Jammu & Kashmir have been operating as terrorist organisations. Sri Lanka is wrecked by Tamil extremist organisations like LTTE, which have developed a formidable network spanning across countries of South-East Asia, Europe and North America. Attacks on the World Trade Center and Pentagon in the United States on 11<sup>th</sup> September and attack on India's Parliament on 13 December in 2001 are two important dates that made the whole world to realise that terrorism had challenged the world community. The Osama Bin Laden phenomenon has not only internationalised terrorism, but it has also aggravated cross-border terrorism.

There were several wars in the last century, including two World Wars, but the first year of this century saw a radically different scenario—highly motivated groups of people launching attacks on nation-states. The shadowy figure of the terrorist has loomed large in homes and outside, menacingly. The sub-continent especially is in turmoil with conflicts emerging sharply in India, Afghanistan, Bangladesh, Sri Lanka and Nepal.

#### **viii) Other Global Issues**

It may be added that the world is becoming reluctantly internationalist, recognising that diverse domestic social and economic issues (pollution, climate change, labour, trade, industry, agriculture, health, education, nuclear war, famine, etc.) are items on the national political agenda, which are tied up with global processes. Some diseases caused by virus do not respect national boundaries. The outbreak of bird-flu, which affected the poultry across continents is a case in point. The virus was carried through migratory birds. Efforts aimed at controlling the spread of such a virus require policies and actions at the national as well as multinational levels.

The Asian tsunami (December 2004) affected property and lives in 13 nations of the Indian Ocean region. The disaster has demonstrated the need for strategies of disaster mitigation and preparedness

| both at the national and multinational levels on a coordinated basis is yet another example. Such instances indicate the need for policy-making at the national level with collaborative arrangements at the multinational or global level.

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## 4.5 CONCLUSION

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This Unit notes that policy-making is highly analytical process embedded in politics, and is influenced by a complex set of forces. It begins with the demands people or interest groups have about the actions they want the government to take. The study of public policy as a distinct academic area has been helped by scientific contributions of scholars in the field. Public policy has assumed considerable importance in response to the increasing complexity of the society. It is not only concerned with the description and explanation of the causes and consequences of government activity, but also with the development of scientific knowledge about the forces shaping public policy. The study of public policy helps to understand and analyse various problems and render advice to policy makers. Public policy is an important mechanism for moving a social system from the past to the future. The global socio-economic framework interacts with the domestic economic processes and the political agenda on policies pursued by governments of nation states. The success of nation states in policy performance is now being increasingly influenced by forces and factors outside the national boundaries. Terrorism has become a new menace affecting peace, security, and the resources of several countries.

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## 4.6 KEY CONCEPTS

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- Globalisation** : Globalisation as a term has gained wide attention and recognition. To Albrow, 'globalisation' refers to "all those processes by which the people of the world are incorporated into a single world society, global society". He further says that "globalism is one of the forces which assist in the development of globalisation."
- Market Economy** : It is an economy where resources are allocated for alternative uses by exchange in the market through demand and supply.

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## **4.8 ACTIVITIES**

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- 1) "Past policies often perpetuate themselves into present and future policies." Discuss the statement with a few illustrations.
- 2) Describe the views of Harold Lasswell and Thomas Dye on public policy.
- 3) How does the global context shape the national policy agenda? Discuss.

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# **UNIT 5 POLICY SCIENCES**

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## **Structure**

- 5.0 Learning Outcome
- 5.1 Introduction
- 5.2 Lasswell and the Idea of Policy Sciences**
  - 5.2.1 Multidisciplinary Perspective
  - 5.2.2 Contextual and Problem-oriented Perspective
  - 5.2.3 Explicitly Normative Perspective
- 5.3 Policy Sciences: Nature, Scope and Utility
- 5.4 Policy Sciences and Emerging Crisis
  - 5.4.1 Agenda for the Policy Sciences
  - 5.4.2 New Directions and Perspectives
- 5.5 Conclusion
- 5.6 Key Concepts
- 5.7 References and Further Reading
- 5.8 Activities

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## **5.0 LEARNING OUTCOME**

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After studying this Unit, you should be able to:

- Understand the nature, scope, and importance of policy sciences;
- Explain the views of Harold Lasswell on policy sciences; and
- Discuss the progression of policy sciences.

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## **5.1 INTRODUCTION**

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An important area, which has received wide attention from the social scientists, is 'Policy Sciences.' It is a systematic and scientific study of public policy. The policy sciences is a contemporary adaptation of the general approach to public policy. Historically speaking, the 'policy sciences' is very old when seen in terms of general approach to public policies and public advice. Although their origin can be traced to the beginnings of civilisation itself, the present policy sciences have a twentieth century theoretical orientation. Its historical progression has depended on the complex interaction of social scientists and socio-political events. There has been a growing skepticism and criticism of the credibility of policy sciences to produce 'objective empirical and normative truths'. Scientific rationality, which was once its emphasis, is being replaced by 'a broader theory of reason to society'. Today the policy sciences have gone far beyond new and naive aspirations for socially relevant knowledge.

The concept of 'Policy Sciences' or 'The Policy Orientation', co-developed by Harold Lasswell and Charles E. Lindblom, was an effort towards building a new discipline that would deal with social problems.

It was first formulated by Harold Lasswell, in his work on 'The Policy Orientation', co-developed with Charles E. Lindblom. This work is regarded as the first systematic attempt to build a new discipline that would deal with social problems.

Lasswell in his essay 'The **Policy** Orientation' (1951) acknowledged Dewey as a policy scientist, more interested in "evaluating and reconstructing the practices of society than in higher ratiocination about the higher abstractions from which his values are derived".

The writings of Scott and Shore, Horowitz, and Tribe provide a more detailed picture of the emergence of policy science. A number of converging factors, such as, war, poverty, crime, race relations, and pollution are seen to be responsible for producing a great interest in policy sciences in the late 1960s. Brooks adds, "Policy science is the most recent, and certainly the most explicit manifestation of this quest for an independent vantage point, above the political fray, affording objective criteria upon which policy decisions can be made".

## **5.2 LASSWELL AND THE IDEA OF POLICY SCIENCES**

Lasswell describes policy sciences as the culmination of efforts to define a discipline for producing and applying "socially relevant knowledge". Lasswell's vision of policy sciences is multidisciplinary, contextual, problem-oriented, and explicitly normative. Realisation of these ambitious goals became the concern of the policy science community in the second-half of the 20<sup>th</sup> century. The contributions of various scholars, though with different emphases, have an explicit impact on the evolution and acceptance of the policy sciences.

### **5.2.1 Multidisciplinary Perspective**

Lasswell's work and approach are multi-disciplinary in nature. In the words of Lasswell, "A policy orientation has been developing that cuts across the existing specialisation. The orientation is twofold. In part it is directed towards the policy process, and in part towards the intelligence needs of policy. According to Lasswell the "policy sciences" are not to be equated with "applied social science" or "applied social and psychological science". "Nor," he admonished, "are the 'policy sciences' to be thought of as largely identical with what is studied by the political scientists". The stress in this approach "is upon the fundamental problems of man in society". Social scientists like Lineberry argues that the roots of the policy sciences lay within economics.

Although cost-benefit analysis, systems analysis, programme-planning-budgeting system (PPBS) and quantitative modeling became common passwords for policy analysis. The need to reduce all policies to a set of economic or quantitative indicators became pervasive. For example, PPBS as practised in the Department of Defence in the US was extended to the Department of Health, Education and Welfare in 1966.

It may be noted that with the advancement of knowledge on policy sciences, focus on uni-disciplinary approaches were de-emphasised. As Stone has stressed that the general tendency of these theories and programmes to exclude normative considerations, such as equity, was not acceptable to political policy-makers. The failures of PPBS and limitations of cost-benefit analysis were practical evidence that public policy problems often refused to be corrected because of their complex and changing nature. Growing awareness and sensitivities led policy analysts to propose new conceptual paradigms and methodological approaches.

Y. Dror stressed, "Policy sciences must integrate knowledge from a variety of branches of knowledge into a supradiscipline focusing on public policy-making". However, it may be noted that these efforts were quietly given up for two reasons. Firstly, the nascent field as a discipline lacked the theoretical ground and empirical substance to support such an enterprise. Secondly, there was the problem of a consensual set of foci as to definition and goals of policy sciences. Finally, emphasis on meta theory (as advocated by Y. Dror) at this stage would have deflected the

- policy sciences from other central features, such as, their attention and applications to real-world social and political problems.

### 5.2.2 Contextual and Problem-Oriented Perspective

According to Lasswell, policy sciences were **problem-oriented** and adopted broad contextual approaches. Regarding problem-oriented and contextual policy orientation, Lasswell's idea was two fold: "In part it is directed toward the policy process, and in part toward the intelligence needs of policy". Later in 1971 Lasswell identified two separate approaches to the policy sciences: one emphasising knowledge of the policy process and another emphasising knowledge for use in the policy process. Lasswell's chosen phrase was "the policy sciences of democracy".

To stress 'sciences' resulted in a vision of rational analysis, while to stress '**democracy**' led to a vision of politicised governmental processes. While distinguishing between 'analysis of policy' and 'analysis for policy', Ham and Hill observe that the distinction is important in drawing attention to policy analysis as an academic activity concerned primarily with advancing understanding; and analysis for policy as an **applied activity** concerned mainly with contributing to the solution of social problems. The policy sciences were to be integrated both the approaches.

This vision of scientific method and democratic humanism, however, proved operationally difficult as the policy sciences moved to realise status and gain academic recognition during the 1960s and 1970s. These two approaches — process and content — strengthened their respective identities, each claiming some sort of conceptual superiority. Operationally, the two approaches are:

- i) Policy analysis; and
- ii) Policy process.

#### i) Policy Analysis

Those models emphasising policy analysis have been dominant among economists, operations researchers and public administrationists who assumed that policy problems and their solutions could be defined with rational accuracy and subjected to empirical analytical precision. Stokey and Zeckhauser in their work, "A Primer for Policy Analysis" (1978) provided analysts with models and techniques ranging from differential equations to queuing models to linear programming and cost-benefit analysis. Their prescription was to choose the right technical model for doing analysis. Policy techniques were extended into management practice through such innovations as PPBS and Management Information Systems (MIS). Policy analysis was framed as the search for the 'best' option or choice.

Edward Quade, a pioneering proponent of the policy analytical approach, in his *Analysis for Public Decisions*, (1975) saw both operations research and systems analysis as synonyms for policy analysis. He identified five elements of policy analysis as:

- Identification of objectives;
- Specification of alternatives;
- Recommending policy action;
- Monitoring policy outcomes; and
- Evaluating policy performance.

#### ii) Policy Process

Policy analysis was criticised as being unworkable and dangerous. The critique of the policy analysis focused on constraints of human and particularly institutional rationality that prevent legitimate

claims to knowing all possible alternative solutions or being able to forecast specific policy effects. In place of rational and scientific ideals, democratic and pluralist norms were suggested. Scientific rationality is being replaced by a broader theory of reason in society.

In comparison to Quade's model, May and Wildavsky describe a policy process cycle (1978) in which they include: agenda setting, issue analysis, implementation, evaluation and termination. Although these two approaches — policy analysis and policy process — have their own utilities and constraints, it would be unrealistic and harmful to isolate them. Simon outlined a theory of decision-making bounded by notions of 'satisficing' and 'bounded rationality', one in which policy-making was constrained by imperfect and incomplete information. To Etzioni both these approaches are necessary. Lately, efforts have been made to reach a synthesis of the two, one characterised by the phrase "Post-positivism". In fact, the approaches seep into and inform one another. "Public Policy, is almost never a single, discrete, unitary phenomenon. Indeed, the appeal of public policy studies... lies precisely in its richness".

### **5.2.3 Explicitly Normative Perspective**

The policy sciences, as explained by Lasswell were normative in their concern with human values. Lasswell and Kaplan define the policy sciences as providing "intelligence pertinent to the integration of values realised by and embodied in interpersonal relations", which "prizes not the glory of a depersonalised state or the efficiency of a social mechanism, but human dignity and the realisation of human capacities". The emphasis on values has remained the cornerstone of the policy sciences. But in spite of clarification, the normative aspects of the policy sciences were neglected mainly for three reasons. First, some argued that government programmes basically contained normative postures. Second, some claimed that quantitative techniques, such as operations research, were essentially value-free and had nothing to do with concerns of ethics or values. Explicit beliefs in Dewey's 'pragmatism' and Weber's 'bureaucracy' underlay this assumption. And third, some policy analysts argued that values were the exclusive domain of the policy-maker and that for analysts to interject their values would be uncalled for and against their professional competencies. No doubt these arguments have some merit. They clearly go beyond the original explanation and enunciation of the policy sciences. Without consideration of the nonnative aspects of the policy process, analysis would be incomplete. Moreover, a value-free approach might be adequate for very limited systems analysis problems. The nonnative and value questions remain at the centre of the contemporary policy sciences.

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## **5.3 POLICY SCIENCES: NATURE, SCOPE AND UTILITY**

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Policy science is a rational approach to the processes of policy-making. V. Subramaniam characterises policy science as "the practical application of all relevant knowledge in the social, physical and natural sciences, to specific policy problems identified well ahead of time". The rationalist model involves a "commitment to scientific planning". This means an overhaul of the traditional approaches to making of decisions so that a policy analysis culture is created in order to achieve greater rationality in policy-making. This policy analysis culture has three main features as found in Dror's pioneering writings:

- i) technical experts who are sensitive to the ethical implications of decisions;
- ii) close cooperation between researchers in government; and
- iii) an informed citizenry to fend off the anti-democratic spectre of an expert ruling class.

From Lasswell to Dror the central idea in policy science is that it entails a 'theory of choice', an approach to the determination of policy choice. As Stuart Nagel expresses it, "As social science

does more analysis of hypotheses, predictions, causation, and optimizing, there develops a body of potential premises that can be used in deducing conclusions, just as chemistry was able to deduce the existence of new elements before they were empirically discovered".

A large number of articles and books devoted to the teaching of policy studies and the training of policy analysts have appeared over the years. According to Nagel, the emphasis in training has been on the principles of optimisation of decision theory. Nagel advocates the development of a code of ethics, professionalism, and institutionalised checks. Y. Dror and most other writers on the subject seem to agree on the fact that policy sciences constitutes an interdisciplinary approach, which is concerned mainly with improving the policy process through the use of systematic knowledge, structural rationality, and organised activity. What Dror emphasises is that policy science "is not directly concerned with the substantive contents of discrete policy problems but rather with improved methods of knowledge, and systems for better policy-making". In a similar way, Lasswell stresses that knowledge of the decision process implies systematic and empirical studies of how policies are made and put into effect.

### **Policy Science as Social Science**

Some writers on the subject argue that policy science, like physics and chemistry, is a science. Dror, for example, emphasises that policy sciences "constitute a breach in the solid wall separating contemporary sciences from ethics and philosophy of values, and should build up an operational theory of values ... as part of policy sciences". Lasswell stresses the empirical aspect of policy science. A few writers view policy science simply as a model.

The term 'model' is used to "...apply to both a description of some part of the real world which has explanatory and predictive properties, or to a process using people with some properties".

Like other social sciences, policy science is also not an exact science because hard sciences like physics or chemistry are primarily interested in prediction, and the success rate or probability of prediction is very high.. Policy science is merely an approach, which is concerned with improved methods of knowledge and systems for better policy-making. It is a technique, which helps the decision-maker to take decisions with improved methods of knowledge. It is thus, concerned with more effective manipulation of the real world to attain specific goals. Carol Weiss describes policy science as a decision-driven model of research use.

Policy science may contribute to the selection of policy options. As conceptualisation, it has two thrusts:

- i) It contributes to the way in which policy-making is done; and
- ii) its policy options may percolate into society, influencing the way that a society thinks about issues, the facets of the issues that are viewed as susceptible to alteration, and the alternative measures that it considers.

In sum, policy science can have an influence upon the political agenda through sensitising both policy-makers and the mass of people. Nagel also argues that policy analysis provides "new insights" and enables policy-makers to make better-informed choices, and by implication better policy. Stokey and Zeckhauser also declare "no sensible policy choice can be made without careful analysis of the advantages and disadvantages of each course of action". These statements echo Dror's belief that institutionalised policy science would result in improved policy options,

### **Struggle for Expanding Scope**

Through the 1970s and 1980s the direction of the march of policy sciences was influenced by policy scientists who struggled to expand the scope of policy sciences; and the social and political events of the period..

The community of policy scientists formed by the late 1960s recognised both the limitations of, and opportunities for their knowledge and skills. In their pursuit of policy sciences studies, they addressed topics of evaluation, utilisation, implementation and termination in a more or less orderly manner, though lacking any strategic coordination.

The progression of the policy sciences is also tied up with political and social events happening in the world. As Lasswell observes that such political or contextual conditions lay behind the control of the analyst required by the tasks at hand. Several political and social events of 1960s and 1970s, such as, 'the war on poverty', and the energy crises have had effects on the policy sciences. The policy analysis community could extract many lessons from these events. Their recommendations were of great values to the policy-makers for formulating good policies on exogenous phenomena of the 1960s and 1970s.

It may be mentioned here that by the close of the 1970s, Lasswell's original agenda had received much recognition from the policy scientists. Despite mixed results and some criticism, the policy sciences remained an intellectually viable and academically popular.

## **5.4 POLICY SCIENCES AND EMERGING CRISIS**

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Increasingly the credibility of policy sciences has been questioned for its inadequacies in the normative and empirical spheres. Scientific rationality, which was once its base is being replaced by a broader theory of reason in society. Although policy research still continues to produce the most systematic and critical analyses of complex social problems, yet it is also true that policy science represents only one of the several "rational ideologies" competing for social and political acceptability. Pursuing a pro-active approach, a few scholars of the policy sciences revisited, in the 1990s and in the first few years of the 21<sup>st</sup> century, some of the old themes in an effort to reconcile long-pending conflicts. They have also moved away from adherence to a simple theory of rational choice to a theory of reason in society, and from policy science to 'policy inquiry'.

### **5.4.1 Agenda for the Policy Sciences**

Two items have remained prominent on the agenda for the policy sciences since 1990s. First, the policy sciences were to become normative; and second, policy sciences were to be related to the emerging field of public management.

#### **i) Normative Values in Policy Sciences**

The issue was not whether policy sciences should include values but how this was to be accomplished. As Dunn asked, if policy analysts are expected to produce ethical as well as empirico-analytic knowledge, what methods should be employed to assess competing knowledge claims? Four general approaches to ethics and values in the policy sciences have gained importance during the 1980s and early 1990s. These are: social philosophy and political theory; ethical issues and social morality; professional and administrative ethics; metaethics and ethical analyses.

- Social Philosophy and Political Theory are important approaches to the study of ethics and values in public policy. Utilitarianism, communitarianism, and liberalism are cited as examples of moral theory. Communitarians emphasised doing 'good', in addition to utilitarian norms of doing 'well', with emphasis on liberty and equality in the formation of public policies. Keeping politics and administration separate, it is argued, would theoretically prevent political power from corrupting bureaucracy. Similarly, introduction of measures to ensure public accountability of higher bureaucracy would provide the moral safeguards against ethical transgressions.

- Ethical Issues and Social Morality approach represents a topical approach most suited to the contextually oriented policy sciences. Under this approach, the individuals and groups both inside and outside public service are forced to make concrete ethical and value judgements on a regular basis.  
Professional and Administrative Ethics approach focuses not only on individual rights and public issues, but also on their public duties and responsibilities as well. The standards of professional conduct of government employees, and the high probability of conflict between public duty on the one hand and personal morality and private interest on the other led to the development of administrative ethics. Scholars like Appleby and Subramaniam have attempted to develop a perspective by which the ethical behaviour and actions of individual bureaucrats could be described and in some cases brought under control.
- Metaethics and Ethical Analyses are approaches to the study of ethics and values, which concentrated analysis on the ethical content of public policy. **Metaethics**, or the ethical study of ethics, has thus replaced the discredited belief in value-free social science inquiry.

In a developing country like India where policy-making and policy implementation is a serious concern, much work remains to be done on methods and procedures for ethical analyses and this can be on the top of the policy agenda in the first decade of 21<sup>st</sup> century. Issues of ethics and administrative ethics will remain strong components of the policy sciences as problems of policy formulation and implementation can only increase the potential for conflicts over values and ethics in public affairs.

## ii) Focus on Public Management

During the 1970s, the policy sciences addressed topics of evaluation, utilisation, implementation and termination. To some extent, each of these topics focused on moving from strategic policy analyses and advice to practical operations and organisation. A policy remains just a policy statement unless it is implemented. Public management, like policy, shared a general disdain for traditional objective, discipline-bound, social science inquiry and preferred the multi-disciplinary, problem-oriented, and explicitly normative nature of its policy-oriented kin. The public manager is concerned with the specific functions necessary to the organisation and implementation of public policy, that is, planning, organising, directing, and controlling. Public policy and public management, that is, are partners, convergent in outcome, but with different focus. Lynn combines the theories of managerial and organisational behaviour of senior public executives who pursue public policy. Managing public policy, according to Lynn, is "the result of executive effort directed at affecting governmental outcomes by influencing the processes that design and carry out governmental activity".

## 5.4.2 New Directions and Perspectives

John Dewey's pragmatism as the cornerstone of the policy sciences even today continues to be echoed in every major policy text. Today the policy sciences have gone far beyond naive aspirations for 'socially relevant knowledge'. Indeed, Ingram and Schneider acknowledge that there is a shift from the policy sciences through policy inquiry to policy design. But the shift from policy sciences to policy design is neither immediate nor comprehensive; but it offers a vision of the future.

### i) Continuity of Relevance

It may be argued that policy sciences have achieved a great deal in altering the landscape of academic and public organisations. As an approach it is relevant for resolving complex social and political issues. Social and economic policies are the issues of public concern that would largely benefit from the systematic lenses of the policy sciences. The policy sciences appear to

hold an implicit assumption about the benefits of government intervention. In the 1990s political movements based on neo-classical economics challenged this assumption by questioning whether government intervention is required in social change. We should be quick to point out at this juncture that policy analyses could be found to support a wide spectrum of political ideologies. Savas, for example, talks of privatisation as a desirable strategy for better management.

### ii) Focus on Policy Enquiry

It may be stated that rationality has been the central point within policy sciences. Rationality assumes both an ordering of choices and maximisation of values. It further assumes that choices can be calculated to an approximation of the scientific method. Policy choices based on calculation in technical and economic criteria could be counted on for maximising benefits and minimising costs. However, a few exponents of the policy process felt that rational expectation failed to meet descriptive realities, but relied almost exclusively on political and organisational imperatives that usually do not fall within the limits of economic rationality to explain the variance. However, the rational theory of choice could not explain the diversity, or subsume all the complexities of the policy phenomena.

Instead of rationality as a theory of choice, Simon (1945 and 1983) proposes a concept of reason in human affairs that includes four visions of rationality: i) the olympian model — traditional economic and technical rationality, so named because of the impossibility of achieving its lofty goals; ii) the behavioural model; iii) the intuitive model; and iv) the evolutionary model. Simon says that each contributes to a theory of reason in society and human affairs. However, the theory of reason in society remained more an aspiration than an achievement in the policy sciences through the 1980s. The modern theory of policy analysis, instead of emphasising the traditional rational approach relies more on a "polity of rational ideologies" in which reasoned policy inquiry replaces the "objective" model of the policy sciences. A reasoning approach has the added advantage of furthering 'the context-oriented and explicitly normative nature of the policy sciences'. Fischer and Forester are of the view that future of policy analysis depends on moving towards a broadened conception of reason in society that accounts for social, political, legal, moral, and ethically based rationalities. New approaches in the policy sciences appear to be based on the theory of applied reason and communication in society. The method of policy inquiry or argumentation promises not only to meet the goals set out by a theory of reason in society, but also to integrate the process and content divisions that have arisen within the policy sciences. The policy inquiry might represent a new advance, but it is neither free of problems nor a definite answer.

### iii) Democratisation of Policy Sciences

As already mentioned, scientific rationality is being replaced by a participatory policy analysis and post-positivist model. There is a greater concern for values, as they exist. Further, in the first decade of the 21<sup>st</sup> century much attention is being attached to public participation in the policy process. It appears necessary for the policy sciences to achieve their Lasswellian goal of the "policy sciences of democracy" because the human condition is often temperamentally beyond quantitative capture. But this post-positive approach, combined with participatory policy analysis, is not without shortcomings but it promises a new vision for the future.

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## 5.5 CONCLUSION

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This Unit emphasised that in the contemporary policy context four central themes mark the progression of the policy sciences. First, the pre-World War II aspirations among a small core of social scientists for producing socially relevant knowledge provided the greatest impetus to the

policy sciences. Second, during the 1950s and 1960s, the focus was on achieving the vision of the policy sciences as multidisciplinary, contextual, problem-oriented, and explicitly normative. Third, in the 1970s and 1980s much effort was devoted to expand the relevance while adhering to the scientific rigour of the policy sciences. Finally, the future of the policy sciences will depend less on its adherence to scientific rationality and ability to produce objective or empirical referents, and normative truths and more on its ability to serve the knowledge needs of the administrative and political community in the form of directed policy inquiry. The final progression presents a vision of future where policy sciences work toward their goal of providing socially relevant knowledge. Thus, like other social sciences, policy science is also not an exact science because substantive science is concerned with the pursuit of truth, which it seeks to understand, describe and predict. The policy science is merely an approach, which is concerned with improved methods of acquiring knowledge and evolving systems for better policy-making.

## 5.6 KEY CONCEPTS

- |                               |   |  |
|-------------------------------|---|--|
| <b>Behavioural Sciences</b>   | : | The Behavioural Sciences study human behaviour by scientific means as a preliminary approximation.   |
| <b>Empirical</b>              | : | It refers to collection of data/facts based on inductive methods of enquiry.   |
| <b>Meta and Mega Policies</b> | : | Meta policy refers to policies on how to make policies. They deal with the characteristics of the policy-making system including, structure, process patterns, personnel, inputs and stipulated outputs. The term mega policy refers to master policies, which deal with overall goals, basic assumptions, conceptual frameworks, policy instruments, implementation strategies and inter-policy directives. |
| <b>Normative</b>              | : | Relating to, or establishing a norm; normative analysis emphasises logic, values and ethics.   |
| <b>Paradigm</b>               | : | A broad theoretical framework or perspective about phenomena that guides research,   |

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## **5.8 ACTIVITIES**

- 1) . Describe the various stages in the progression of policy sciences and critically examine the relevance of policy sciences to public policies in contemporary context.
- 2) "The emphasis on values has remained the cornerstone of policy sciences". Discuss.
- 3) On the basis of your observation and study, explain the emerging crisis in the policy sciences.

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## **UNIT 6    ROLE OF INTER-GOVERNMENTAL RELATIONS IN POLICY-MAKING**

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### **Structure**

- 6.0 Learning Outcome
- 6.1 Introduction
- 6.2 Inter-governmental Relations
- 6.3 Models of Inter-governmental Relations
- 6.4 Inter-governmental Relations: Policy-making Structures and Processes
  - 6.4.1 The Union Level
  - 6.4.2 The State Level
  - 6.4.3 The Local Level
- 6.5 Inter-governmental Relations: Horizontal and Vertical Linkages in Policy-making
- 6.6 Role of Inter-governmental Relations in Policy-making: Review
- 6.7 Conclusion
- 6.8 Key Concepts
- 6.9 References and Further Reading
- 6.10 Activities

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### **6.0 LEARNING OUTCOME**

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After studying this Unit, you should be able to:

- Understand the meaning and importance of inter-governmental relations in the process of policy-making;
- Describe the various models of inter-governmental relations;
- Explain the role of inter-governmental agencies in India; and
- Analyse the role of inter-governmental relations in the policy-making process.

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### **6.1 INTRODUCTION**

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We have observed, after studying the last five Units, that the policy-making process is complex. In the context of inter-governmental relations, there are various agencies and actors that perform their respective roles in the formulation and execution of policies. To be more specific, different organs of the government at distinct levels of their operations have specified tasks to accomplish through policies, which are enacted through different structures. In this regard, we have governments at the union, state, and local levels.

The Indian Constitution provides for a federal set up. It distributes the powers and responsibilities between the Union and the states and makes provision for three lists of subjects: the union list, the state list, and the concurrent list. The union government can make policies on the subjects, which are included in the union list. Similarly, the states deal with the subjects listed in the state list. However, both the union and the state governments can make policies on the subjects included in

the concurrent list. Under special circumstances the union government can issue directions to the state governments for making policies according to the guidelines issued by the union government on subjects, which are in the state list also. Since there are distinct structures at different levels for formulating policies, inter-governmental relations gain significance in this and related spheres. In this Unit, we will highlight on the importance of inter-governmental relations in policy-making, and structures and processes at various levels. We will also describe the interaction between different levels of the government, highlighting the issues and problems of boundaries between them. Other matters discussed in this Unit concern the management of inter-governmental arrangements, and the impact of the latter on policy-making.

## **6.2 INTER-GOVERNMENTAL RELATIONS**

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Inter-governmental Relations (IGRs) have been defined as "an important body of activities or interactions occurring between government units of all types and levels within a system" (Anderson, 1960). At present, IGR means relationship between different government organs that involves the relationship between officials, non-officials, citizens and members from civil society. It is difficult for any policy formulator to make policy in isolation, that is, isolated from the effect and impact of the other governmental agencies. Therefore, he/she takes into account the above-mentioned officials and non-officials working at various levels of the policy formulation.

The Union government cannot achieve its goal in an effective and efficient manner without the cooperation of the state and the local governments. For example, the national government cannot increase agricultural production without the support of the state and local governments. Similarly, local government units need the help and support of the union and the state government concerned to meet the challenges relating to the functional spheres. This support may be in terms of political guidance, administrative support and control or financial assistance. Likewise, the union and state governments cannot perform their tasks adequately without the proper support and cooperation of the local government. Thus, for policy formulation the governmental structures at the union, state, and local levels have to interact with each other.

IGRs can be invoked for tackling emergent issues, which require prompt and ready response from the central and / or state governments. We may cite a recent example. In the context of the recent water crisis, the Union Government issued directives to the state governments along with the promise of financial aid to the extent required for tackling the problem of water impurity. The objective was to control diseases like fluorosis and arsenic poisoning, which have acquired endemic proportions in some parts of the country. States have been asked to prepare projects in this regard along with information on financial assistance required to meet the problem. Following this, several states were sanctioned financial aid for this purpose (Economic Times, 5<sup>th</sup> May, 2006). Thus inter-governmental relations focus on significant aspects of public policy, which is a predominant feature of IGRs.

In the case of epidemics (plague in Surat, Gujarat or bird-flu in Jalgaon, Maharashtra), the problem in one district or state becomes a problem for others too because epidemics do not observe the boundaries of states. In such instances, IGRs are invoked with heightened communication. In the case of natural disasters like cyclones, and floods in inter-state rivers also, mitigation measures are initiated on an emergency footing and in a coordinated manner. Besides, there is information-sharing and continuous interaction among government agencies at various levels.

The major characteristics of IGRs in India are as follows:

- o They have a bearing on all governmental units in operation, that is, the union government, state governments and local government units. All of them are involved in integral policy-making through effective IGRs.

- They aim at purposeful behaviour of the governmental officials involved in the policy process at different levels.
- They aim at regular interaction among public officials, including Ministers, legislators, etc. These functionaries, through frequent interactions based on objective data and analysis, can contribute to the attainment of targets for the given unit of governance.
- Interaction amongst all the government actors and officials contributes to improvement of the policy process.
- Financial aspects, like loans, grants in-aid, revenue sharing, auditing etc., also strengthen or weaken the inter-governmental relations. Financial assistance and help from the upper units to the lower ones is also a step in this direction and an important component of IGRs.
- The planning process (five-year plans and annual plans, with innumerable central schemes and matching aid) is a unique feature of the Indian polity and has considerable influence on the IGRs.

Deil S Wright (1982), while analysing the policy context of IGRs, brings into focus the following significant traits:

- Inter-governmental actors may be unclear or uncertain about the role they are expected to play.
- Policy purposes and expectations in one plane or jurisdiction of government may be drastically different from the purposes and expectations in another case.
- Boundary or jurisdiction-spanning efforts require extra resources and special strategies, but neither strategies nor resources are real guarantors of success.
- Successful policy-making and execution in IGRs are very difficult to measure.
- Policy-making in IGRs has few beginning and ending points, but more continuous knitting and unravelling points.
- Even doubt and distrust, suspicion and hostility are also common in IGRs.

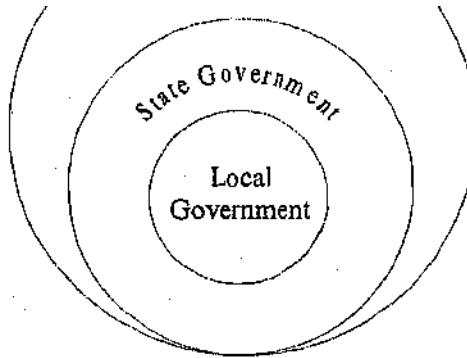
From the above statements vis-a-vis IGRs, there emerges the basic need for clear understanding between the political leaders and administrators at various levels. The policy-makers, at all levels, must clarify the roles and obligations of the agencies and officials involved for carrying out their activities in an efficient and effective manner. The subsequent section is devoted to a description of models of IGR's.

### **6.3 MODELS OF INTER-GOVERNMENTAL RELATIONS**

The Union-State-Local governmental relationship could either be based on the hierarchical control, or there could be an element of coordination between the three, or there could be the element of overlapping. In this regard, Deil S. Wright offers the following models for analysis.

#### i) Inclusive Authority Model

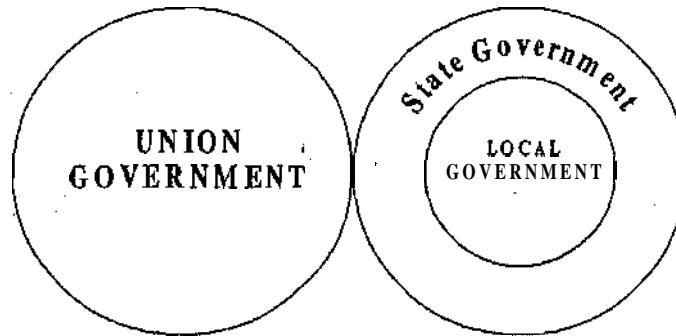
This model is based on the principle of hierarchy, and represents a centralised system. The state, and local governments depend exclusively on decisions which are nationwide in scope and arrived at by the federal or union government. Here, hierarchy dominates, that is, the state government dominates over the local government, and the union government dominates the state governments. As a result, in this model the state or local governments are viewed as mere appendages of a powerful union government in control of a centralised system. This model is shown in the following diagram 6.1.



**Diagram 6.1: Inclusive -Authority Model**

ii) **Coordinate - Authority Model**

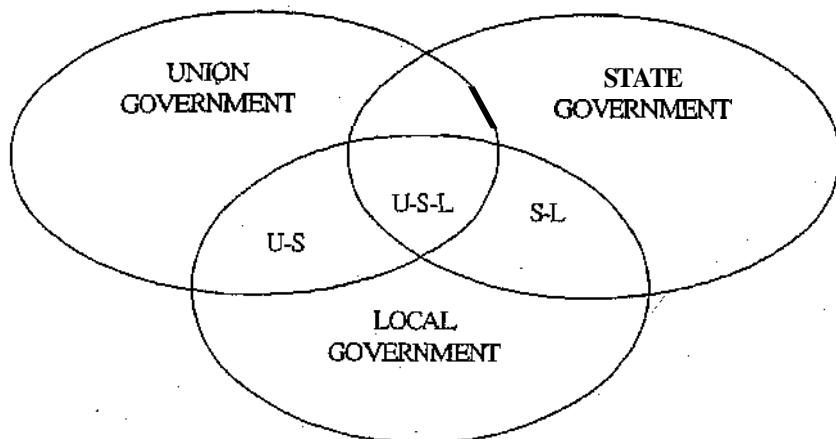
Coordinate-Authority model is an opposite pole to the Inclusive-Authority Model, which posits union-state authority relationship as autonomous. As depicted in diagram 6.2 their respective jurisdictions have distinct domains of power and control. This model aims at the element of coordination of the activities of all the units in the overall interest of the polity and the society. All the units are to work in accordance with the basic spirit of the Constitution of India and established conventions of the land. Although this model does not depict in detail the actual operating features of the union, state, and local relationships, it does do so in a specific case or problem. The elements of this model are accurately represented in the following diagram.



**Diagram 6.2: Coordinate - Authority Model**

iii) **Overlapping-AuthorityModel**

As per this model, each unit has limited dispersed power of operation, but the units are interdependent. The element of interdependence of the units is very much visible in this model. Area of autonomy in specified spheres is limited with regard to each unit. The nature of relationship amongst the units is mostly of bargaining or exchange type. Even the faces of cooperation or competition among different units are clearly on the scene. The model (diagram 6.3) describes IGRs as patterned, independent, and bargained behaviour among all the units, that is, the union, state and local government units. It is true of their officials also. In addition, contacts and exchanges between officials may be either cooperative or competitive.



**Diagram 6.3: Overlapping – Authority Model**

**U-S:** Union and States.

**U-S-L:** Union, States and Local government units,

**S-L:** States and Local government units.

The above stated models present three distinct kinds of relationships amongst the units of the government at the union, state and local levels. The pattern of relationships is dynamic and can undergo changes on the basis of the functioning of the constitution, conventions, circumstances and demands. In the next section, we will explain the model IGRs that we have adopted in India, the structures, and processes in India.

## 6.4 INTER-GOVERNMENTAL RELATIONS: POLICY-MAKING STRUCTURES AND PROCESSES

The framers of the Indian Constitution and the subsequent lawmakers have consciously sought to ensure that the balance in power and authority should be in favour of the Union. As a result, India adopted a federal system with a unitary bias. Policies in India are made through the structures, which are specifically designed for that purpose. It would be appropriate to mention the following factors as it would help to understand the policy-making structures and processes, and the role of IGRs in a comprehensive manner.

The broadly unitary form of government with its many federal features conferring a degree of autonomy to the states creates a constant interplay of centripetal and centrifugal forces generated by the Centre and the periphery. There are a number of pressures due to large diversities of high magnitude, varying in form, spirit and substance. They influence the policy-makers in formulating policies. Last but not the least, the policies to be formulated by the union or state governments should be in accordance with the basic spirit of the Indian Constitution. In case certain policies are formulated, which go against the provisions of the Constitution the judiciary can declare them as *ultra vires*. Here lies the need for effective IGRs. The policies are made through the specified structures at different levels, that is, union level, state level, and local level.

The union, state and local governments derive their power from the Constitution. They are required to work within the limits of the Constitution of India, which is supreme. The Constitution is written, somewhat rigid, and clearly stipulates the division of powers between the governments at different levels.

The Constitution of India provides for dual policy in which there is the central government at the union level and state governments in the respective states. The third tier of governance, that is, the

local self-government, operates both in the urban and the rural areas. The 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendment Acts, 1992, have provided constitutional status to the local government institutions.

It is to be noted that the Indian Constitution also provides for division of powers between the union and the states. This division of power finds place in Schedule VII (Article 246) of the Constitution. There are three lists viz., the Union list contains 97 items, the State list covers 66 items, and the Concurrent list includes 47 items. Under the concurrent list both the union and the state governments can legislate on the items specified. Schedules XI (Article 243G) and XII (Article 243W) of the Constitution provide 29 and 18 subjects to the Panchayats and Nagarpalikas respectively. The Constitution of India provides for an independent and impartial judiciary, which acts as a guardian of the Constitution and has the power to interpret it.

The Constitution of India has established an amicable union, combining parliamentary-federal features for policy-making and governance. As it is seen in the case of division of powers, the Constitution ensures the union's legislative supremacy over the union list and also over the concurrent list, and residuary legislative jurisdiction. Even over the state list, the union legislature or Parliament can legislate in specified and exceptional circumstances as per Article 249. It ensures the supremacy of the union parliament in matters of taxation, constitutionally anticipated emergencies, judicial administration, and in constitutional amendments, etc. In practice, analysis of the application of emergency provisions of the Constitution of India, role of the state Governor, and financial dependence of the states upon the union endorses the unitary bias in our Constitution and in certain cases create disturbance in the IGRs.

### **6.4.1 The Union Level**

#### **i) Legislature**

As already stated that we have a parliamentary form of government and the authority for policy-making is located in the legislative body, that is, the Parliament, and in the Council of Ministers or Cabinet headed by the Prime Minister. The parliament has two Houses, that is, the Lok Sabha, and Rajya Sabha. The role of Cabinet is mainly to exercise political leadership and direct the administration. The Cabinet Ministers are selected from the members of the Parliament. The Cabinet continues in power so long as it commands the support of the majority of the Parliament. In case of substantial disagreement between the Parliament and the Cabinet, either a new ministry is appointed or a new Lok Sabha is elected. All the important issues on which the policies are to be framed are placed before the Parliament for its approval. These issues could be placed before either House of the Parliament. Only in the case of financial bills, they are submitted first to the Lok Sabha. The issue put before one House for approval is debated upon, and once approved it goes to the other House.

There is a set procedure to formulate a policy. According to this procedure a bill has to pass through three stages. In the first stage, the mover of the issue introduces it in the House. The title of the bill on which the policy is to be enacted is read and a brief sketch of the policy is submitted to the House. In certain cases, the issue is opposed at this stage itself. In such a situation, the opposition as well as the movers of the bill get an opportunity to explain their respective viewpoints. Once the issue is through the first stage, it goes on to the next stage where all the clauses of the bills are discussed at length. Then the mover proposes whether the bill should be sent to a select committee or joint committee of both the Houses, or it should be considered by the House straight away or it should be circulated for eliciting public opinion thereon. In accordance with the decision taken the bill is further passed on to the concerned channel. In case of referral to a committee, a date is fixed by which the committee is to submit its report to the House. In the report stage, the committee has the power to suggest necessary changes in the bill. These changes are incorporated if the mover

agrees. At this stage, the bill is discussed clause by clause in the House and usually several amendments are made in it. On each clause of the bill the approval of the House is taken. After this stage, the bill enters the third stage. Only such points, which could not be raised earlier, are considered at this stage. Once cleared, the bill goes to the other House. After approval of the Lok Sabha, the Rajya Sabha can suggest changes, which the Lok Sabha may or may not agree with. However, the bill first passed in the Rajya Sabha comes back to the Lok Sabha and the changes, if any, suggested by the Lok Sabha have to be taken into consideration by the Rajya Sabha. Once it is cleared by both the Houses of the Parliament, it is sent to the President for his assent. In case the President suggests certain changes and if the Parliament approves them again without incorporating the suggestions of the President and sends it back to the President, he has to give his assent. In this context, President A.P.J. Abdul Kalam has sent back the Parliament (Prevention of Disqualification) Bill 2006. Thus, in such manner the legislative structure at the union level performs its role in policy-making.

### ii) Executive

The political and permanent executives play an important role in policy-making at the Union level. The former is responsible to the legislature and so remains in the seat of power till it enjoys the confidence of the Parliament. In addition to the Prime Minister, the Cabinet and the Cabinet Secretariat, and the ministries concerned play important role in policy-making.

Thus, parliamentary democracy leads to policies getting modified as a result of discussion in the Parliament or in consultative committees composed of the members of Parliament. The political executive identifies the issues to be presented before the legislature for formulating policies on the same. The permanent executive has the necessary information regarding the issues to be put on agenda for policy-making. With regard to the issues presented by the opposition party members, they may or may not be accepted by the ruling party. Policy-making also takes place in government departments bearing varied nomenclatures, such as, rules, regulations, bye laws, schemes, orders, notifications, etc. In whichever sense one may use the term, it is a fact that the work of delegated legislation has increased substantially in India. The work of the legislature has increased commensurately because of proliferation of the government in innumerable spheres. In order to cope with it, the legislature delegates some of the legislative work to the executive.

### iii) Judiciary

Judiciary is mainly the handi-work of the legislature in India but the judiciary also plays a significant role in it. The judiciary is considered the guardian of the Constitution and it is also empowered to undertake judicial review. Also, it decides all disputes arising between the union and the states, and between different states, and generally among different units of the constitutional edifice. The Supreme Court and the High Courts decide on the constitutionality of issues brought before them, besides interpreting specific provisions of a Statute or executive order. Judicial decisions provide legitimacy to policies of the government. In this context if the higher judiciary finds that the policy is, wholly or in part, not in accordance with the provisions of the Indian Constitution, then the policy, totally or in part; can be declared unconstitutional or invalid.

## 6.4.2 The State Level

### i) Legislature

For the enactment of policies on matters falling in the state list, the procedure adopted by the state legislature is similar to that of the mechanism followed by the union legislature. Most of the newer states are unicameral and only a few states (5 states out of 29), that is, Uttar Pradesh, Maharashtra, Bihar, Karnataka, and Jammu and Kashmir still remain bicameral. In this regard, some of the most progressive states are unicameral as it easier to pass or modify laws besides incurring less

expenditure due to the establishment (July 2006, Wikipedia). The state executive is responsible to the legislature and remains in power till it enjoys the confidence of the legislature. Besides making policies on the state list subjects, the state legislature can make policies on concurrent list subjects also provided such legislative measures are not against any policy enacted by the Union Legislature.

#### **ii) Executive**

Similar to the structure of the Executive at the Union level, the states have a number of ministries with responsibility for initiating policy and proposals before the State Cabinet for preparing agenda for the state legislature. The departments in the State Secretariat perform the task of gathering data and information regarding proposals for policy falling under each department's jurisdiction. In this task, the permanent executive, that is, the bureaucracy assists the political executive.

### **6.4.3 The Local Level**

#### **i) Elected Representative**

As already noted all elected and appointed officials have a substantial role to play in the enactment of policies at their respective levels. The local government units, as per the statutes of the respective states, are in existence at the district, block/mandal, and village levels. There are municipal corporations, municipal committees and municipal councils, depending upon the size of population of designated urban areas. In the rural areas of each state, Gram Sabha and Village Panchayats at the village level, Panchayat Samiti at the block level, Zilla Parishad at the district level, and identified committees frame policies on the basis of the needs of the local constituents, area, and the available resources. In this context, the directives issued by the Union and state governments regarding any local measures are taken into consideration.

#### **ii) Executive**

The permanent executive, that is, the bureaucracy operating at the local and state levels also plays a significant role in policy-making and implementation. It provides guidance, information, and feedback in policy-making, besides identifying limitations of various sorts including resource constraints.

## **Role of Inter-Governmental Agencies**

Issues get translated into policies after being approved by the respective legislatures. At the level of the legislature, there are number of processes involved in policy-making. In addition, different ministries and agencies are involved in the policy-making function. These agencies include the Planning Commission, the National Development Council, the Finance Commission, etc. They play a crucial role in formulation of policies in the context of Inter-governmental Relations (IGRs).

### **Planning Commission**

The Planning Commission and the National Development Council (NDC) have promoted regular and useful centre-state consultation and coordination on sectoral issues. The Planning Commission advises the government, (both central and states) on the priorities, strategies and size of the plan(s); and on mobilisation and allocation of resources. The Commission performs its role by maintaining a close liaison and interaction with the union ministries as well as with government of the states. The process of planning and the role of the Planning Commission, described elaborately in Unit 7, bring out vividly the integrative aspects of IGR. The Commission has to take into view the data provided by Planning Boards/Committees of the state and district levels while formulating plans. Even the

NDC acts as a forum for interaction between the Planning Commission, the Union government, and the states in the process of finalisation of the plan. Therefore, it can be stated that in strengthening inter-governmental relations, the Planning Commission and the NDC perform crucial tasks.

### **Finance Commission**

Article 280 of the Indian Constitution provides for the Finance Commission. The role of Finance Commission in IGRs is also relevant as it recommends to the President of India the net proceeds of the taxes to be distributed between the centre and the states, and the respective shares of the states. The Finance Commission also suggests the principles, which govern grants-in-aid to the states out of the Consolidated Fund of India. While making its recommendations, the Finance Commission usually keeps in view the framework of the five-year plans. The Planning Commission also keeps in view the suggestions and recommendations made by the Finance Commission. However, the focus of the Finance Commission is on the revenue gaps and the financial requirements of the states.

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## **6.5 INTER-GOVERNMENTAL RELATIONS: HORIZONTAL AND VERTICAL LINKAGES IN POLICY-MAKING**

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We have seen that in the Indian federal polity, the Union government is very powerful and strong. Even then, the states also enjoy certain autonomy; for example, the states can make policies on the subjects included in the state list. In this regard, generally, the Union government is not supposed to interfere. However, through the grant-in-aid given by the Union or by the international agencies for specified projects to the states, the Union government interacts with the states for making policies accordingly. Here issues, such as, proclamation of internal emergency, referral of some of the bills passed by the state legislature to the President by the Governor for his approval before giving assent to it, and a resolution passed by the  $\frac{2}{3}$ rd majority in the Rajya Sabha to give power to the Parliament to legislate on subjects mentioned in the state list in the national interest, etc., highlight some checks on the states' autonomy and reveal the upper hand of the Union government in specified areas. These provisions also reflect the role of the Union government in the policy-making process of the state governments.

Over the years, the state governments have exercised tight controls over local government units, partly because of the latter's financial dependence, and partly because of statutory controls. The 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendments have ensured a substantial measure of autonomy to them in policy-making. Despite this, the state governments continue to exercise control over them.

The Union government interacts with the local government units regarding their projects and programmes, either directly or through the respective state governments.

The role of agencies like the Inter-state Council and the Zonal Councils, and fora like the local periodic meetings/conferences of the Chief Ministers, and annual meets of the Governors, etc. also signifies the importance of inter-governmental interaction in policy-making. Zonal Councils promote inter-state cooperation in some areas. They also enable the centre and the states to cooperate and exchange ideas and solve problems. In addition to the above, there are a number of statutory and ad hoc organisations concerned with sharing of water or power with the administration of irrigation/power projects, such as, the Damodar Valley Corporation, Bhakra Nangal, Narmada River Valley Project, Thungabhadra Dam, etc. that play some role in policy-making.

## Horizontal Linkages in IGRs

There are also horizontal linkages at each level of the government. Horizontal relationships between different organs play a substantive role in the policy-making process.

In policy-making that falls within the broad framework of related socio-cultural issues, a large number of ministries are involved. Same is the case with some areas of economic development. The departments dealing with agricultural research, atomic energy sphere, defence, research, science and technology, and electronics frame policies, which deal with various aspects of the scientific spectrum. However, in areas like defence and foreign affairs a single ministry may sort out issues. The permanent executive in each area of policy-making needs adequate coordination among different departments and subordinate agencies concerned with a policy cluster. In this context, as per the Administrative Reforms Commission, "the Prime Minister has an unenviable responsibility to keep the enthusiastic minister from going too far or too fast and prodding the laggard into action. He has the overall responsibility for coordination and providing leadership in policy formulation, as well as, implementation. The Chief Ministers have analogous function to perform in states". Cabinet committees/sub-committees or committees of secretaries of the departments concerned are important device for coordination.

The permanent executive has a significant part to play in policy-making. The role of the Cabinet Secretary, at the Union level, and the Chief Secretary at the state level is worth mentioning. The Prime Minister and the Cabinet Secretary at the Union level, and Chief Minister and Chief Secretary at the state level play important roles in the effective functioning of the Cabinet and its committees, as all-important policy matters are referred to these committees.

The judiciary also plays a crucial role. As per article 32 of the Indian Constitution, the Supreme Court has the power to issue "directions, orders or writs" to the executive to enforce the laws duly and check executive arbitrariness. The Supreme Court and the High Courts have been making use of it in response to public interest litigation. Courts have taken an 'activist' stance with regard to matters that concern the everyday life of the citizens, especially with regard to pollution control and other matters concerning environmental legislation, and protection of human rights. Some recent instances of judicial activism may be cited. The recent Supreme Court order stopping all construction work at Mall sites in Delhi (2006) on a Public Interest Litigation challenging the permission granted by the authorities for construction in 92.5 hectare of land in the Ridge Area, which would lead to heavy environmental damage. The land had been auctioned by the Delhi Development Authority (Supreme Court Judgements, 2006). In another significant judgment, the Social Welfare Department of the Delhi Government was reprimanded by the Delhi High Court for its scant regard for employee welfare. Some employees working in various children's homes were being paid just Rs. 33/- per day, which was far below the prescribed minimum wage. This was in response to a petition filed by one of the employees of the Department. (Hindustan Times, May 5, 2006).

In addition, the committees of the Parliament also play a significant part in policy-making. They include the Public Accounts Committee, Committee on Public Undertakings, Estimates Committee, etc. The Government is accountable through audit to the Public Accounts Committee for its annual expenditure, and for resource allocation to the Estimates Committee. Similarly, for their performance the public undertakings are answerable to the Committee on Public Undertakings. The reports of these committees have some impact on legislation as they are based on detailed examination and thorough probing. Hence, these committees indirectly influence policy through necessary directives and 'advice'. However, unlike the work of the committees of the U.S. Congress, our parliamentary committees' work is of a post-hoc nature. Their work starts only after a policy is executed. With the result, their observations will impact on future policies only.

The Inter-State Council (ISC) was established in 1990 with the Prime Minister as its chairman. Its first meeting was held on 10<sup>th</sup> October 1990. The Council has taken a view on all the 247 recommendations made by Sarkaria Commission. Out of 247 recommendations, 57 have not been accepted by the ISC/administrative ministries, 175 have been implemented, and 15 are at different stages of implementation (Rastogi, 2005).

In some cases, policy issues that come up do not exclusively fall within the jurisdiction of single state or the Union. Examples are matters relating to river waters, environmental control, naxal problem or inter-state transportation by road. The Cauvery water dispute has brought to the fore the confrontation between the states of Karnataka, Tamil Nadu and the Union government. Thus, to formulate a policy in this regard coordination and cooperation among the three governmental units has become necessary. Boards, tribunals or standing or ad hoc committees are often constituted to resolve such matters or disputes as they call for continuous interaction between the Union and different state governments for policy-making. Thus in the context of IGRs, interaction between the Union, State, and Local governments as well as between different state governments and local government units is imperative. Such interaction is usually characterised by cooperation, and at times by competition or conflict.

## **6.6 ROLE OF INTER-GOVERNMENTAL RELATIONS IN POLICY-MAKING: REVIEW**

Facilitating cooperation and interaction between IGRs ensures that changes envisaged in policy matters are brought about smoothly, and national and regional interests do not clash with each other. This relationship has certain dimensions in policy-making, that is, legislative, administrative, and financial.

The Constitution of India clearly highlights the equation between the union and the states in terms of distribution of power. It clearly shows that the area of jurisdiction of the centre is larger, giving a tilt in favour of the Union. The centre has the authority to initiate legislation in the Parliament on policy matters included in the concurrent list to obtain all-India uniformity. Besides, the residuary powers are vested in the Union Parliament. The Union is empowered to legislate for two or more states by their consent (Article 252). Moreover, it can make any law for implementing any treaty, agreement or convention with any other country or countries or any decision made at any international conference, association or such other body (Article 253). Article 356 also provides for the imposition of President's rule in a state. In such an instance, the legislature of the state in question would stand dissolved or suspended and the law-making power would rest in the Parliament during that period. There is also a provision for President's veto power over the state legislation, under certain circumstances. (Articles 200 and 201). However, this power does not extend to money bills. The various constitutional provisions, conventions, and practices highlight the supremacy of the Union in the IGRs, especially in the context of the policy process.

In India, the administrative relations between the centre and the states also reveals the enormity of control of the union on the states in the area of administration. The executive power of every state is to be exercised to ensure compliance with the laws made by the Parliament (Article 256). In case of the Union executive he/she is empowered to give such directions to a state as may appear to the Government of India to be necessary. Further, the presence of All-India Services makes the authority of the central government dominant over the states. The Indian Constitution makes provision for the creation of new All India Services by the Parliament (Article 312). Moreover the emergency provisions (Article 352 to 360) empower the President in effect to suspend the Constitution and to take over the administration of a state or states, if there is a threat to the

security of the nation, or a breakdown in the constitutional machinery of a state or states, or a financial emergency. Further, through the appointment of Governors by the President, the union has influence and control over state affairs. All these provisions reflect the dominance of the Union in administrative matters and the policy process of states.

Besides legislative and administrative relations, the union government exercises its dominance in matters of finance also. The financial dependence of states leads to tensions in IGRs in policy-making. The states often complain that the centre had not shared taxes with them in accordance with the spirit of the Constitution. Even the Planning Commission, which is an extra-constitutional body, has become a kind of 'super government'. The states consider union policies as arbitrary, citing the growing burden of interest repayment. In this regard, twelfth Finance Commission has recommended for a debt consolidation and waiver scheme for states linked to fiscal responsibility. In pursuance of the accepted recommendations of the Commission, external loans to state governments are to be given on the same terms and conditions as it is received by the Central Government. (Economic Survey, 2005-2006)

Thus, it is evident that the entire scheme of the distribution of power displays a strong tendency towards a high degree of centralisation. In this system the structural-functional balance is in favour of the centre, that is, the reason for tension between the union and the states. It further deteriorates the process of governance. There are a number of provisions, which precipitate the tension between the union and the states, which will be discussed subsequently.

In inter-governmental relations, the office of the Governor is highly contentious and has allegedly been repeatedly misused to facilitate central intervention in the affairs of states. The Governors are facing a controversy for their highly political and partisan role. He/she acts as an agent of the centre in decisions on the appointment or dismissal of a Chief Minister; decisions on the summoning, proroguing and dissolution of state assemblies; and in recommending President's rule. The alleged partisan role of the Governor has been the focal point in union-state conflicts and a gross imbalance in IGRs in policy-making.

In IGRs, one major area of conflict is the power of creating new All-India Services, which has been vested in the Rajya Sabha. Control over the All-India Services is another irritant. The centre recruits and appoints members of the All-India Services, through the Union Public Service Commission (UPSC). They serve in the state, paid by the state, but the UPSC and the Union Home Ministry govern their service rules. This is another feature of the unitary character of Indian polity, which contributes to inter-governmental conflicts.

In addition, continuous encroachment by the centre on items mentioned in state list, unjust division of powers between the centre and the states in economic and financial spheres, the emergency provisions of the Constitution, the office of the Comptroller and Auditor General of India, the Election Commission of India etc. are responsible for strained relations. Above all, the centre's desire to maintain its political hegemony and the demand of the states for greater political power and economic resources have considerably strained inter-governmental relations.

The Acts passed by most of the state governments have not specified the statutory assignment or division of net proceeds of taxes. Similarly, almost all states give general and specific grants-in-aid to their local bodies. They also pass on the money received for implementation of centrally-sponsored schemes. West Bengal and Kerala fare better than the other states in this regard.

The third tier of governance has an important bearing on inter-governmental relations as it plays significant role in the process of governance. In the context of working of the local-self governance the continuance of myriad centrally-sponsored programmes/schemes on subjects allocated to state and local governments are anachronism.

The main objective of Article 243G is to ensure that panchayats function as institutions of self-government. In this context, an essential step is to undertake activity mapping relating to devolved functions(29) with a view to attributing each activity to the appropriate level of panchayat, keeping in mind the principle of **subsidiarity** (Panchayati Raj Update, 2006). However, it has been observed that there has been no substantial devolution of administrative and financial powers of the states and as such the local bodies lack autonomy in respect of the activities assigned to them, which is lucidly presented in Annexure-I. At the district level, various line departments/agencies implement programmes and functions under the overall supervision and control of the District Collector/ District Magistrate. While making policy, the sphere of activity of each tier under each item has not been defined and left to the discretion of the concerned state government. In addition to this, the practice of handing over authority in various matters of rural development to district committees headed by District Ministers is another retrograde step in many states.

Many states, including Madhya Pradesh, Rajasthan and Uttar Pradesh, provide for nomination to MPs and MLAs in local bodies, thereby weakening the growth of local self-government. They influence not only the electoral outcome, but also decision processes of the respective local bodies. These tendencies vitiate democracy at the grass roots level and does offence to IGRs.

The District Planning Committees (DPCs) are expected to play a very important role in preparing draft plans for the districts concerned. In practice, the DPCs have been made ineffective. In this regard, it is suggested that the DPCs should be made effective and the district plan prepared by the rural and urban local bodies should be approved by the state government without any major change. Planning from below, it needs realisation, is the corner-stone of local self-governance,

## 6.7 CONCLUSION

It is evident from the review of this Unit that the IGRs are an important aspect of policy-making at different levels of the government, and for meeting the over-all objectives of a democratic polity. The Indian Constitution makes provision for distribution of powers in a quasi-federal set up. There are also enactments for devolution of authority to local government units. The Unit also described the different models of relationship between distinct government levels. In the Indian context, the respective roles of governmental structures at the union, state and local governments in policy-making have been discussed. It was noted that the effectiveness of IGRs for problem solving and for generating appropriate policy responses on the part of each stakeholder require greater empowerment of participatory institutions at the state and local levels. Conflicts in IGRs, it was suggested, have implications for their strategies, behaviours, and levels of effectiveness. At present, especially in the era of coalition government, management of cordial IGRs gains priority for proper policy-making and implementation..

## 6.8 KEY CONCEPTS

- Delegated Legislation** : The term refers to the rule-making power of the executive over matters for which authority is transferred to it by the legislature. It also refers to the output of rules, regulations, orders, etc. of the executive.
- Inter-State Council** : It is an effective body for consultations between the Centre and states. Under Article 263 of the Constitution the President is given the power to define the nature of the duties of the Council. This Council inquires into, and advises upon disputes, which may have arisen between the states.

<b>Quasi-federal</b>	: A weak federation in which the Constitution allocates more powers to the federal government to the detriment of the autonomy of the states.
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## **6.10 ACTIVITIES**

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- 1) Analyse the role of inter-governmental agencies in policy-making.
- 2) Outline the various models of inter-governmental relations, and describe the structures and processes at the Union Level.
- 3) Identify any important policy decision with conflict potential for inter-governmental relations. Discuss its impact on policy.
- 4) Visit a policy-making body at the local level. On the basis of your observations, comment upon its working and relationship with other governmental organisations.

**Annexure-1****Status of Activity Mapping**

The status of activity mapping (AM) with respect to each state as on 16-3-2006 has been presented in the following table.

State/ U T	Subjects transferred	AM under- taken	Notes	State/ Ut	Subjects transferred	AM under- taken	Notes
Andhra Pradesh	17	9	AM for critical subjects like housing not done. Only 8 departments have passed orders for transfer of funds and functionaries.	Manipur	22	22	
Arunachal Pradesh	-	29		Orissa	25	7	Fiscal transfer yet to be made
Assam	29	29		Punjab	7	-	Draft AM prepared
Bihar	25	-		Rajasthan	29	12	AM done for agri- culture, soil conservation, PHED, elementary and secondary education/ health and family welfare, irrigation, forest, industry, food, tourism, PWD, energy, technical education
Chhattis- garh	29	27	Executive orders not issued (Except forest and drinking water supply)	Sikkim	28	-	
Goa	6	18	18 functions devolved to GPs, 6 to ZPs.	Tamil Nadu	29		Instructions issud for devolving all subjects to panchayats, but no actual devolution
Gujarat	15	14	Only 5 subjects partially devolved.	Tripura	29	21	Orders were issued for devolution of 21 subjects in 1994.
Haryana	-	10	Subjects yet to be transferred.	Uttar Pradesh	12	-	AM completed in respect of 32 departments.
Himachal Pradesh	26	-	15 departments have issued orders dele- gating powers to panchayats.	Uttara- nanchal	14	9	Implementation yet to take place.
Karnataka	29	29	AM implemented through fiscal devolution in 2005-06 budget with regard to 26 subjects	West Bengal	29	15	Orders for devolution of 3 departments issued
Kerala	26	26	119 activities relating to 19 functions devolved. AM has been revised with complete details.	A&N Islands			Orders issued in respect of 15 subjects for which AM has been completed.
Madhya Pradesh	23	7	AM prepared by an NGO, Samarthan. Yet to be considered by government.	D&N Haveli	3		AM in progress
Maha- rashtra	18	-	No move to undertake AM	Laksha- dweep	-		AM completed
				Chandi- garh	-		

Source: Ministry of Panchayati Raj, Government of India

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## **UNIT 7 ROLE OF PLANNING COMMISSION AND NATIONAL DEVELOPMENT COUNCIL IN POLICY FORMULATION**

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### **Structure**

- 7.0 Learning Outcome
- 7.1 Introduction
- 7.2 Role of Planning Commission
- 7.3 Planning Commission: Organisational Structure
- 7.4 National Development Council: Role and Composition
- 7.5 Planning Procedure: Formulation of Five-Year Plan and Annual Plans
  - 7.5.1 Five-Year Plans
  - 7.5.2 Annual Plans
- 7.6 Role of Planning Commission: Review
- 7.7 Conclusion
- 7.8 Key Concepts
- 7.9 References and Further Reading
- 7.10 Activities

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### **7.0 LEARNING OUTCOME**

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After studying this Unit, you should be able to:

- Understand the role and functions of the Planning Commission;
- Discuss the organisational structure of the Planning Commission;
- Explain the composition and role of the National Development Council;
- Describe the role of various agencies in the planning process; and
- Review the role of Planning Commission in policy formulation.

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### **7.1 INTRODUCTION**

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Planning has been an integral part of India's developmental and administrative process. Over the years it has gained legitimacy in the Indian federal system. The goals, priorities and direction set by the national Planning Commission are based on an non-partisan approach, backed by expertise and reliable technical exercises. The Indian leaders were interested to base future economic progress and growth on a comprehensive long-term planning. Therefore as early as 1946, before the transfer of power, a Planning Advisory Board was appointed, which recommended the appointment of a Planning Commission to devote full attention to the task of planned development. As a result, the Planning Commission was constituted in March, 1950 by a resolution of the Government of India. It was decided that the state has to play an important role in bringing socio-economic transformation, as required by the Directive Principles of State Policy. The Planning Commission consults the

Union ministries and the state governments while formulating five-year plans, and annual plans, and oversees their implementation.

In this Unit, we will highlight the **organisational** structure and functions of the Planning Commission and the National Development Council in India. The planning process and formulation of five-year plans will also be discussed. In the subsequent section, we will concentrate on the growth performance through Five-Year Plans, and review of the role of Planning Commission in policy formulation.

## **7.2 ROLE OF PLANNING COMMISSION**

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The role of the Planning Commission is directly related to the tasks assigned to the government by the Indian Constitution in its Directive Principles, especially those relating to economic and social **development**. The Directive Principles of State Policy urge upon the state to secure citizens' right to adequate means of livelihood and control the inequalities in the ownership of wealth and means of production. In this context, the state is required to ensure growth in production, and its equitable distribution among the various sections of society. In this context, the Planning Commission formulates plans for the whole country and also functions as an advisory planning body at the apex level. The major functions of the Planning Commission, assigned as per the Government of India (Allocation of Business) Rules 1961, are as follows:

- i) It makes an assessment of the material, capital and human resources of the country, including technical personnel, and formulation of proposals on the basis of possibilities of augmenting such resources that are found to be deficient.
- b) Formulates a plan for effective and balanced utilisation of resources in the country.
- c) Defines the stages in which the plan should be carried out, and proposes the allocation of resources for completion of each stage.
- d) Identify the factors, which tend to retard economic **development** and determine the conditions, which in view of the current social and political situation should be established for the successful execution of the Plan.
- e) Determines the nature of machinery, that is, necessary for implementation of the Plan.
- f) Appraises the progress achieved in the execution of each stage of the Plan, and recommends the adjustments of policies and measures that such appraisal may show to be necessary.
- g) Makes interim or ancillary recommendations, which appear to be appropriate either for facilitating the discharge of the duties assigned to it or on a consideration of prevailing conditions, current policies, measures and development programmes or on an examination of such specific problems as may be referred to it for advice by the Central or State Governments.

In addition to the above-mentioned functions, the Planning Commission has been entrusted with responsibility in the following matters.

- a) Public Cooperation in National Development;
- b) Specific programmes for area development like Hill Area Development Programme;
- c) Perspective **Planning**;
- d) Institute of Applied Manpower Research; and
- e) Overall Coordination of the Pradhan Mantri Gramodaya Yojana (PMGY).

**Note:**

The overall coordination of the PMGY shall be the responsibility of the Planning Commission. However, concerned nodal ministry/department will be responsible for the overall management and monitoring of the sectoral programmes under PMGY.

It is evident from the above description that the Planning Commission has been made responsible for almost all aspects of planning, except execution. To formulate a plan, first of all, a set of objectives or goals is prepared that are required to achieve the target, such as, growth of national income, reduction of the percentage of unemployed persons, etc. Secondly, time frame and the stages in which these goals are to be achieved are decided. For deciding the above-mentioned stages one has to estimate the resources. For example, do we have enough resources to literate everyone in five years? After estimating the resources, the Commission determines a strategy to make the best utilisation of limited resources. Thus, the formulation of a plan implies the setting up of priorities, time frame, and stages; estimating the resources; and deciding on a strategy, which is the major function of the Planning Commission.

After the formulation of plan, the central ministries and the state governments execute the plan through their departments. The Planning Commission keeps an eye on the progress of the plan, identifies impediments, and suggests remedial measures. It monitors and evaluates the plan. For this purpose, it makes apost-mortem of the past plan and draws lessons, which are used to build subsequent plans. In this context, the Programme Evaluation Organisation (PEO), periodically undertakes evaluation details or quick studies of the implementation of selected development programmes to assess the impact of that programme. Thus, it assists the Planning Commission to provide useful feedback to planners and implementing agencies which contribute in policy-making.

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### **7.3 PLANNING COMMISSION: ORGANISATIONAL STRUCTURE**

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As the Planning Commission was set up by a Resolution of the Government of India, it is not a statutory body. Thus, the plans formulated by the Planning Commission have no legal status. Though it appears as an advisory body, in practice, it wields considerable authority. The Prime Minister of India is the ex-officio Chairman of the Planning Commission. We will now turn to a discussion of the structure of the Planning Commission.

#### **Chairman**

The Prime Minister of India has been its Chairman since the very inception of the Planning Commission. It works under the overall guidance of the National Development Council. The Chairman participates and gives direction to the Commission on all major policy issues. It is to be noted that the Prime Minister attends only the most important meetings of the Commission so as to ensure that the Commission's proposals coming up before the Cabinet are viewed objectively.

#### **Deputy Chairman**

The Deputy Chairman, full-time, looks after the day-to-day work of the Planning Commission. He/she is usually a politician of standing belonging to the ruling party at the Centre. At times, an expert in economic development is appointed as Deputy Chairman. Prof. D. R Gadgil and Dr. Montek Singh Ahluwalia are such examples. The Deputy Chairman enjoys the rank of a Cabinet Minister, although he may not necessarily be a member of the Council of Ministers. A Minister of State is given the portfolio of planning in order to facilitate accountability to the Parliament.

#### **Members**

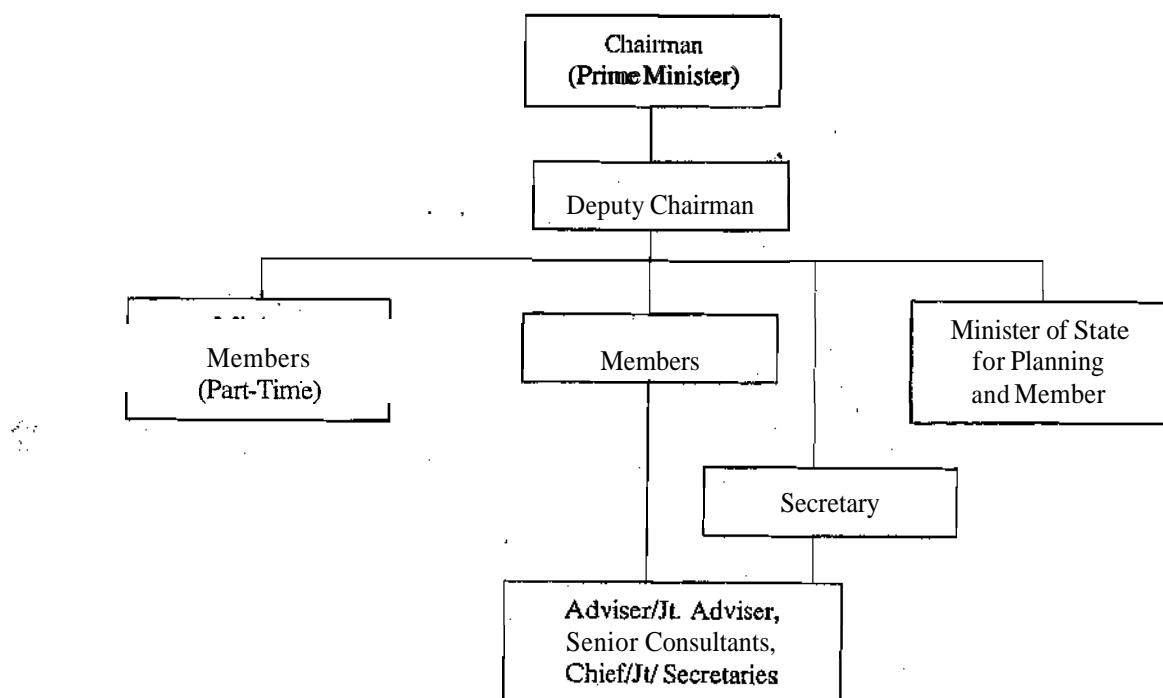
All full-time Members of the Commission are in the rank of Union Minister of State. There are two types of members, in addition to the Minister of State for Planning who is also an ex-officio member of the Planning Commission. The full-time members are eminent public persons, administrators, economists and technical experts. In addition, the Planning Commission has a few

important Cabinet Ministers, as its members, who attend the more important meetings of the Commission. The few important meetings that cover only the most important decisions which all members, full-time and minister-members, attend are called the meetings of the full Commission. Apart from that, the Planning Commission with full-time members meets frequently and acts as a team.

The Deputy Chairman and the **full-time Members** of the Commission function as a composite body in matters of detailed plan formulation. The Deputy Chairman and the full-time members look after the day-to-day work. The Prime Minister appoints these members after consulting the Deputy Chairman, from among prominent public persons and experts. The full-time members are not given a fixed tenure, but normally they continue till there is a change in the government. Here it is worth mentioning that in 1990 the full-time members were changed thrice in a single year. Each member of the Commission looks after a specific set of subjects. These Members direct, guide and advise various Subject Divisions of the Planning Commission in the exercise of preparing approach papers/documents for five-year plans and annual plans. They also provide guidance to the Subject Divisions for monitoring and evaluating the plans, programmes, projects, and schemes. The Commission has collective responsibility for all decisions, and its members work as a collective body. Each member deals individually with the technical and other aspects of his/her allotted subject(s). However, the Commission considers all those cases that require policy decisions, or where difference of opinion exists between its members.

The following chart depicts the organisational structure of the Planning Commission. As on February 1, 2006 there were, total 48 contributors including the Chairman, the Deputy Chairman, the Minister of State, 13 Members (6+7), the Secretary, 4 Principal Advisers, 20 Advisers, 2 Senior Consultants, the Joint Secretary and Additional Secretary & FA, the Director (IAMR), the Joint Secretary, the Joint Adviser, and the Adviser to Deputy Chairman.

**Chart 7.1: Organisational Structure of the Planning Commission**



Source: Planning Commission, Government of India

### Office of the Planning Commission

The Members of Planning Commission are assisted in their tasks by an office comprising various technical and subject divisions. A senior officer or expert is the head of each division designated as the 'adviser', who is a senior level officer of the level of Joint Secretary or Additional Secretary. The head of division functions under the guidance of the member in-charge of that particular subject. The tasks of co-ordination and overall supervision and guidance of the work of the division, especially in non-technical matters, is the responsibility of the Secretary, Planning Commission.

All the divisions in the Planning Commission concerned with plan formulation, monitoring and evaluation are grouped into three types of divisions as mentioned below:

#### i) Subject Divisions

The Subject divisions look after specific subjects, such as, agriculture division; communication and information division, power and energy division, science and technology division, education division, rural development division, transport division, etc. The number of subject divisions have gradually increased at the end of March 2006, stood at seventeen, which are concerned with specified fields of development in the related areas. All the divisions are involved in the task of formulation of a plan, which requires technical inputs of various kinds and specialised knowledge of the subjects, that is, being provided by the concerned division.

#### ii) Specialist Divisions

The specialist divisions are concerned with different aspects of the entire economy like perspective planning, financial resources and development policy. Following specialist divisions are functioning in the Planning Commission:

- Development Policy Division,
- Financial Resources Division,
- Labour, Employment and Manpower Division,
- Plan Coordination Division,
- Perspective Planning Division,
- Project Appraisal and Management Division,
- International Economics Division.
- Infrastructure Division
- Programme Outcome and Response Monitoring Division
- Socio-economic Research Unit,
- State Plan Division, and
- Multi-Level Planning Division, which includes Hill Area Development, Decentralised Planning, etc.

As our Unit is concerned with planning and policy-making, therefore we will discuss briefly the role of Perspective Planning Division.

### Perspective Planning Division

Perspective Planning Division (PPD) plays an important role in overall integration of the plan into macro-economic framework, delineating possibilities and constraints; and projecting a long-term

vision of development in terms of potentials, constraints and critical issues. In addition, as apart of its regular activities the PPD:

- Assists the Planning Commission in forming its views on technical issues regarding planning process, shift of a public sector programme from Non-Plan to Plan side of Government expenditure and vice-versa;
- Prepares an overall framework for medium and long-term plans by analysing implications of long-term objectives for the appropriate strategy of development;
- Examines the current policies and programmes especially in the inter-temporal, inter-regional, and inter-sectoral contexts;
- Estimates state-wise poverty ratios using household consumer expenditure surveys conducted by NSSO and analyses the changes in the poverty indices;
- Studies consistency between plan objectives and plan allocation, conformity of regional distribution of public sector outlays with the regional needs of development, effect of price rise on consumption level of people in different income groups, trends in saving, investment and economic growth, trends in foreign trade, and the implications of various developments in the economy for public investment.
- Renders advice on the influence of macro-economic development on principal commodities like food, crude oil, and steel; and
- Contributes to the response by Planning Commission on issues regarding "Planning Process" posed by Parliament, forum of economists and economic editors, representatives of economic planning agencies in the States, and delegation from national Planning Commissions from other countries and trans-national institutions being through the respective nodal Ministries of the Government.

In the next subsequent section, we will highlight the role and composition of National Development Council, which is the other important body associated with national planning.

## **7.4 NATIONAL DEVELOPMENT COUNCIL: ROLE AND COMPOSITION**

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The National Development Council (NDC) was set up in August 1952. The main purpose of the NDC is to strengthen and mobilise the effort and resources of the country in support of the five-year plans, and more specifically, to:

- promote common economic policies in all vital spheres; and
- ensure the balanced and rapid development.

In the *draft outline of the First Five-Year Plan*, the Commission recommended the need and necessity of a body representing the central and state governments to enable the plans to have a national character. It emphasised that in a large country like India where the states have, under the Constitution, full autonomy within their own sphere of duties, it is necessary to have a forum, such as, the National Development Council at which, from time to time, the Prime Minister of India and the Chief Ministers of States can review the working of the Plan and its various crucial aspects. The NDC is neither a constitutional nor statutory body. Basically it is an advisory body on planning. At present, the NDC is composed of the Prime Minister (also its chairman), the Deputy Chairman, the Chief Ministers of States, and the Members of Planning Commission. Sometimes outside experts have also been invited to the Council's meetings, whenever necessary. The Secretary of the Planning Commission is the ex-officio Secretary of the NDC. The NDC makes its

recommendations to the central and state governments in India. The major functions of the NDC as laid down in the Government of India Resolution (No. 65/15/CF-67) are to:

- consider important questions of social and economic policy affecting the nation's development; and
- review the working of the Plan from time to time to recommend measures for the achievement of the aims and targets set out in the National Plan. The latter include measures to secure the active participation of people, improve the efficiency of the administrative services, ensure the fullest development of the less advanced regions and sections of the community, and to build up resources for national development.

The NDC can take up any issue related to national development. The NDC makes its recommendations to the central and the state governments. In the past, the NDC has deliberated and decided on a number of issues, such as, inter-regional disparities, prohibition, panchayati raj, agrarian cooperation and irrigation levies. The NDC is required to meet at least twice a year, though it has sometimes met more often. Given the size of the body and the busy schedule of its members, it is not possible for the NDC to meet frequently and go into great details regarding each specific matter. Therefore, it has been decided by the NDC to appoint, from time to time, suitable sub-committees or panels. The agenda for the meetings includes approval of the approach paper to the five-year plan, the draft five-year plan, and the final five-year plan. In addition to the above, other matters form a part of the agenda suggested by members of the NDC. The stature of the Council has ensured that the 'recommendations' of the NDC have the prestige of directives that are generally followed and obeyed.

Now, we will discuss planning procedure to formulate and concretised in the national plans.

## **7.5 PLANNING PROCEDURE: FORMULATION OF FIVE-YEAR PLAN AND ANNUAL PLANS**

The principal task of the Planning Commission is to formulate the five-year plans. In this context, proper planning procedure is followed for the most effective and balanced utilisation of the material, capital, and human resources. Special emphasis is given to appraisal of the progress in the implementation of the plan from time to time, and to recommend adjustments of policy and measures that are considered to be necessary in the light of such appraisal. The Planning Commission also oversees the development programmes of the central ministries and the state governments with a view to achieve coordination at the highest level.

At the Union level, the role of Planning Commission is crucial. In investment planning, it provides an objective method of resource allocation reconciling the competing claims of various departments and agencies, taking into account the broad national objectives and priorities. A national plan in India comprises of the plans of the central government, the state governments, the central and state public-sector undertakings, and the private sector of the economy. In the five-year plan document, the amount of money, which is proposed to be invested under various plan heads during the specific period is broken down into public sector outlay and private sector plan outlay. The public sector outlay is the more important part in the plan as the government has direct control over the investment of this sector during a five-year plan period. It is further divided into the central plan and state plans, earmarking the projects and schemes to be launched. In this plan, specific schemes of financing are worked out for the Union and each state, indicating clearly the additional resources, and mobilisation efforts that would need to be undertaken. These are integrated with the overall scheme of flow of funds for the economy. Thus, preparation of the five-year plan for the nation's economy is a mammoth exercise involving many multiple constitutional authorities and statutory agencies.

The national plan must have the involvement and consent of the parties concerned. The formulation of each plan is preceded by considerable amount of technical work, prolonged consultations and intense lobbying to arrive at consensus, especially on the various parameters of state plans. The need for building a consensus arises as India is a federal and democratic polity. The constitution provides for the demarcation of subjects between the Union, the State, and the Concurrent lists in the seventh schedule of the Constitution so as to conform to the norms of a federal polity. Moreover, planning falls under the concurrent list. Therefore, it is the responsibility of both the Union and state governments. The national plan must be able to carry along the central ministries and state governments on a generally accepted course of action. Even the democratic structure requires that the national plan should be formulated through consensus. Thus, it involves wide-ranging discussions, and participation of non-departmental agencies also. In addition to the involvement of specialised institutions, such as, the Reserve Bank of India, the Central Statistical Organisation, etc. The political leaders, business and industry groups, etc. are also involved at various stages. Public opinion is also sought on the important aspects of the plan. The Planning Commission seeks to ensure through the annual plans, which are the operational plans, that the sum total of outlays of the centre and the state tallies with the estimates of available resources. In the subsequent sections we will discuss the formulation of five-year plans in India.

### **7.5.1 Five-Year Plans**

In the process of plan formulation there are three clearly distinguishable stages. The first step and the preliminary stage involves the preparation of a paper on 'approach to the plan'. It is a brief document, broadly outlining the goals to be achieved during the proposed five-year plan period. It is based on documents prepared by various working groups and a steering committee. For preparing an approach paper, Steering Committee/Working Groups are set up for reviewing the progress in the implementation of the five-year plans, and for making recommendations regarding policies, programmes, projects, and schemes as also for outlays and targets for the various sectors and sub-sectors. Members of the steering committee and working groups are drawn from officials in the Planning Commission, central ministries/departments, academic institutions, state governments and specialists from business and industry, and experts from relevant fields. For the Tenth Five-Year Plan, 27 Steering Committees and 98 Working Groups were setup.

The approach paper is prepared on the basis of preliminary exercises undertaken in the Planning Commission, projecting the growth profile of the economy over a period of 15-20 years including the ensuing five-year plan period. The draft of the approach paper is first considered and discussed in the meeting of the full Planning Commission, and then by the Union Cabinet and finally by the NDC. After the approval of the NDC, it is placed before the Parliament. After final approval on the approach paper the broad five-year targets are given as guidelines to a number of Working Groups. These Groups are set up and work with assistance from the divisions of the Planning Commission. They are generally subject or area-specific, Such as, Working Groups on Financial Resources of the Centre, which includes, inter alia, representatives of the Planning Commission, Ministry of Finance, and Reserve Bank along with other relevant organisations.

These Working Groups usually consist of economists, concerned technical experts, and administrators in the concerned central ministries and in the Planning Commission. The primary task of the Working Group is to work out the detailed plan for each sector on the basis of the preliminary guidelines. They are expected to spell out the details of policies and programmes required for achieving the targets. The Working Groups are expected to use research studies in the specific areas. In cases of gaps in knowledge and information, the concerned division promotes specific research studies or holds seminars, workshops etc. In the second stage of plan formulation, the state governments are encouraged to have their own Working Groups, and the Central Working Groups are also expected to interact informally with their state counterparts. The recommendations

of the State Plan Sectoral Working Groups are based on the plan proposals of a State Plan Adviser. He prepares a report making detailed recommendations on programmes, targets and outlays. This report forms the basis of discussions between the Planning Commission and the state government, concerned, for finalising the State's Plan. The final position, especially regarding the state's own resources, including market borrowings and additional resource mobilisation, the quantum of central assistance and programme content emerge after the above stated discussion.

In the Tenth Five-Year Plan, the Division concerned prepared a Background paper especially in the case of central plan taking into account the guidelines laid down in the approach paper, the recommendations of the Working Groups concerned, proposals from the various ministries, and the division's own assessment of the development programmes. The Background paper constituted the basis for discussion between the Planning Commission and the Secretaries of the central ministries/departments concerned. In the light of the discussions and anticipated availability of the resources for the central plan, the Planning Commission took a view on the development programmes of each ministry/department and worked out tentative outlays. On the basis of such exercises done, the Planning Commission prepares the 'draft' five-year plan.

The central and state plans, together with the scheme of financing for these, are finally incorporated in the draft. As we have discussed in the case of the approach paper, similarly, the draft plan is first discussed by the full Planning Commission, and then by the Union Cabinet, before presenting it to the National Development Council. After the NDC has approved the Plan, it is laid on the tables of both Houses of Parliament.

The draft plan is subjected to public scrutiny in the final stage of plan formulation. It is discussed with and commented upon by the central ministries and state governments. The draft plan is published for public discussions. The draft plan is discussed by the Parliament in a general way, and then in greater detail through a series of parliamentary committees. Simultaneously, the Planning Commission also holds discussions on the plans of individual states. The discussions are held at the experts level as well as at the political level culminating in a meeting with the Chief Minister of the state concerned. These meetings lead to an understanding between the Commission and the states. On the basis of discussions at different levels, and on the basis of reactions from elected representatives, experts and the public, the Planning Commission prepares the final plan document. The full Commission, the Union Cabinet, and the NDC scrutinise this document. Thereafter, it is presented to the Parliament, for its assent. The general approval of the Parliament is considered to be sufficient for the formulation of the Plan. In the case of implementation, no law is required for taking up the plan. We will now discuss the formulation of the annual plans.

## 7.5.2 Annual Plans

In the course of actual implementation, the annual plan is an effective instrument. Sometimes due to delays in the formulation of five-year plans or due to political or economic changes during the plan period, the annual plan becomes an integral part of the budgeting exercise, both at the central and state levels.

The procedure for the formulation of the annual plan has been the same as for the five-year plan till 1993-94, especially in the case of the states. However, while formulating the Annual Plan 1993-94 the resource evaluation was made first on the basis of which the size of the plan was to be decided in the discussion between the Deputy Chairman and the Chief Ministers. Thereafter, the detailed sectoral allocations were worked out. This approach in finalising the plan size has been highly appreciated. In the sectoral allocation, in the state sector, greater flexibility was provided (by limiting the earmarking of funds to about 50% of total outlay) to the states to meet the local requirements. This practice was initiated in response to long-standing demand of the Chief Ministers in the NDC for greater flexibility in the State Plan.

As the financial year in the government starts on 1<sup>st</sup> of April and the budget is prepared by February-end, work on the annual plan has to start a few months earlier, generally around September of the preceding year. The Planning Commission indicates to the state governments the important objectives of the annual plan, and the tentative quantum of central assistance to enable the states to prepare their draft annual plans. These drafts are discussed in meetings, which are held in November-December every year, between the Planning Commission and state governments. In these meetings, the state annual plan outlays are decided along with the important items of the central plan assistance. This channel of transfer of resources from the Union to the states, in practice, is outside the purview of the transfers recommended by the constitutional body, namely, the Finance Commission. A fiscal transfer through the Planning Commission, which is a non-statutory and advisory body, has, therefore, been a subject of controversy. Despite widespread criticism from experts and political elites, this practice is continued. The state budgets are dependent on annual plans. The Central ministries' budget allocations are also dependent on their annual plans, which are worked out in consultation with the Planning Commission. Thus, the Planning Commission, in practice, is not merely an advisory body, it wields enormous power in the allocation of a substantial volume of financial resources to the states and between different departments of the Union government. By going into the details of developmental schemes and projects, it exercises considerable discretion regarding their acceptance or substantial modification. The Planning Commission has also been laying particular emphasis on the need for improving the planning process, and developing capabilities in this regard in the states.

## **7.6 ROLE OF PLANNING COMMISSION: REVIEW**

We have studied the functions of the Planning Commission and the NDC in the process of plan formulation. We have seen that these two bodies are important in policy formulations, despite the fact that they are non-statutory advisory bodies. The Planning Commission is mainly responsible for development policies, and reviewing the achievement subsequently. In view of the considerations outlined as the socio-economic development, table 7.1 highlights the growth performance in the five-year plans.

It is evident from the data presented in the above table that the Tenth Five-Year Plan aims at achieving an average growth rate of the Gross Domestic Product (GDP) of 8 per cent per annum over the period 2002-2007. On the basis of comparative study it appears that the economy has performed better than the targets in five of the nine previous plans and even in the Second Plan. In the Third and Fourth Plans the shortfalls were largely due to exogenous shocks that could not be predicted. During the Third Plan the economy suffered due to drought in the years of 1965 and 1966. At the same time, the Indo-Pakistan War of 1965 also affected the economy. Once again there were three consecutive years of drought, that is, from 1971 to 1973 during the Fourth Plan and the first oil-priceshock of 1973. It may be stated that since the Fourth Plan the growth rate of the economy had improved steadily until the Ninth Plan, when it recorded a marginal decline. It may be seen (table 7.1) that the rate of growth of GDP during the Eighth Plan was near 6.7 per cent per annum, which has dropped to 5.3 per cent during the Ninth Plan. This was against the target of 6.5 per cent that was supposed to be achieved in the Ninth Plan period. As far as causes of such decline are concerned, they can be traced through the sectoral structure of the growth rates. During this period, the rate of growth has declined especially in the agriculture and manufacturing sectors, as compared to the Eighth Plan period. During the Ninth Plan, three of the five years witnessed poor performance as a result of weather-related problems. In addition, a slow down in the world economy also affected the level of exports. This problem, coupled with lower than expected public investment as well as the relatively poor performance in the agriculture sector, led to a reduced demand for industrial goods and consequent reduction in the growth rate

**Table 7.1: Growth Performances in the Five-Year Plans in India**

(per cent per annum)

Sr. No.	Plan Period	Target	Actual
1	First Plan (1951 - 56)	2.1	3.60
2	Second Plan (1956 - 61)	4.5	4.21
3	Third Plan (1961 - 66)	5.6	2.72
4	Fourth Plan (1969 - 74)	5.7	2.05
5	Fifth Plan (1974 - 79)	4.4	4.83
6	Sixth Plan (1980 - 85)	5.2	5.54
7	Seventh Plan (1985 - 90)	5.0	6.02
8	Eighth Plan (1992 - 97)	5.6	6.68
9	Ninth Plan (1997 - 2002)	6.5	5.35
10	Tenth Plan (2002 - 2007)	8	—

*Source:* Planning Commission, Government of India

*Note:* The growth targets were set for the first three plans (1951-66) with respect to national income. However, in the Fourth Plan the target was set with respect to net domestic product. Thereafter, in all Plans (1974-07) it has been gross domestic product at factor cost.

in the industrial sector. Disasters like the Super-Cyclone in Orissa, Earthquake in Gujarat, and Kargil war, resulted in diversion of resources from investment and consequent decline in the growth rate's. This set back suffered during the Ninth Plan period was addressed right at the outset, that is, in the Tenth Five-Year Plan. Therefore in a robust demonstration of its nascent strengths, the economy after growing at 8.5 per cent and 7.5 per cent in the two previous years (2003-2005), is projected to grow at 8.1 per cent in the year 2005-06. The growth of GDP at constant prices in excess of 8.0 per cent has been achieved by the economy in only five years since India's independence. Thus, the data regarding growth performance in the successive Five-Year Plans reflectsthat the track record of planning in India is reasonably good, which indeed tends to err on the side of caution. In addition, this evidence also suggests that there has been a steady improvement in the growth potential of Indian economy.

Over the years, the Indian planning system has moved from a highly centralised investment planning model to that of a directional planning methodology. The Planning Commission concerns itself with evolving a long-term strategic vision of the Indian economy, decides on priorities and works out the sectoral targets consistent with the strategic vision and priorities, The formulation of sectoral policies, programmes, and projects are mainly the responsibility of the concerned ministries and attached offices of the government. However, the Planning Commission plays an important role in indicating the initiatives that government needs to take both in terms of investments and policy changes to realise its objectives.

Its integrative role in the development of a holistic approach to policy formulation in critical areas, where both the Union and the states have a role to play, is worth mentioning. In a federal framework, an integrated approach can be developed by the Planning Commission by maintaining close links and continuous interaction with both the central ministries and state governments. This approach has been helpful in the best possible utilisation of the scarce resources. The role of the Planning Commission in investment planning, especially in maximising the output of the economy and avoiding wastage of resources and output is also appreciated. Besides ensuring the efficient utilisation of

resources, the Planning Commission has been attempting to upgrade the capability of the implementing agencies by disseminating information on better delivery mechanisms and best practices.

### Critique of the Role of the Planning Commission

The role of the Planning Commission has come under criticism from many quarters. First and foremost is the one relating to its role as an extra-constitutional body. It is argued that while the Constitution earmarks spheres of authority and responsibility over specific subjects and areas of activity in a federal set up between the Union and the states, the Planning Commission, which has come into existence by an executive order of the Union government, acts as a 'super-cabinet' in economic matters for the Union and the states. Moreover, its practice of discretionary grants and credit, with elaborate schemes of matching ratios for outlays, undoubtedly infringes the federal character of the Indian polity. When different political parties are at the helm at the centre and in some states, this aspect has assumed significance and become a major political issue for controversies and political accusations.

On several occasions, Chief Ministers of some states have accused the Planning Commission that it has become another bureaucratic hurdle in the initiation of development schemes. There is also an opinion that the authority and power in the Planning Commission has shifted from the expert groups to civil service personnel. In practice, barring a handful of persons drawn from academia or scientific institutions, civil servants on deputation to the Planning Commission, have managed to occupy key positions as advisors and planners, replacing experts. The Secretary of the Commission has become the nodal point in plan formulation, thereby flushing out the experts.

The most dominant style of policy-making is that of appointing committees or commissions for direction on important matters. The inter-linkages between sectors and among ministries are often achieved through the appointment of these selected bodies, which arguably make the process more protracted/time-consuming, instead of contributing in any fruitful way to policy formulation. With the result, the five-year plans are seldom prepared on time. For example, the Eighth Plan's approach paper was ready only after completion of almost one year of the plan-period.

The Planning Commission is also subjected to the criticism that even during plan formulation the Commission is guided more by political pressures or expediency than by its expert judgement. The annual planning in the sense of an overall, co-ordinated and directed multi-instrument governmental initiative is often absent. The actual process of plan formulation has lost its meaning and has become merely a ritualistic and cumbersome exercise. It is, sometimes, also argued that the Planning Commission is ineffective, as it has little power in the process of implementation of the plans.

Last but not the least, some critics ask that why should we have a Planning Commission? The members drawn from among the best talent available in their area of expertise seem to have very little say in the final outcome of the plan. It has a separate division to deal with agriculture, and other divisions to deal with education, health, etc. "The perspective is as fragmented as it is in the operating wing of the government" (Ishwar Dayal, 1996). The Department of Economic Affairs in the Ministry of Finance is considered adequate to decide upon macro-economic priorities and policies. Similarly, the other ministries can decide on sectoral matters. In this context, the structure of the Commission and the dynamics of how it functions often obliterate decisive contribution by the members. Moreover, the Planning Commission developed a segmented structure and has become a shadow organisation of the ministries of the government.

However, diametrically opposite views have also been expressed in this regard: the Planning Commission, though an advisory body, is consulted by the central ministries regarding all the important issues. It provides expert advice and ensures that the decisions taken are in conformity with the strategy and policies indicated in the plan. In practice, the Commission conducts evaluation

of the projects/schemes, which generates data for effective development planning. Their results provide valuable guidance in making mid-course corrections, if necessary in the implementation of programmes.

The Planning Commission, therefore, has some control over plan implementation through the mechanisms of annual plans, project appraisal's, policy evaluation, etc. Hence, neither it is an ineffective ornamental body nor a super-cabinet, but can be considered as a co-ordinatos in the process of evolving a framework for governmental schemes and projects for development. In the process of policy formulation, it has to make compromises and give weight to political considerations in addition to its own framework. However, we have seen that the process of plan formulation is a lengthy one and dependent on the development perspective of the political leaders. There is a need to bring significant changes in the planning procedure to maintain its relevance. The Planning Commission has also been laying emphasis on the need for improving the planning process and capabilities in the states, which bear the primary responsibility for creating and maintaining most of the socio-economic infrastructure in the country.

In our mixed economy, role of the government involves market regulation and public sector initiatives. Similarly, the Planning Commission in India is a product of the mixed economy logic. As long as India's commitment to a mixed economy continues, the Planning Commission will remain relevant for policy formulation.

However, certain constraints emerging from the current trend towards globalisation, liberalisation and privatisation, would force a reorientation in the role of the Planning Commission. It has to adopt more of market-friendly approaches and be sensitive to global trends on movement of capital, technologies, services and goods. The protectionist policies of the pre-WTO (World Trade Organization) regime are no longer relevant to an economic context dominated by neo-liberal economic paradigm and the forces of globalisation. Price fluctuations in the global market for items, such as, crude oil, metals, food products, etc. have an immediate and often an adverse impact on the economy of India. Again, outsourcing of services by advanced western countries – entirely in the private sector offers favourable trends for the Indian economy. In many spheres, especially in attracting foreign investments, the state governments have been pro-active. The changing global economic scenario presents challenges as well as opportunities to the Planning Commission.

One should note that the context is open to many key players to take initiatives in view of the need for quick responses. These key players are widely spread, among the political elites at the central and state levels, public and private sector executives, multi-national corporations and so on. Instead of adhering to notions of centralised decision-making and pre-fixed plans, the Planning Commission has to assume a more dynamic role as a watch dog of the economy, as a facilitator, and as a think tank. A re-orientation in its role requires greater inputs from experts in the field of economics, science, information technology, patenting, etc.

## 7.7 CONCLUSION

To conclude, it can be stated that the Planning Commission has to analyse the economic, financial, social, and political situation; diagnose reasons for success and failures in performance; and evaluate capabilities to execute and recommend improvements. One important component of the Commission's task is policy formulation. It appoints a large number of technical, sectoral and special committees; thereby involving political leaders, administrators, experts and members of non-governmental organisations in formulating national economic policies. Finally, the Planning Commission formulates the five-year plans, which lay down the national goals to be achieved and the strategy to be followed.

This Unit has helped us to understand the role of the Planning Commission in detail. We have discussed the structure of the Planning Commission and its role in the planning process as an independent body. We have examined the role and composition of the NDC in detail. This Unit has highlighted the importance of above bodies despite the fact that they are non-statutory advisory bodies. The Planning Commission also has some control over plan implementation. In addition, the process of plan formulation and the manner in which different units of the Indian federation and their agencies interact in the planning process have been described. Lastly, the Unit has dealt with various criticisms and controversies in the context of the role and power of the Planning Commission and highlighted the need for a reorientation in its role in the context of liberalisation, privatisation and globalisation.

## 7.8 KEY CONCEPTS

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| Macro-Economic Policy | : This Policy is related to the national economic system as a whole.   |
| Perspective Planning  | : It is a long-term overall planning taking into view all aspects of the economy and the inter-sectoral relationships.       |
| Project Appraisal     | : Evaluation of a project to estimate its achievements as against the established goals, estimated cost, time and resources. |
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## 7.9 REFERENCES AND FURTHER READING

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## **7.10 ACTIVITIES**

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- 1) Why should we have a Planning Commission? Support your arguments with current examples?
- 2) Describe the composition and role of the National Development Council.
- 3) Observe and analyse the process of plan formulation in India and make suggestions for re-orientation of the policy-makers.
- 4) Discuss the view that the Planning Commission is a 'super-cabinet' for the Union and states.

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# **UNIT 8 ROLE OF CABINET SECRETARIAT AND PRIME MINISTER'S OFFICE IN POLICY-MAKING**

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## **Structure**

- 8.0 Learning Outcome
  - 8.1 Introduction
  - 8.2 Role of Cabinet Secretariat in Policy-Making
  - 8.3 Role of Prime Minister's Office in Policy-Making
    - 8.3.1 Advisory Committee/Councils to Prime Minister
    - 8.3.2 Prime Minister's Office: Intervention
    - 8.3.3 Role of Prime Minister in Policy-Making
  - 8.4 The Role of Cabinet and Prime Minister's Office in Policy-Making—UK
  - 8.5 Conclusion
  - 8.6 Key Concepts
  - 8.7 References and Further Reading
  - 8.8 Activities
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## **8.0 LEARNING OUTCOME**

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After studying this Unit, you should be able to:

- a Highlight the importance of cabinet secretariat in policy-making;
  - a Describe the role of Prime Minister's Office and its advisory bodies in policy-making;
  - Discuss the cases showing how the Prime Minister's Office intervenes in the policies of other ministries and other departments; and
  - a Examine the role of British Cabinet and Prime Minister's Office in policy-making.
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## **8.1 INTRODUCTION**

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Public administration cannot exist in a policy vacuum. It must have administrative structures that are directed by leaders who wish to do something. This calls for creation of organisations, public agencies, and bureaus which, in turn, need to create more **policies** that give guidance to organisations and employees on how to put into practice the overall public policy.

In a parliamentary democracy, policy-making is the major function of the political executive. In this process, entire political system is involved in policy-making and **implementation**. In a country like India the policy-making is vested in the political executive, that is, the Cabinet. In this Unit, we will be discussing the role played by the Prime Minister's Office and Cabinet Secretariat in **formulating** public policy.

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## 8.2 ROLE OF CABINET SECRETARIAT IN POLICY-MAKING

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The Cabinet Secretariat has a very important place in the central administration. The Cabinet Secretariat is under direct charge of the Prime Minister. The administrative head of the Secretariat is the Cabinet Secretary who is also the ex-officio Chairman of the Civil Services Board. In the Government of India (Allocation of Business) Rules, 1961 "Cabinet Secretariat" finds a place in the First Schedule to the Rules. The subjects allotted to this Secretariat are:

- Secretarial assistance to the Cabinet and Cabinet Committees.
- Implementation of the rules of business.

The Cabinet Secretariat is responsible for the administration of the Government of India (Transaction of Business) Rules, 1961 and the Government of India (Allocation of Business) Rules 1961, facilitating smooth transaction of business in Ministries/Departments of the Government by ensuring adherence to these rules. The Secretariat assists in decision-making in government by ensuring inter-ministerial coordination, ironing out differences amongst ministries/departments and evolving consensus through the instrumentality of the standing/ad hoc Committees of the Secretaries. Through this mechanism new policy initiatives are also promoted.

The Cabinet Secretariat ensures that the President, the Vice President, and Ministers are kept informed of the major activities of all ministries/departments by means of monthly summary of their activities. Management of major crisis situations in the country, and coordinating activities of various ministries in such a situation is also one of the functions of the Cabinet Secretariat.

### Support to Cabinet Committees

The secretarial assistance provided by Cabinet Secretariat to the Cabinet and Cabinet committees, includes:

- Convening of the meetings of the Cabinet on orders of the Prime Minister.
- Preparation and circulation of the agenda.
- Circulation of papers related to the cases on the agenda.
- Preparation of a record of discussions taken.
- Circulation of the record after obtaining approval of the Prime Minister.
- Keeping a watch on the implementation of the decisions taken by the Cabinet.

The Cabinet Secretariat is custodian of the papers of the Cabinet meetings.

### Promotion of Inter-Ministerial Coordination

Among the inter-ministerial matters, the coordination is required for removing difficulties, sorting out differences, overcoming delays, and for relating administrative action to policies.

While each ministry is responsible for acting on its own for expeditious implementation of government policies, plans, and programmes. However, where inter-ministerial cooperation is involved, they often seek the assistance of the Cabinet Secretariat. The inter-ministerial problems are dealt within the meetings of the Committee of Secretaries (COS). Committees are constituted for discussing specific matters and proposals emanating from various Secretaries to the Government, and meetings are held under the chairmanship of the Cabinet Secretary. These committees are intended to break bottlenecks or secure mutually supporting inter-ministerial action.

The discussions of the COS take place on the basis of a paper formulated by the principal Department concerned and the Department with a different point of view, if any, providing a supplementary note. The decisions or recommendations of the COS are unanimous. These proceedings are also circulated to the departments and are followed up.

There are other important functions, which the COS discharges, viz. monitoring, coordination, and promotion of new policy initiatives. The Cabinet Secretariat is seen as a useful mechanism by the departments for promoting inter-ministerial coordination since the Cabinet Secretary is also the head of the civil services. The Secretaries find it necessary to keep the Cabinet Secretary informed of developments from time to time. The Transaction of Business Rules also require them to keep the Cabinet Secretary informed of developments from time to time, especially if there are any departures from these rules.

### **Cabinet Secretary**

The office of the Cabinet Secretary and its functions has evolved over the years. As head of the civil service, he presides over the committees of Secretaries. These committees examine inter-ministry matters and other issues that concern the government as a whole. As a rule, the Cabinet Secretariat does not prepare papers for the Cabinet or its Committees; this function is performed by the concerned ministries. However, the Cabinet Secretary only oversees the agenda papers. It is only on rare occasions that the Cabinet Secretary prepares a paper for the Cabinet. He, however, attends all the meetings of the Cabinet and its Committees. He is also responsible for preparing the agenda, priority of items and allocation of subjects to Cabinet Committees on the direction of the Prime Minister. He also prepares minutes of the Cabinet meetings and Committees to the concerned ministries. Ishwar Dayal and others opine that there is no system of briefing the Prime Minister on the agenda items although the Cabinet Secretary may assist him during the meetings. The process of decision-making in the Cabinet is a long and complex process and major differences among the members are often assigned to a committee, or to the Cabinet Secretary to inquire and report.

The Cabinet Secretary, therefore, plays a very significant role in the policy apparatus but, essentially, in a servicing sense, except in personnel matters where he, as the head of the civil service, has a much greater influence. However, the significance of his position depends upon the style of functioning of the Prime Minister and the amount of confidence he reposes in the Cabinet Secretariat. All the same, the Cabinet Secretariat has established itself, over the years, as a significant institution in the policy-making process.

### **Administrative Reforms Commission (1966 – 1969) on Cabinet Secretariat**

The Administrative Reforms Commission was appointed by the government to study the machinery of the government of India and its procedures of work. Important recommendations relating to Cabinet Secretariat are as under:

- Every sub-committee of the Cabinet should be supported by a Committee of Secretaries in the Cabinet Secretariat to consider in advance all matters to be taken up in the Cabinet sub-committee.
- The role of the Cabinet Secretary should be limited to that of co-ordination. The Cabinet Secretary should also act as the principal staff adviser to the Prime Minister, the Cabinet and the Cabinet Committee on important policy matters.
- The Department of Personnel should be headed by a secretary who should work under the general guidance of the Cabinet Secretary.

The Cabinet Secretary should have a tenure of at least three years to provide effective leadership to the civil services.

The above recommendation that the Cabinet Secretary should be appointed for a period of three years to enable him to provide effective leadership to the civil service was accepted by the National Democratic Alliance (NDA) Government. However, in practice, the Cabinet Secretary is appointed for a fixed term of two years. Recently on August 10th 2006, the United Progressive Alliance (UPA) Government approved a minimum tenure of three years for the Cabinet Secretary. Looking at the various functions and role of the Cabinet Secretariat it should be noted that it is essentially a staff agency for providing assistance and it does not have a major role in policy formulation. As most of the issues originate from the ministries/departments, and the basic input as also the policy frame is furnished by administrative Ministry, concerned. In crucial and important cases the Cabinet Secretary and the Committee of Secretaries provide useful insights and offer a wider perspective.

It appears that the function of Cabinet Secretariat is of servicing the proceedings of the Cabinet, Cabinet Committees, and Committee of Secretaries. We can conclude that the Cabinet Secretariat is neither enforcement agency nor it is an activity instrument for policy formulation.

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### **8.3 ROLE OF PRIME MINISTER'S OFFICE IN POLICY-MAKING**

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The Prime Minister of India is the Head of the Union Government, as distinct from the President of India who is the Head of State. Since India has adopted the Westminster model of parliamentary democracy, it is the Prime Minister who oversees the day-to-day functioning of the Government of India. The Prime Minister is assisted in this task by his Council of Ministers, comprising Cabinet Ministers, Ministers of State with independent charge, Ministers of State who work with Cabinet Ministers, and Deputy Ministers,

As head of the Council of Ministers, the Prime Minister oversees the work of all the ministries. He presides over the Cabinet meetings. The Union Cabinet functions on the principle of "collective responsibility". The Prime Minister is also the Chairman of the Planning Commission of India. The Prime Minister's Office (PMO) provides secretarial assistance to the Prime Minister. It is headed by the Principal Secretary to Prime Minister. The PMO includes the Anti-Corruption Unit and the Public Wing dealing with grievances. The subject matter of files required to be submitted to the Prime Minister depends on whether he is holding direct charge of the Ministry or whether there is a Cabinet Minister or Minister of State (independent charge), in-charge of the Ministry. In the case of the latter, most matters are dealt by the Cabinet Minister / Minister of State, in-charge. Only important policy issues, which the Minister concerned feels should be submitted to the Prime Minister for orders or information, are received in the PMO.

In cases where the Prime Minister is the Minister-in-charge, all matters requiring ministerial approval are not delegated to the Minister of State / Deputy Minister, if any, are submitted for orders. The Prime Minister has traditionally been the Minister-in-charge of the Departments of Space, Atomic Energy, and Ministry of Personnel, Public Grievances and Pensions.

Since the Prime Minister is Chairman of the Planning Commission, relevant files are forwarded to the PMO for comments and clearance. The Prime Minister's National Relief Fund (PMNRF) and the National Defence Fund (NDF) are operated directly from the PMO,

Some of the important matters that require the Prime Minister's personal attention include:

- important defence-related issues;

- decorations, both civilian and defence, where Presidential approval is required;
- all important policy issues;
- proposals for appointment of Indian Heads of Missions abroad and requests for grant of agreement for foreign Heads of Missions posted to India;
- all important decisions relating to the Cabinet Secretariat;
- appointments to the State Administrative Tribunals and the Central Administrative Tribunal, Union Public Service Commission, Election Commission, appointment of members of statutory/constitutional committees and Commissions attached to various Ministries;
- all policy matters relating to the administration of the civil services and administrative reforms;
- special packages announced by the Prime Minister for states. (These are monitored in the PMO and periodical reports submitted to Prime Minister); and
- all judicial appointments for which President's approval is required.

It shows that the PMO deals with almost every aspect of the Union Government. Work distribution in the Prime Minister's Office is presented below:

<b>Work Distribution in PMO</b> <b>(As on 22.02.2006)</b>			
<b>AS / JS</b>	<b>Ministries/Departments</b>	<b>States</b>	<b>Assisted by</b>
Additional Secretary	Cabinet Secretariat and ACC, Personnel, Public Grievances and Pensions, Law and Justice, Anti-corruption Unit	UP, Uttaranchal	Director
	National Common Minimum Programme, Thrust Areas of Government, Computerisation of PMO		Deputy Secretary
	National Advisory Council		Director
	Heavy Industries & Public Enterprises, Commerce & Industry, PM's Council on Trade & Industry, Industry Associations, Administration		Director
	Steel		Director
	Finance, Planning, Infrastructure Committee, PM's Economic Advisory Council'		Director
	Shipping, Road Transport and Highways, Railways, Civil Aviation, Mines, Non-Conventional Energy Sources		Deputy Secretary
	Communications & IT, Group on Telecom & IT Convergence		Deputy Secretary
	Power, Petroleum & Natural Gas, Coal, Task Force on Petroleum Chemicals and Petrochemicals Investment Regions, Trade & Economic Relations Committee, Energy Coordination Committee		Director
	PMO Security		Officer on Special Duty
Joint Secretary-1	Minority Affairs	MP, Chhattisgarh	Director
	Urban Development, Urban Employment & Poverty Alleviation, Chemicals & Fertilizers		Director
	Food Processing Industries, Information & Broadcasting	Bihar, Himachal Pradesh	Director
	Health & Family Welfare, Water Resources, Environment & Forests, Textiles, Tribal Affairs, Panchayati Raj, Rural		Director
Joint Secretary-2	Andhra Pradesh,	Andhra Pradesh,	Director

	Tourism, Culture	Jharkhand	Deputy Secretary
Joint Secretary-3	National Knowledge Commission External Affairs Defence, Space, Overseas Indian Affairs, Atomic Energy National Security Council	Tamil Nadu, Kerala	Deputy Secretary Two Directors
Joint Secretary-4	Labour & Employment, Development of North Eastern Region, Agriculture, Consumer Affairs, Food & Public Distribution, Parliamentary Affairs (incl. Parliament Work), Agriculture Coordination Committee, Youth Affairs & Sports, Science & Technology Company Affairs Statistics & Programme Implementation, Human Resource Development, Youth Affairs & Sports, Science & Technology, PM Funds, Public Wing Home Affairs <b>Social Justice &amp; Empowerment</b> Small Scale Industries, Agro & Rural Industries, Ocean Development, National Commission for Enterprises in the Unorganised Sector	NE States, Sikkim, Arunachal Pradesh  Orissa, West Bengal  J&K, UTs, Goa  Maharashtra, Rajasthan, Gujarat	Director Director Deputy Secretary  Director Director Deputy Secretary Director Deputy Secretary

## Officers of PMO

Designation	Pay Scale Work Distribution in PMO (As on 22.02.2006)
National Security Adviser	MOS Rank
Principal Secretary (1)	Rs. 30,000 (fixed)
Media Adviser (I)	Rs. 26,000 (fixed)
Additional Secretary (1)	Rs. 22,400-525-24,500
Joint Secretary to PM (4)	Rs. 18,400-500-22,400
Private Secretary to PM (2)	Rs. 14,300-400-18,300
Director (10)	Rs. 14,300-400-18,300
PS to MOS (PMO) - 1	Rs. 14,300-400-18,300
Deputy Secretary (3)	Rs. 12,000-375-16,500
Under Secretary (Admn.)-1	Rs. 10,000-325-15,200
Under Secretary (Parl.) – 1	Rs. 10,000-325-15,200
Under Secretary (Pub;) - 1	Rs. 10,000-32515,200

It looks almost all the aspects of the Union Government are being dealt with/by the PMO. The above distribution is indicative of the same.

### **8.3.1 Advisory Committee/Councils to Prime Minister**

From time to time, the Prime Minister appoints committees, councils and commissions to advise him on specific policy matters. We will be looking into some of the committees, councils, and commissions, which have been constituted by the Prime Minister.

#### **Scientific Advisory Council to Prime Minister**

It is 28-member Scientific Advisory Council to the Prime Minister headed by chemical scientist, C.N.R. Rao. The members, who would advise the Prime Minister on all issues relating to science and technology development in the country, have been chosen to cover a wide range of fields and different sectors including government research centres, academic institutions, and industry.

#### **Advisory Group on Foreign Affairs to Prime Minister**

Advisory Group on Foreign Affairs to the Prime Minister is headed by National Security Advisor. This group advises the Prime Minister on a wide range of international issues and provides for coordination between the National Security Advisor and the External Affairs Ministry,

#### **The Economic Advisory Council**

The Economic Advisory Council (EAC) to the Prime Minister was constituted with Dr. C. Rangarajan, (former Governor and Chairman, 12th Finance Commission) as the Chairman, with Cabinet rank. It has four other members of the rank of Minister of State.

Apart from advice on policy matters referred to the Council by the Prime Minister from time to time, the EAC prepares a monthly report on economic developments at home and abroad for the Prime Minister. It also monitors economic trends on a regular basis and brings to the Prime Minister's attention important developments at home and abroad, and suggests suitable policy response.

#### **The Trade and Economic Relations Committee**

The Trade & Economic Relations Committee is an institutional mechanism for evolving the extent, scope and operational parameters of our economic relations with other countries in a coordinated and synchronised manner.

The Committee is serviced by the Prime Minister's Office, which may obtain assistance as required from any Ministry/Department/Agency of the Government.

#### **Composition**

The composition of the Trade and Economic Relations Committee is as follows:

- a) Prime Minister (PM) — Chairman
- b) Finance Minister;
- c) Commerce & Industry Minister
- d) External Affairs Minister
- e) Deputy Chairman, Planning Commission
- f) Chairman, Economic Advisory Council

- g) Chairman, National Manufacturing Competitiveness Council
- h) National Security Adviser
- i) Principal Secretary to PM — Convenor

The Secretaries of the Departments of Economic Affairs, Revenue, Commerce, Industrial Policy & Promotion as well as the Secretary, Planning Commission and Foreign Secretary are permanent invitees to the meetings of the Committee,

### **The Energy Coordination Committee**

The Energy Coordination Committee was constituted to enable a systematic approach to policy formulation, promote inter-departmental coordination, and function as a key mechanism for providing institutional support to decision-making in the area of energy planning and security.

The Prime Minister is Chairman of the Energy Coordination Committee, and the members are:

- Minister of Finance
- Minister of Petroleum and Natural Gas
- Minister of Power
- Minister of Coal
- MOS for Non-conventional energy sources
- Deputy Chairman, Planning Commission
- Member (Energy) Planning Commission
- Chairman, Economic Advisory Council to PM
- Chairman, National Manufacturing Competitiveness Council
- National Security Advisor
- Principal Secretary to PM — Convenor

Member Secretary, Planning Commission, Cabinet Secretary and the Secretaries of Department of Economic Affairs, Ministry of Finance; Ministry of Petroleum and Natural Gas, Ministry of Power, Ministry of Coal, Ministry of Non Conventional Energy Sources, Ministry of Atomic Energy, Economic Advisory Council to PM, are permanent invitees to the meetings of the committee.

### **Atomic Energy Commission**

The Indian Atomic Energy Commission was first set up in August 1948 in the then, Department of Scientific Research. The Department of Atomic Energy (DAE) was set up on August 3, 1954 under the direct charge of the Prime Minister through a Presidential Order. Subsequently, in accordance with a Government Resolution dated March 1, 1958, the Atomic Energy Commission (AEC) was established in the Department of Atomic Energy. The Secretary to the Government of India in the Department of Atomic Energy is ex-officio Chairman of the Commission. The other Members of the AEC are appointed for each calendar year on the recommendation of the Chairman, AEC and after approval by the Prime Minister.

### **Task Force on Petroleum, Chemicals and Petrochemicals Investment Regions**

Government has constituted a Task Force on Petroleum, Chemicals and Petrochemicals Investment Regions, in order to enable quick and coordinated decision-making, and to provide an appropriate policy framework for the development of investment regions of requisite scale and level of facilities, with the involvement of world-class developers and investors, in the fields of petroleum, chemicals and petrochemicals.

### **Composition**

The Principal Secretary to Prime Minister is the Chairman of the Task Force, and the following are members:

- Member Secretary, Planning Commission
- Secretary, Department of Chemicals and Petrochemicals
- Secretary, Ministry of Petroleum and Natural Gas
- Secretary, Department of Industrial Policy & Promotion
- Secretary, Department of Commerce
- Secretary, Department of Economic Affairs
- Secretary, Department of Revenue
- Chief Secretaries of the States concerned
- Representative of the NRI Task Force.

Chairman, Railway Board and Secretaries of the Department of Shipping, Department of Road Transport and Highways, Department of Civil Aviation, Ministry of Power, Ministry of Environment and Forests, and Ministry of Labour are special invitees. The Task Force is serviced by the Prime Minister's Office.

### **Investment Commission**

The Prime Minister had constituted an Investment Commission under the chairmanship of Shri Ratan Tata to recommend policies that the Government can take up to step up the rate of investment in India.

### **National Knowledge Commission**

The Prime Minister of India constituted the National Knowledge Commission, with the mandate of devising and guiding reforms that will transform India into a strong and vibrant knowledge economy in coming years. Knowledge is an indispensable asset that has the potential to accelerate social and economic progress. A successful knowledge economy is one that uses knowledge as an effective tool for development.

The methodology of the Commission is to form Working Groups within each of its focus areas, and make concrete proposals for reform directly to the Prime Minister through a series of White Papers. This task involves working in close collaboration with the Union and State governments, professionals, academics, scientists, regulatory bodies, national think tanks, industry representatives, civil society organisations etc. The tenure of the Commission is three years. The first chairman of the commission is Mr. Sam Pitroda. Besides the Chairman, it has eight members.

### **National Common Minimum Programme**

The Prime Minister with the assistance of PMO, reviews the status of implementation of the National Common Minimum Programme (NCMP). The duty of the Prime Minister is to monitor the extent to which the specific policy initiatives listed in the NCMP have been implemented. The PMO officials do a regular monitoring of implementation and follow-up work with ministries and state governments and also keep a close vigil on NCMP implementation, and also prepare ministry-wise status reports on NCMP implementation.

### 8.3.2 Prime Minister's Office: Intervention

Here we will be discussing few cases, showing how the Prime Minister's Office intervenes in the policies of other ministries or departments, in the national interest.

#### Case One

Coal Mining: PMO Backs Public Units (As reported in *the Indian Express*, dated September 26, 2005)

The Coal battles being fought on industry turf due to the supply-demand mismatch have acquired a new twist with the PMO coming to rescue of public sector to give them parity with the private sector as far as mining rights in explored coal blocks are concerned.

The PMO has quashed a proposal by the Coal Ministry, which suggested that PSUs should be kept out of the allocation of explored blocks of coal for captive mining. The Ministry had been of the view that allocation of explored captive blocks should not be made to public sector company applicants like GEB, MSEB, Orissa Power Generating Company, MP Mineral Development Corporation. This was pursued on the basis that they could be considered and allocated coal blocks outside the captive list under the government company route.

The move was dictated by the logic that captive blocks that have been explored in detail are few and the eligible applicants in the private sector are many, so it would be prudent to allot the latter to private players. According to the deliberations in PMO, the proposal to preclude PSUs from allocation of captive blocks is fraught with serious implications. For instance, since power generation is mostly in the hands of PSUs, depriving them of rights on captive blocks, would have implications on energy generation.

However, the PMO has shown sensitivity towards the need to encourage players to take up coal mining. In this context, the PMO has indicated to the Coal Ministry that unexplored coal blocks might be considered for allocation for captive mining to the PSUs that are interested in exploring them. The other measure underlined by the PMO to encourage coal mining is to allocate unexplored blocks to private companies as it was done earlier to expedite exploration through outsourcing.

#### Case Two

PMO for Joint Effort on Tribal Bill (As Reported in *Indian Express*, dated October 29, 2005)

The Government is keen on tabling the Scheduled Tribes (Recognition of Forest Rights) Bill, 2005 in Parliament in the winter session. The final draft of this Bill would be prepared by the Union Tribal Affairs Ministry. This was conveyed to 20-odd participants who were invited to a meeting convened by the Prime Minister's Office to thrash out differences on the issue.

After the conservationists joined the Ministry of Environment And Forests (MoEF) officials have raised their strong objections to the original draft tribal bill at the workshop organised by the Prime Minister's Office. The PMO asked the Ministry of Tribal Affairs to hold consultations with the MoEF over the next 10 days.

During the six-hour discussion, the MoEF was allowed to make a presentation and circulate its draft bill among participants. With the PMO keen to have a final draft ready in roughly two week's time, officials from the Tribal Affairs Ministry and the MoEF were tight-lipped after the meet. According to sources, the course of action to be followed over the next two weeks:

- Participants will submit written inputs to the Ministry of Tribal Affairs within a week. The Tribal Affairs Secretary was directed to hold one-to-one meetings with few participants, who pointed out technical lacunae in the draft.
- The Tribal Affairs officials were asked to examine the inputs, and also alternative draft bill in consultation with the MoEF officials before modifying the original draft bill.
- This modified draft will be sent to participants in the workshop for comments.
- Finally, the Principal Secretary to PM will sit with the top officials from the ministries and finalise a draft for the Cabinet's approval.

### Case Three

Spectrum: PMO annoyed at delay (*As Reported in Hindustan Times, dated March 06, 2006*)

The Prime Minister Dr. Manmohan Singh seems to have taken a serious view of the delay to resolve allocation of **Spectrum** for telecom operators in India. Based on the outline sent by the PMO on strategies and priorities for the year 2006 on Spectrum, the DoT is likely to submit this week a list of strategies and priorities seeking final approval of the Prime Minister on allocation of Spectrum.

It is not clear whether the proposal to be submitted by the DoT on **Spectrum** would be discussed by a Group of Ministers on **Spectrum** to resolve this issue or finalised by the PMO in consultation, with DoT and the Defence Ministry.

### PMO - Overstepping

In the earlier paragraphs, we have seen the **Prime Minister's** Office intervening to bring out some uniformity or to sort out the differences in policy-making. There are also cases of unnecessary interference by PMO. In this respect we may cite a recent observation by the Delhi High Court. The Delhi High Court, on November 30, 2005, questioned the authority of PMO to frame guidelines on **construction/alteration** to official bungalows allotted to politicians and bureaucrats in Lutyen's Zone of capital and further observed, "Any power to make such alterations or constructions should emanate from a statute or legislation in force. We wonder how the PMO can frame any guideline in this regard". The directive followed a submission by the Additional Solicitor General to the Government that the matter pertaining to issuance of fresh guidelines for demolition and regularisation of unauthorised constructions in the Lutyen's zone, was under the consideration of the PMO.

#### **8.3.3 Role of Prime Minister in Policy-Making**

In a parliamentary democracy the Prime Minister is, at least theoretically, the first among the equals. But over a period of time, this aspect has changed and changed substantially even in Britain. The prime ministership of Margaret Thatcher brought out the Prime ministerial type of government in Britain more vividly. The picture in India is in no way different. This trend about the **Prime Minister** type of government in India came into focus when **Mrs. Indira Gandhi** became the Prime Minister. When Late Rajiv Gandhi took over as the **Prime Minister** he brought a new hope and created lot of expectations of a more open and democratic government, but after sometime he also reverted to the prime **ministerial** model of functioning. The trend is more pronounced in case of coalition governments because the Prime Minister who is heading the coalition government has to bring a balance between various coalition partners. The world over, where the head of the government is **powerful**, naturally, everything revolves around him and every policy or decision he will take after discussing with his advisors. The westminster type of democracy is also becoming more and more prime ministerial type of government not only in England and India but also in many other

democracies. The reasons attributed according to P.N. Dhar in his article "This Prime Minister's Office— Seeing Through the Mystic" to the increasing complexity of governance in India today, which makes the Prime Minister deal with the contenders for power and at the same time cope up with the socio-economic and political complexities at home and abroad. These matters cannot be dealt by him with the help of his Cabinet only and without a score of specialised advisors on the pattern of the US President. That is the reason why Prime Minister's Office enjoys a special position in the realm of policy-making. Most of the crucial policy decisions are taken in inter-departmental committees, in Cabinet committees or on the advice of the committees constituted by the Prime Minister or in conversation between the Prime Minister and the Minister concerned. This itself speaks about the importance of the Prime Minister or himself becoming the crucial element in the decision-making process. Nevertheless, the policy initiatives may come from many sources, from the Prime Minister himself, from the ruling party, from coalition partners, from civil servants, from the media, from organised pressure groups, from the general public or from pressure from abroad and home. However, the final shape of any policy coming from any quarter would depend upon the Prime Minister himself.

## 8.4 THE ROLE OF CABINET AND PRIME MINISTER'S OFFICE IN POLICY MAKING - UK

According to Peter Self, in UK the Cabinet in general and the Prime Minister specifically have staff assistance from the Cabinet Secretariat. As the work of policy co-ordination has grown, the PM's Secretariat has been strengthened and the arrangement whereby the same official was permanent secretary at the Treasury and secretary to the Cabinet was ended in 1962. Nonetheless, size of the Cabinet Secretariat, even adding to it the Prime Minister's personal staff, is extremely small when compared to that of the U.S. President or the French Prime Minister.

The functions of the Cabinet Secretariat also remain limited. Its main task is the formidable one of servicing the proceedings of the Cabinet itself and of the complex array of Cabinet committees. Poised at the top of the heap, the Cabinet Secretariat has the essential function of smoothing this formidable work of co-ordination, and of seeing that 'Cabinet' decisions (which include the decisions of all its dependent bodies) are duly understood and noted. However, the PM's Secretariat is not a control or enforcement agency—that duty rests with the departments—nor is it a very active instrument for policy formation. Policies and plans emerge from the departments within the framework of the general strategy laid down by the Cabinet. On the whole, this strategy has a broad, political character and does not usually include detailed analysis by the Secretariat of possible policies and plans. The Secretariat occupies a middle ground between the two main sources of policy-making in the British government, which are party policy and departmental policy. Thus, the Secretariat performs only with some of the minimum staff functions. It is, indeed, as much an instrument for 'doing' as for 'thinking'.<sup>7</sup>

In terms of staff-and-line theory, the position of the British Prime Minister has caused frequent confusion. The power of the Prime Minister rests upon his right to hire and fire other ministers, his personal and political appeal as party leader, and his role as the chief representative of the nation in foreign relations. All these sources of power are subject to strong limitations. However, the enhanced significance of all three roles in modern times has exploded the constitutional myth that the Prime Minister is just *primus inter pares*, and has led some commentators to talk of the replacement of Cabinet by 'Prime Ministerial' government, and of the effective elevation of the Prime Minister to a position almost comparable with an elective President.

The aforementioned trends about the evolving role of the British Prime Minister are cited to emphasise the point that similar changes are taking place in the case of his Indian counterpart too.

## 8.5 CONCLUSION

In a parliamentary democracy, the Cabinet initiates and decides public policy concerning almost every sphere of government activity. Without its approval no policy proposal can become effective. In this Unit, we have attempted to discuss the role of Cabinet Secretariat and Prime Minister Office in policy-making. After going through the role and functions of Cabinet Secretariat it was found that whether in India or Britain its main task is a formidable one, of servicing the proceedings of the Cabinet itself and of the complex array of Cabinet committees. The Cabinet Secretariat is neither an enforcement agency nor it is a very active instrument for policy formulation. Policies and plans emerge from the departments within the framework of the general strategy laid down by the Parliament. As rightly observed by Peter Self that the Cabinet Secretariat occupies the middle ground between the two main sources of policy-making in government, which are party policy and departmental policy. Thus, the Cabinet Secretariat performs only some of the minimum staff functions. The Prime Minister is the head of the Council of Ministers, leader of Parliament, the supreme leader of the party, often the leader of masses, serves as a channel of communication between the President and the Council of Ministers, also a spokesperson of the country on all matters of foreign policy and is also expected to keep a close watch and control on the economic situation of the country. Analysing the powers of the Prime Minister, we note that he enjoys tremendous powers and influence, both in the executive and legislative spheres. He is the key person in government. The entire structure of Cabinet is built around him. According to Gladstone he is the *keystone of the Cabinet 'arch'*, and Ivor Jennings describes him as the '*sun around which the planets 7-evolved*'. He is also known as first among the equals; according to Peter G. Richard, '*Prime Minister is Primus Inter Pares*'. Ramsay Muir observes that the '*Cabinet is the steering wheel of the state and Prime Minister is the steersman*'. In conclusion, whether it is in Britain or India the Prime Minister occupies a key position in policy formulation. No doubt the policy initiatives have to come from the concerned ministries or departments; the responsibility of implementation also lies with them. As the leader of party and the legislature, the Prime Minister may like to use his office as a forum for discussion on important policy issues. On matters of critical importance, the Prime Minister may use his office to review and monitor the policies and activities of some ministries or to seek information on development on certain fronts. He may also create special agencies for advice, and monitoring of specific policy areas. We may conclude that in the Indian context the Prime Minister plays a very important role in policy formulation.

## 8.6 KEY CONCEPTS

- |  |   |   |
|--|---|---|
| <b>The National Knowledge Commission</b> | : | It focuses on certain key areas that can help India to achieve this goal. These areas include education, science and technology, agriculture, industry, and e-governance. Broadly speaking, India needs to become a globally recognised player in the creation, application and dissemination of knowledge. |
| <b>Public Law</b>                        | : | A legislative act that deals with the citizenry as a whole; a statute that applies to all. This is in contrast to a private law, which affects only one person or group.  |

## 8.7 REFERENCES AND FURTHER READING

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## 8.8 ACTIVITIES

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- 1) Describe the role of the Cabinet Secretariat and the PMO in the policy process.
- 2) It is said that the Indian parliamentary system is moving towards a 'Prime Ministerial' model. Discuss the statement.
- 3) Discuss the role of the Indian Prime Minister in the policy process.
- 4) Outline the **organisational** structure of the Cabinet Secretariat and the PMO's office in India.

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# **UNIT 9 ROLE OF CIVIL SOCIETY ORGANISATIONS IN POLICY-MAKING**

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## **Structure**

- 9.0 Learning Outcome
- 9.1 Introduction
- 9.2 Civil Society Organisations in India
  - 9.2.1 Civil Society Organisations: Typology
  - 9.2.2 Civil Society Organisations: Role and Functions
- 9.3 Government—Civil Society Interface
  - 9.3.1 Pavement Dwellers in Mumbai
  - 9.3.2 Tribals in Gujarat
  - 9.3.3 Implementation of Decentralisation of Power in Bangalore
  - 9.3.4 Delhi Government: Bhagidari
- 9.4 Civil Society Organisations: Challenges
  - 9.4.1 Barriers in the Government - Civil Society Partnership
  - 9.4.2 Remedial Measured
- 9.5 Conclusion
- 9.6 Key Concepts
- 9.7 References and Further Reading
- 9.8 Activities

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## **9.0 LEARNING OUTCOME**

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After studying this Unit, you should be able to:

- Understand the importance of civil society organisations in the policy process;
- Discuss the typology of civil society organisations with special reference to India;
- Bring out the contribution of civil society organisations to policy-making;
- Analyse the strengths and weaknesses of civil society organisations; and
- Suggest remedial measures for cooperative and harmonious relationship between the government and civil society organisations.

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## **9.1 INTRODUCTION**

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In previous Units, we have described the role of IGRs, Planning Commission, National Development Council, Prime Minister's Office, and Cabinet Secretariat in policy-making. It is quite apparent that there are certain issues and processes, which are still not covered by the policy network of the government. The policy system is incomplete without consideration of the need for, and contribution of civil society groups that work for the welfare and sustenance of the interests of marginalised strata of society,

The role of civil society in welfare and development can be traced from the pre-independence era to the present day. During the national movement itself, India's civil society began to emerge. This process was aided by the **mobilising** efforts associated with the pre-independence elections to legislative councils. The Constitution of India outlined the functions of its political institutions, including the division of powers between the central and provincial tiers of its federal system. The Constitution contained the usual liberal protections that make civil society possible, that is, freedom of speech, assembly, and so forth. The civil society was also shaped by other legal provisions, like the 'reservation' of about one-fifth of parliamentary constituencies for Scheduled Castes and Scheduled Tribes. In the last few decades, the role of civil society has increased substantially in the field of policy-making.

The Tenth Five-Year Plan emphasises the role of Civil Society Organisations (CSOs) as integral partners in development. These organisations include voluntary organisations, corporate bodies, cooperatives and trusts, which are actively involved in economic and social development. The basic strengths of this sector is being utilised in the policy process, namely their advocacy skills, organisational skills and above all, closeness to the people. CSOs are considered the *sine qua non* of efficiency, and effectiveness and 'legitimacy' of the government in a democracy.

This Unit highlights the role and functions of CSOs in development planning and policy-making. As the Tenth Five-Year Plan stresses on the role of these organisations as effective partners in development, it is **imperative** to discuss the constraints, which affect the development of government - civil society relationship. An attempt has been made to analyse the strengths and weaknesses of civil society organisations and suggest methods to improve their functioning in the policy process in this Unit.

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## 9.2 CIVIL SOCIETY ORGANISATIONS IN INDIA

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We have a long history and tradition of civil society engagement in political and social welfare activism. The voluntary movements grew with the emergence of various religious groups and social reform movements like the Brahmo Samaj, Arya Samaj, Ram Krishna Mission, etc. It is to be noted that Mahatma Gandhi's movement for national independence was rooted in the ideal of social reconstruction, self-help and development of poor and untouchables through voluntary effort. He gave a new dimension to 'voluntary effort' in India. Non-Governmental Organisations (NGOs), such as, the All India Spinners Association (1925), and All India Village Industries Association (1934) were active during the freedom struggle. Even Christian missionaries extended relief and rehabilitation services; and for this they adopted **education** and health care activities, besides provision of relief and rehabilitation. The occurrence of frequent floods, droughts, famines or other natural calamities during the 1950s and 1960s prompted massive voluntary action. Under the influence of the Sarvodaya Movement, youth movements, etc. a fillip was given to voluntary efforts. The changing **socio-economic** milieu has persuaded the Indian NGOs to extend their arenas of action.

The realisation of development goals, such as, alleviation of poverty, illiteracy, unemployment, inequality, ignorance, environmental degradation and strengthening of national integration, depend upon the active participation of people through public-private partnerships. Here lies the importance of civil society actors, that is, "members of the community" who are committed (without profit for themselves) to remove the root causes of problems. They try to improve the quality of life, especially of the poor, oppressed, or **marginalised** strata. They also take up developmental tasks on their own, and thereby make important contributions to development planning and government programmes. The CSOs have also emerged as an important instrument of 'decentralisation' and 'de-bureaucratisation' in India. Other popular terms used to describe civil society organisations in

India are, 'civic institutions', 'social movements', 'non-profit organisations', 'voluntary organisations', 'independent advocacy groups', and 'Non-Governmental Organisations' (NGOs). The NGOs constitute a major part of CSOs, and hence it is important to discuss the role of these organisations. In the broadest view, the NGOs are described as the third sector involved in development, in India (vis-a-vis the 1st is the Public Sector, and 2nd is the Private Sector). According to the World Bank, "NGOs include charitable and religious associations that mobilise private funds for development, distribute food and family planning services and promote community organisation. They also include independent cooperatives, community associations, water user societies, women's groups and pastoral associations. Citizen groups that raise awareness and influence policy are also NGOs". Due to the changing needs and policies they have diversified their activities and became more professional in policy-making. As a result, the process of networking with other organisations in the same or similar area is also seen among the NGOs.

NGOs have a legal status in India, since they register themselves under the Societies Registration Act of 1860. The large number of NGOs are registered with the Ministry of Home Affairs, Government of India under the Foreign Contribution Regulation Act (FCRA), 1976. The government has been planning to enhance the participation of the voluntary sector in development. Therefore, (in March 2000) to provide a single window on policy matters regarding the voluntary sector, the Union Government declared the Planning Commission as the nodal agency to promote the Government-Voluntary Organisations Interface. As per a report of the Planning Commission, there are a total of 16,430 (upto June 2005) voluntary organisations in India, of which 6,541 operate in rural development, 2,074 in human resource development, 2,944 in social justice and empowerment, 1,343 in health and family welfare, 649 in environment and forests, 853 in culture, youth affairs and sports, 137 in labour, 19 in non-conventional energy sources, 325 in textiles, 50 in science and technology, 20 in agriculture, 88 in road transport and highways, 12 in statistics and programme implementation, 509 in tribal affairs, 62 in small scale industries, 9 in communications and information technology, 795 in States/Union Territories, and 367 in National Bank for Agriculture and Rural Development (NABARD).

The civil society groups are active participants in planning, and implementation of government policies and programmes. A highly articulate civil society with crosscutting, overlapping memberships of groups, of/and social mobility is the presupposition of/for stable democratic polity, and a guarantee for equality and justice. They serve as watch-dogs of government programmes, and also as 'policy advocates', applying their grass-roots knowledge of development to government priorities and programmes. Such a perspective assumes that indigenous civil society organisations can influence and contribute to government policies and priorities. In the globalisation scenario, civil society organisations operate at the local, regional, national and international levels. Now, we will explain various types of CSOs in India.

### **9.2.1 Civil Society Organisations: Typology**

A noticeable feature of the term civil society is its supposed inter-changeability or synonymy with NGOs. Among the civil society organisations, NGOs constitute a major part, hence their types and organisation needs to be studied. The CSOs are identified and classified on the basis of their work, according to the level at which they operate, and according to the approach which they undertake to fulfil their goals.

#### **i) On the basis of their work**

- ***Service-oriented organisations*** provide services in the areas of health, education, family planning etc. The programme details are designed by the CSOs, and local citizens are expected to participate actively in implementation.

- **Charity-oriented organisations** are directed towards meeting the basic needs of the poor or vulnerable sections of society by providing clothes, food, medicine, temporary shelter, housing etc. These types of CSOs are very useful and undertake relief activities during disasters, such as, flood, earthquake, tsunami and cyclone.
- **Empowerment-oriented organisations** aim to develop an understanding among the underprivileged sections of society about the socio-economic or political factors, which affect their development; and help to strengthen their own potential, power. In this regard, they act as facilitators and encourage maximum involvement of the local citizens in collective concerns.
- **Participation-oriented organisations** often have a participatory orientation, for example cooperatives. In the community development project, participation begins with the need identification and continues during the planning and implementation stages.

Civil society organisations concentrate mostly in the metropolis, and some of them are working in tribal areas. These organisations can be divided into the following categories:

- Techno-Managerial Voluntary Agencies accelerate the groups of rural development through modern management techniques and technology.
- Reformist Voluntary Agencies advocate changes in the social and economic relationships in the society within the existing political framework.
- Radical Voluntary Agencies organise and try to empower the exploited, and mobilise them against the exploiters.

#### ii) On the basis of Level of Operation

- **Community based civil society organisations** include women's organisations, youth organisations, religious or educational organisations.
- **State/City level organisations** like Chambers of Commerce and Industry, ethnic or educational groups, which are involved in specific activities to help the poor.
- **National level organisations**, such as, the Red Cross assist local branches in disaster management, epidemics, etc.
- **International level organisations** like OXFAM and CARE are involved in funding the local NGOs to implement the development project themselves.

### 9.2.2 Civil Society Organisations: Role and Functions

Civil Society Organisations are expected to play an important role in all conceivable aspects of development as a planner and implementer of development programmes; mobiliser of local resources and initiatives; catalyst, enabler and innovator; builder of self-reliant sustainable society; mediator of people and government; facilitator; supporter and partner of government programmes; agent of demystifying technology and disseminating information; factor of transformation, conscientisation and improvement of the poor; and facilitator of development education, training and technical assistance. Specific roles performed by the civil society organisations are as follows:

#### i) Supporting the Government plans/projects

CSOs help in selecting the suitable locations for innovative government projects, and specify the strengths and weaknesses. In this regard, they suggest ways to overcome the shortcomings that government may face at the time of implementation. Thus, CSOs contribute at the time of planning itself. They act more quickly than a government bureaucracy due to the flexible and democratic nature of their organisations. They support and demonstrate the results of pilot projects very effectively and facilitate clear communication between citizens and the government.

### ii) Facilitating Communication in the Planning Process

In policy-making, especially at the field level, they have a good feel of the community response and basic needs of the citizens. To win the confidence of the people (community) they use interpersonal methods of communication. They provide information to the public agencies about the lives, attitudes, culture and capabilities of people in their area. In the context of policy-making, they facilitate communication at both levels, **upward** (from citizens to the government) and **downwards** (from government to citizens). In upward communication, they inform the government about the requirements, orientations and abilities of local people; and provide feedback for modifying or changing the existing programmes in consonance with the basic needs of the area. Downward communication entails creating awareness among people (local) about the government plans, functions, and available resources. They work in strategic ways, share information, and develop networking between the other organisations involved in their field.

### iii) Mobilising Local Resources and Initiatives for proper Planning

The civil society actors play a crucial role in development especially through mobilising local resources and initiatives. Their efforts can be seen during the post-disaster phase, especially in planning for rehabilitation and reconstruction. To uplift the vulnerable people they plan and develop land, building materials supply centres, and community-based economic enterprises; construct houses; and provide infrastructure. In addition, they plan, operate and maintain drinking water supply, public toilets and solid waste collection services. In certain cases, NGOs become spokespersons for the poor or underprivileged sections of society in safeguarding their interests and protecting their rights by influencing government agencies.

### iv) Advocacy for underprivileged sections

Civil society actors prepare and empower the disadvantaged sections of people to overcome psychological inhibitions and to raise their voice against atrocities and injustice. This is basically an advocacy role. They act as '**Ombudsman**' for the affected people, and attempt to influence government policies and programmes on behalf of the underprivileged sections of society. To influence the officials or non-officials concerned they make representations, arrange demonstrations, provide focus in the media about cases of the affected citizens so as to bring changes in policy and practice. They also help the government in monitoring and evaluation of government policies and programmes.

### v) Monitoring and Evaluation of Government Policies

The CSOs conduct innovative research and activities in the field of planning for policy-making and implementation of development programmes, which is documented and shared with the government and public. These efforts in monitoring and sharing of results contribute to the effective functioning of the bureaucracy and political leadership, and encourage people's participation in the policy-making process; thus, they keep a check on policy process. Some NGOs provide technical assistance, and training for monitoring and evaluation.

### vi) Facilitating Development, Education, Training and Technical Assistance

The civil society actors develop programmes, with the help of experts, to provide technical assistance and training capabilities. They also provide training for volunteers and personnel of other NGOs.

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## **9.3 GOVERNMENT-CIVIL SOCIETY INTERFACE**

CSOs have undergone various changes in their role, that is, from charity, relief, and welfare to development and empowerment. The change in the role of CSOs as a partner with government in

development and the policy-making process is helpful in planned development. Partnerships between CSOs and government agencies have contributed to greater effectiveness in the implementation of welfare and development programmes.

The Union Government recognised the crucial role of NGOs in development during the Sixth Five-Year Plan. Since then more emphasis has been laid on the promotion of the NGOs in order to secure people's participation in various development programmes. The creation of the Council for Advancement of People's Action and Rural Technology (CAPART), in 1986, is an example of this strategy. The Seventh Five-Year Plan emphasised the need to involve voluntary agencies in various development programmes, especially in the planning and implementation of rural development programmes.

The NGOs and movements, which started for the purpose of protection of environment, such as, the 'Chipko Andolan' led by Sunder Lal Bahuguna and Narmada Valley Protection Movement, led by Medha Patkar have been quite successful in bringing to the attention of the government the problems of infringement of the rights of the affected people. The upsurge in civil society movements has resulted in bringing about alterations in policy decisions. For example, most of the movements opposing indiscriminate logging for commercial purposes came together to oppose the Draft Forest Bill of 1982, forcing the government to reconsider its decision and not to bring the Bill in its original form to Parliament for its approval. The incorporation of the public demands in policy was reflected in the National Forest Policy, 1988 and the circular on Joint Forest Management, 1990 that moved away from focusing on the commercial value of forests towards recognising the need for conservation of forests. Incidentally, the government also recognised the value of participation of CSOs in forest management. Thus, the environmental movements have been greatly strengthened by the able assistance of 'environmental NGOs'. A large number of NGOs are devoted to environmental protection in India. The India office of international NGOs like WWF-India are involved in research relating to environmental protection and sustainable development. In addition, Indian groups, namely, the Centre for Science and Environment (CSE), The Energy Resources Institute (TERI) and The Consumer Unity and Trust Society (CUTS) have been contributing to national level policy-making. At the grass-roots level, Tarun Bharat Sangh and Tawa Matsa Sangh, spread out across the country, have been contributing to efforts in strengthening environmental initiatives at the local level.

After the Bhopal Gas Disaster (1984), many NGOs have been instrumental in persuading the government to accept some of the proposals for minimum compensation and relief measures for the victims of the tragedy. The NGOs petitioned the Government of India and the World Bank to work out alternative designs, and to reassess the impact of the Narmada Valley Project. Due to their efforts and pressure, the World Bank was persuaded to send its team for reassessment of the Narmada Valley Project.

The local level NGOs have been involved in organising women to form associations, taking up self-help programmes, devising strategies for changing the existing social structures, and raising the status of women as equal partners in development with men. For example, the All India Women's Conference, Bhartiya Gramin National Memorial Trust, Self Employed Women's Association (SEWA), etc. have been working incessantly for the upliftment of women. They have influenced the enactment of a number of new statutes concerning women and in bringing about amendments to the existing laws relating to women and their rights, such as, the Anti-dowry Act, raising of minimum age for marriages of girls, Anti-Sati Act, the suppression of Immoral Traffic (among women) Act, etc. They have been instrumental in ensuring a number of facilities and enhancing opportunities for educational and health benefits; preventing discrimination against women; establishment of women's banks, cooperatives; arranging training programmes for women entrepreneurs and skilled workers; and in securing equal pay for equal work in a number of

establishments, A visible impact on various policy issues can be seen due to cooperatives and federations like the Khadi and Village Industries Commission (KVIC).

In addition to a description of the role of well-known voluntary organisations, we will discuss briefly the cases pertaining to the civil society interventions and contribution in the area of public policy. Table 9.1 depicts key information about the cases of pavement dwellers in Mumbai, tribals in Gujarat, decentralisation of power in Bangalore, and the more recent example of Bhagidari scheme in Delhi.

**Table 9.1: Role of Civil Society in Policy-Making**

Issues	Civil Society Organisations	Strategies used by the CSOs	Outcome as an impact on policy
1. Housing rights for pavement dwellers in Mumbai.	• Society for Promotion of Area Resource Centres • National Slum Dwellers Federation • Mahila Milan	• Put pressure on the government agency through dialogue, documentation, meetings, and dharna. • Empower marginalised people to deal with the government agencies.	• Recognition of the pavement dwellers in the planning process of the State Government. • Inclusion in policy.
2. Priorities, resource allocation for tribals in Gujarat.	• DISHA	• Analysis of the state level budget to bring out the gaps between the pro-poor (especially tribal) policies and resource allocation • Sharing of information with citizens, media and other civil society organisations	a Widening of discussions in state legislative assembly on budget issues • Improved (budgetary) planning by the government, whereby the gap between budgeting and sectoral planning is bridged.
3. Decentralisation of power and peoples' participation in policy formulation in Bangalore.	• CIVIC	o Debates, and discussions to persuade and pressurise the government to pass effective legislation	• Legislation passed, incorporated the provisions for decentralisation of power in Bangalore.
4. Peoples' participation in the policy process in Delhi.	• Residents Welfare Associations • Trade/Merchant Welfare Associations	• Discussion in workshops with officials to prepare a Report on selected issues for policy-making	• Inclusion of the decisions of CSOs in the policy-making.

Source: Rajesh Tandon and Ranjita Mohanty

### 9.3.1 Pavement Dwellers in Mumbai

The case of pavement dwellers in Mumbai highlights the fact that previous government policies recognised slum-dwellers but never acknowledged the presence or the right (citizenship) of pavement dwellers. However, the issue of right to live as legitimate citizens of the city of Mumbai is central to the well-being of pavement dwellers.

The important issue for the pavement dwellers is shelter. As their hutments are not located in the government maps, they are, therefore, deprived of entitlement benefits, and are not legally recognised. They do not find a place in the entitlement network for basic facilities, such as, electricity, drinking water, ration card and banking. In such conditions, the pavement dwellers are subjected to daily indignities and harassment, which gets magnified when their houses are often declared as illegal encroachments on the government land and the Municipal Corporation demolishes them.

The state does not recognise them as part of the city's population and treats their helplessness as encroachment on government and public land. The pavement dwellers could draw the attention of the government at the time of elections, and next time when their houses are demolished. They occupy the scarce urban space, which is demarcated as government land, and there continuously growing population poses difficulty and challenge for the city people and the government. As a result, the municipal corporation authorities demolish their houses. In this condition, the only possible option for them is to begin life on another pavement and live there until the government recognise their presence again by demolishing their houses.

### Civil Society Interventions and Government Policy

The Society for the Promotion of Area Resource Centres (SPARC) has addressed the case of pavement dwellers in Mumbai. It was set up in 1984 to support women pavement dwellers in their own empowerment. In this case, Mahila Milan (MM) is an outcome of the interventions of SPARC, which is an association of women pavement dwellers. It is a membership association of self-help variety, primarily engaged in savings and credit for access to housing and livelihood on the pavements of Mumbai. During the short span, the SPARC started working with National Slum Dwellers Federation (NSDF). The NSDF as an association represented the aspirations and interests of slum dwellers in different parts of the country. The primary civil society actors involved in the case of pavement dwellers in Mumbai is a coalition of SPARC, Mahila Milan, and the NSDF. The SPARC played the role of initial empowerment of Mahila Milan both in building their awareness as well as in enabling them to engage with the Municipal Corporation and other government agencies in Mumbai. The SPARC used their research strategy to prove that public agencies are not meeting the basic needs. Identification of the needs and priorities of pavement dwellers in Mumbai added further strength to this coalition in influencing the government policy through a variety of public education campaigns in the media. They pressurised the government and the municipal authorities through demonstrations and 'dharnas' (public protests), and sustained meetings and dialogues structured to articulate the interests and needs of pavement dwellers in the city of Mumbai. As a result, one of the major outcomes of this sustained endeavour was the recognition of the genuine pavement dwellers in concern of the formal policies of urban development and rehabilitation of the poor in Mumbai.

In 1985, when SPARC initiated its efforts, the attitude of the government agencies was apathetic and largely hostile towards the pavement dwellers, which is evident from the act of demolition of their hutments. Even in this case, the Supreme Court judgement recognised the problems faced by the pavement dwellers, but did not declare the demolition unreasonable, unfair and or unjust (up to 1995).

However, SPARC has been mobilising the pavement dwellers with the support of MM and NSDF. Therefore, the recognition of pavement dwellers in the policy process was the outcome of a continuous process of interaction and negotiation with the State Government. During this period there were phases of indifference, hostility and instances of cooperation as well. In this slow process, the SPARC has successfully acquired government land and begun construction of houses to rehabilitate 7,000 families. Their success lies in the strength and agenda of civil society actors to foster sustainable changes in policy decisions. Thus, interventions by civil society organisations have influenced policy makers to provide shelter to the pavement dwellers. The civil society interventions also highlight the need for involving all the stakeholders—including the affected people—in public policy process, especially on welfare and socio-economic development. (Tandon and Ranjita, 2000)

### **9.3.2 Tribals in Gujarat**

The case of budget analysis in Gujarat State reveals the gap between the state's policies towards the poor, especially tribals. The study highlights that budgets are formulated at the provincial and national level by the Finance Ministry. In this process, before the budget is passed it is placed in the respective provincial legislature and Central Parliament for debate and comments. In case of tribals, besides the discrepancy in the budgetary allocation made towards the development of poorer sections and the tribals, citizens were not involved in the process at any stage. The entire policy process is left to the experts and the final budget is passed after it is debated in the legislative assembly at the provincial level or in parliament at the national level. There is, thus, no mechanism through which the tribals could make the state accountable to make suitable allocation of resources for their development. In this case, DISHA (CSO) has contributed significantly.

#### **Civil Society Intervention and Government Policy**

The alternative budget analysis, prepared especially to set priorities for resource allocation for tribals in Gujarat, has improved the budgetary planning. This strategy has contributed in bridging the gap between budgeting and sectoral planning, and created closer link between government policy objectives and budgetary allocations in the sectors, such as, forestry, education, health, agriculture, water, labour, and infrastructure development. "The debate on budget now goes beyond mere numbers and trends and covers many policy and developmental issues for the welfare of citizens." (Tandon and Ranjita, *op. cit.*)

### **9.3.3 Implementation of Decentralisation of Power in Bangalore**

The state bureaucracy in Karnataka resisted to pass the state legislation pertaining to devolution in urban governance. In addition, efforts were made to dilute the 74<sup>th</sup> Constitutional Amendment's mandatory provisions into options that the state legislator would decide upon. (Tandon and Ranjita, *Ibid.*)

#### **Civil Society Intervention and Government Policy**

In this situation CIVIC, which is an intermediary association engaged in research and advocacy took up the case of enactment of state legislation pertaining to the 74<sup>th</sup> amendment. The CIVIC has followed its usual procedure of organising meetings and holding seminars, both in Bangalore as well as in mofussil towns of Karnataka to make the citizens aware of the provisions of 74<sup>th</sup> Amendment. Along with experts' opinion submitted as recommendations to the state, the CIVIC also provided testimony from citizens concerned. The effect of CIVIC's intervention was ".... incorporation of the provision for formation of ward committees and their citizen oriented functions in the legislation relating to 74<sup>th</sup> amendment. The Karnataka Nagarpalika Act was passed in 1996

and since then, CIVIC has been working towards making the ward committees operational. The fact that CIVIC is there to monitor the operationalisation of the Nagar Palika Act and that monitoring the formation of ward committees and its operation is also an agenda of CIVIC...." (Tandon and Ranjita, op. cit.)

### 9.3.4 Delhi Government: Bhagidari

With the objective of good governance, based on the active participation of citizens and cutting all the bureaucratic barriers, the Delhi government initiated the concept of **Bhagidari**, in January 2000, that is, citizen-government partnership. 'Bhagidari' is a means for facilitating citywide changes; utilising processes and principles of multi stakeholders, that is, collaboration between citizen groups, NGOs, and government. It aims to develop joint ownership by the citizens and government of the change process, through peoples' participation in governance. The Bhagidari scheme basically involves:

- Discussions on problems and basic issues, thus arriving at solutions on the basis of consensus;
- Implementation of solutions; and
- Monitoring of the implementation process.

### Governance by Partnership

Success stories reveal nominations of 500 water wardens and 1,500 assistant water wardens, citizen groups, the launch of old age pensions and smart card schemes for senior citizens, and the appointment of social welfare committees in 600 government aided schools. The citizen-government partnership scheme, very sedately dubbed 'bhagidari', bagged the UN Public Service Award for its attempt at involving the common man in the decision-making process (Hindustan Times, 23 July, 2005). The positive changes brought about by the Bhagidari scheme have also been recognised by the United Nations. According to the ACCORD survey, Delhites expressed their satisfaction about Bhagidari scheme. The level of satisfaction has moved up from 33 per cent in the first phase (January 2000 to June 2001) to 55 per cent in the second phase (July 2001–October 2002) and further up in the third phase. The Bhagidari system is entirely voluntary in nature. In 1998, there were a small number of Resident Welfare Associations (RWAs) willing to be part of this scheme. By the end of 2005 more than 1,100 citizen groups were involved in civic issues, such as, water, electricity, cleanliness. The solution of problems are mooted and implemented through collaborative effort. In this context, the following campaigns need special mention:

- 'Clean Yamuna'
- 'No crackers on Diwali'
- 'Say No to Plastic Bags'

These campaigns got publicity and success due to proper planning by joint efforts. Co-operative efforts at the planning stage resulted in community participation, and acceptance with regard to matters like meter reading, water bill collections and payment, switching on/off of street lights, tenant verification for security, rain water harvesting in school compounds and local areas, door-to-door collection of garbage by volunteers, and decrease in power pilferage. In addition, large-scale demolition and sealing drives were the greatest examples of the power the RWAs have begun to wield. Issues, such as, illegal constructions and commercial misuse were first brought to the notice of the Delhi government by us protests and Public Interest Litigations (PILs) filed by the RWAs. Their widespread demonstrations jolted the government bodies to serious attention. Demonstrations and sealings rocked the entire Delhi. In this context, the government had barely managed to get a one-year ban on these drives from the Supreme Court, when another PIL and more aggressive measures had the residents' groups pursue the matter till

end. Thus, finally it was decided by the Supreme Court, ".... only some parts of the anti-demolition Bill would be implemented. It was also proposed that any civic development activity henceforth would be carried out after RWA consultation". Now, RWAs are consulted on almost every issue and they have almost become unofficial governing bodies in their own rights. (Chowdhury, August 2006)

Following steps are involved in the policy process of the Bhagidari Scheme:

At the first stage, the government organise workshops for representatives of citizen groups (RWAs and MTAs) to discuss selected issues with officials of the departments concerned. The departments or autonomous bodies included the Delhi Jal Board, Delhi Vidyut Board, (subsequently unbundled into five companies as part of power sector reforms), the Municipal Corporation of Delhi, Department of Environment and Forests, Delhi Police, New Delhi Municipal Council, Sales Tax Department, Weights and Measures Department and Industries Department. Each group discusses and builds consensus on solutions to issue-based problems. In this policy process, each stakeholder's commitment to his/her role and responsibilities is essential for successful outcomes.

### **Bhagidari Scheme: Administrative and Financial Arrangements**

The Delhi government provides administrative support to this programme. A separate cell, viz, the Bhagidari Cell was created in the Chief Minister's Office and the General Administration Department was designated as the nodal department. There is no separate provision for funding the Bhagidari scheme.

### **Bhagidari Scheme: Critical Analysis and Remedial Measures for Development**

The scheme is an excellent idea towards better governance, but is criticised for lack of a statutory base. Bhagidari has given a platform to a large number of RWAs who want to influence the decision-making process in matters that concern them. However, there are no funds, except for rainwater harvesting and for publication of newsletters by RWAs/MTAs (Rs. 500-2000 each) on the Bhagidari scheme. The Scheme attempts to involve only selected citizens who form the RWA/MTA. In this regard, an area-based approach is perhaps required for involving more citizens from each area. RWAs/MTAs also complain about lack of effective follow-up in implementation. It is necessary to tap the expertise of the private sector for specified works, such as, opening up schools and garbage collection. Involvement of junior and middle level officials should be encouraged as they matter in service delivery; such involvement also makes them more accountable. Despite a few shortcomings, the Bhagidari scheme is a worthy model for replication elsewhere.

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## **9.4 CIVIL SOCIETY ORGANISATIONS: CHALLENGES**

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Neera Chandhoke observes that it is not enough that there be a civil society, or even a civil society which is independent of the state. In her words, "Civil Society is not an institution, it is rather a process whereby the inhabitants of the sphere constantly monitor both the state and the monopoly of power in civil society. Democratic movements have to constantly widen the spaces from where undemocratic practices can be criticised, and for this purpose they have to exercise both vigilance and criticality ..... In the process civil society constantly reinvents itself, constantly discovers new projects, discusses new enemies, and makes new friends... And this is important, for civil society as an essential pre-condition for democracy? (Neera Chandhoke, 2003).

It is argued, and rightly so, that policy-making and implementation of development plans could get a boost through active civil society organisations performing their role effectively and in collaboration with the government. In this context, certain constraints acting as bottlenecks in the relationship between the Government and the CSOs have been identified, which are mentioned below:

#### 9.4.1 Barriers in the Government – Civil Society Partnership

- Paternalistic attitude of some government officials, and dependence of CSOs on government aid restrict the degree of the civil society actors' participation in programme/project design. In addition, major emphasis and concentration of government only on those selected programmes, just because aid and assistance is available for them, lose their (CSOs) innovative and enterprising character.
- Government grants make it incumbent on the NGOs to evolve, and adhere to, organisational rules and procedures. At the same time, the requirements of organisational compliance introduce elements of bureaucratisation and formalisation that are less responsive to the needs of people. Thus, they become top-down, non-participatory and dependent on external and governmental support.
- Bureaucratisation brings hierarchy, thus decision-making tends to be more centralised, which, in turn, destroys the cooperative and collegiate nature of civil society.
- In cases where NGOs combine development concerns with political and religious objectives, politicians develop vested interest in and use them for their political gain instead of allowing them to serve the people. In a political environment, NGOs often fail to contribute or influence the policy or programmes in an objective manner.
- The work of some NGOs may not be as effective as claimed in their reports due to lack of capacity in the management of the professional skills of their staff, or due to lack of accountability of NGOs to the people at the grassroots.
- Many NGO-sponsored projects may have limited self-sustainability as they are not designed with sufficient concern for sustainability.
- Restricted ways of approach to a problem or area and territorial possessiveness of an NGO may also reduce cooperation between various agencies.
- Unwillingness of civil society actors to engage in a genuine dialogue with government officials may generate suspicion among civil servants, thereby limiting the organisation's access to government resources.
- The government's passive attitude to fulfil its commitment to improve services, eradicate discrimination and poverty, shortage of competent staff at local level, corruption, non-transparency, and nepotism may lead to confrontation between the government and civil society organisations.
- Pressure on successful civil society organisations from major donors to receive more funds, and too much dependence of NGOs on foreign donors may adversely affect their performance. There may be problems between the government and civil society organisations due to the suspicion that civil society actors are 'guided by a foreign hand'.
- The involvement of civil society actors in politics leads to close affiliation with politicians, which may undermine their autonomy. In such cases, they cannot freely criticise the government for wrong policies.

The government has various instruments, for good or ill, to influence civil society actors. The nature of response about the degree of control over them may be non-interventionist, or inviting partnership, co-option or active encouragement in achieving development goals: In this context, for improving the relationship between the government and civil society organisations in the field of development and nation-building, certain remedial measures should be adopted to enable proper identification of problem areas and adoption of appropriate strategies for resolving them. The focus should be on building a cooperative relationship between the government and civil society organisations for development of the country. The following section presents a check-list of some remedial measures.

### **9.4.2 Remedial Measures**

#### i) Promoting Good Governance

Formulation of policies that encourage a healthy civil society, and public accountability of government institutions will result in joint efforts for effective policy-making. For this purpose, review the working of the 'Mother NGO' concept, and based on that, consider alternative modalities of funding NGOs in order to enhance transparency and accountability in their functioning. Even to ensure that funds from public/private/external sources have reached the NGOs, appropriate policies and instruments have to be evolved. Such measures will help to develop CSOs confidence in governance.

#### ii) Policy-Making Process

Develop core competencies and professionalism in civil society organisations for their effective contribution to policy-making. Proper provisions for providing information to civil society organisations, such as, timely dissemination of information to their constituents, advance intimation to leaders (CSOs) to cooperate with official agencies, bodies, etc. would help to improve the involvement of NGOs in planning and policy-making. In this sphere, it is necessary to build appropriate databases; carry out research and documentation and disseminate innovative development models.

Special efforts should be made at the grassroots level to develop and promote a symbiosis between CSOs and Panchayati Raj Institutions (PRIs). Hence, they can complement each other and avoid conflict. Suitable representation should be provided to the actors of CSOs in the planning committees of the PRIs to enable them to be active partners in policy-making. Similarly, enthusiasm should be generated among the political leaders and administrators to accept the CSOs as joint partners in development planning.

#### iii) Regulations

Design regulations to help the civil society organisations in developing sound management practices, and eliminating restrictive laws and procedures. Thus, broaden the base and scope of voluntarism by encouraging its growth in states and regions where they are weak.

#### iv) Effective Policy/Programme Implementation

NGOs are expected to provide a supplementary or complementary role to government in the effective implementation of policies. Sometimes, the NGOs could perform better than the government because of their involvement, informal approach and proximity to the local people.

#### v) Government Support

The government provides funds, projects, and training opportunities to provide encouragement to the civil society actors; and to develop their skills and contribute to development. While doing this, their autonomy and independence should be safeguarded.

#### vi) Avoidance of Bias

Civil Society actors should be motivated and encouraged to reduce sectoral gaps and avoid activities of religious or ethnic bias. A high degree of professionalism among NGO personnel can prevent such bias. Training programmes too should make a special focus on this.

#### vii) Ensuring Accountability

When legal restrictions are minimal the CSOs are tempted to indulge in unhealthy and corrupt

activities. In this context, as an example, it is to be noted that recently the Centre has blacklisted 69 (NGOs) in Tripura. (Ali, March 2006). To overcome such a possibility, it is necessary to enforce procedures of accountability of civil society actors with regard to accountability to: i) the members; ii) the government; and iii) society in general.

However, while finalising the schemes for civil society organisations, following considerations have to be kept in mind:

- Long-term support at least for a period of five years may be desirable.
- Fast-tracking of proposals from established NGOs should be adopted.
- Involvement of nodal agencies is a useful instrument for providing better coordination, and technical and managerial support to field level CSOs.

**Programmes/schemes** should be maximally flexible, which encourage innovative, need-based, demand-driven and location-specific projects with budgetary/task norms serving as guidelines.

- Sustainability of projects should be built into the government schemes.
- Monitoring and evaluation should be part of the project design with earmarking of funds.
- Adopt a simplified **proforma** for applications from NGOs for seeking grant-in-aid.

Thus, an enabling environment will generate greater involvement in the civil society actors, and to become active partners with the government in the planning and policy process.

## Recent Development

The national policy (2006) on voluntary organisations has proposed tax rebates. According to the draft policy worked out by the Planning Commission. Tax incentives play a positive role in the process. As stocks and shares have become a significant form of wealth, therefore in order to encourage transfer of shares and stock options to voluntary organisations, the government will offer tax rebates for this form of donation. This can be a significant source of funds for NGOs and enables them to become fiscally independent. In this context, to ensure that incentives are not misused the Commission has proposed the introduction of more stringent administrative and penal procedures (Sinha, May, 2006). The proposal of the Planning Commission awaits approval of the Union Government.

## 9.5 CONCLUSION

The complex nature of India's civil society organisations has spurred debates about its regional variations, relations with the state, and capacity to improve governance. The Tenth Five-Year Plan emphasises the vital and decisive role of the civil society organisations in bringing about planned development along with public and private partners. The Indian civil society **organisations** challenge conventional analytical categories separating modern and traditional identities.

This Unit has presented the idea that the government should **accommodate** and accept civil society organisations as legitimate and dynamic institutions. The government can utilise the services of CSOs through their active participation and cooperation in planning, policy-making, implementation of programmes, monitoring, and evaluation of plans and programmes. The NGOs have been trying to sensitise, organise, and mobilise people at local, national and international levels. Their impact can be seen in bringing the attention of the government to various issues of development, such as, peoples' participation, equity, gender, empowerment, health, removal of poverty, unemployment, illiteracy and sustenance of goal fulfilment. The government should appreciate the role of civil society organisations in providing better delivery facilities, cost effectiveness, field testing facilities for new technologies, training inputs, feedback, etc. In some cases, the foreign

links of some NGOs and their hidden goals are suspected. A few organisations are accused of adopting corrupt practices and are blacklisted. However, it is necessary that the civil society actors should rise above such unwelcome practices, and protect their autonomy and independence from the possibility of bureaucratic control.

## 9.6 KEY CONCEPTS

- Bhagidari** : It means 'collaborative partnership' between citizens and administration in policy-making and for the effective delivery of services. In practice, Bhagidari is about understanding each other's constraints, appreciating the other side's strengths and then arriving at solutions to problems through consensus. Bhagidari scheme pioneered by the Delhi government, envisages collaboration between citizens and the city administration for the improvement of civic services.
- DISHA** : It is a non-governmental organisation, which is working among the tribals and forest workers. It matches the Tribal Sub-Plan with financial allocations made in the budget, analyse the discrepancies and then take the action.
- SPARC** : It is an intermediary civil society for the promotion of Area Resource Centres in the Mumbai. The SPARC has addressed the case of pavement dwellers. It was set up in 1984 to support women pavement dwellers, especially in their own empowerment.

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## **9.8 ACTIVITIES**

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- 1) Identify and select a civil society organisation in India, and highlight its contribution to public policy-making.
- 2) Analyse the strengths and weaknesses of civil society organisations in India. What measures would you suggest for improving the role of civil society organisations in policy-making?
- 3) What are the implications when civil society organisations function within the terrain charted out by the government? Explain.
- 4) Visit an area where development is affected due to corrupt officials and non-officials. Based on your observations, outline the constraints that affect the civil society's capacity to curb corruption.

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# **UNIT 10    ROLE OF INTERNATIONAL AGENCIES IN POLICY-MAKING**

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## **Structure**

- 10.0 Learning Outcome**
  - 10.1 Introduction**
  - 10.2 United Nations: Organisational overview and Development Approaches**
    - 10.2.1 The United Nations (UN)**
    - 10.2.2 UN: Specialiaed Agencies**
  - 10.3 Policy-Making:Role of International Agencies**
  - 10.4 Role of International Agencies in Policy-Making: Analysis and Suggestions**
  - 10.5 Conclusion**
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  - 10.8 Activities**
- 

## **10.0 LEARNING OUTCOME**

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After studying this Unit, you should be able to:

- Identify the International Agencies involved in development and institution building in India;
  - Explain the role of International Agencies in policy-making; and
  - Evaluate the role of International Agencies in achieving Millennium Development Goals in India.
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## **10.1 INTRODUCTION**

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India is the World's largest democracy with a vibrant citizenry, an active Judiciary, civil society groups, and a fiercely independent media. It has been a committed supporter of the UN human rights system. The promotion and protection of human rights is ingrained in its domestic and foreign policies. Our country has a high international standing, which is evident from the fact that India got elected to the first United Nations Human Rights Council with the highest number of votes, that is, 173 votes out of 190 (The Economic Times, 11 May 2006). As the world-systems perspective has shown that contemporary socio-economic and political problems cannot be adequately addressed at the national or state level, we need global cooperation to create a more peaceful, prosperous, and democratic world. In this context, the Millennium Summit in September 2000 marked the adoption of a set of Millennium Development Goals (MDGs), which are adopted by India also.

MDGs are to be achieved, by using a set of measurable targets, by 2015. These goals include eliminating extreme poverty and hunger, achieving universal primary education, promoting gender equality and empowering women, reducing child mortality rate, improving maternal health, combating HIV/AIDS, malaria and other diseases; and ensuring environmental sustainability. To achieve MDGs, international agencies provide technical and financial assistance and other forms of practical help.

Along with the UN, they help to formulate policies; set standards and guidelines; and foster support and mobilise funds.

In this Unit, we will explain the role of international agencies in the development of India. In this regard, we will identify and describe the international agencies involved in the process. Secondly, we will highlight the role of these agencies in select areas, and evaluate their impact on development. Lastly, we will make necessary suggestions. In the subsequent section, we will present an overview of the organisation and development approaches of international agencies to achieve the desired goals.

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## 10.2 UNITED NATIONS: ORGANISATIONAL OVERVIEWS AND DEVELOPMENT APPROACHES

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### 10.2.1 The United Nations (UN)

The United Nations was established on October 1945. At that time 51 countries committed to preserving peace through international cooperation and collective security. As of 2006, UN membership totals 191 of the 193 countries of the world. As a member of the UN, India agrees to the obligations of the UN charter that sets out the fundamental principles of international relations. According to the charter, four main purposes of the UN are to maintain international peace and security; to develop friendly relations among nations; to cooperate in solving international problems and in promoting respect for human rights; and to be a centre for harmonising the actions of nations.

Other important aspects of the UN charter highlight human rights, humanitarian assistance, and the development of international laws. The United Nations is not a world government, and it does not make laws. However, it does provide mechanisms to assist in the resolution of international conflicts and the formulation of policies on matters affecting the globe. At the UN, all member states have a voice and a vote in the policy process.

The United Nations comprises of the following six principal organs:

- The General Assembly
- The Security Council
- The Economic and Social Council
- The Trusteeship Council

The Secretariat

The International Court of Justice, located in The Hague in the Netherlands

**Note:** It is to be noted that five of them, besides the International Court of Justice, are based at UN headquarters in New York. However, the sixth, the International Court of Justice, is located at the Hague in the Netherlands.

#### **The General Assembly**

All UN Member States are represented in the General Assembly, that is, like a 'parliament of nations'. It meets to consider the world's most pressing problems. In its meeting, each individual member state has one vote. A two-thirds majority is required for decisions about important issues like international peace and security, admission of new members, and the UN budget. Simple majority decides other matters. In recent years consensus, rather than formal vote, is encouraged

to reach decisions. When the General Assembly is not meeting, its six main committees, other subsidiary bodies and the UN secretariat carry out its work.

### **The Security Council**

Under the UN Charter, the primary responsibility of the Security Council is to maintain international peace and security. There are 15 Council members, all member states are obligated to carry out the Council's decisions. Among these nations—China, France, the Russian Federation, the United Kingdom and the United States are permanent members. The other ten members are in the non-permanent category and are elected by the General Assembly for two-year term. In the future, the composition and working of the Security Council may be changed to reflect the current political and economic realities. The Security Council may convene at any time whenever peace is threatened. The Security Council also makes recommendations to the General Assembly on the appointment of a new Secretary-General and on the admission of new members to the UN.

### **The Economic and Social Council**

One of the UN's central mandates is the promotion of higher standards of living, full employment, and conditions of socio-economic progress and development. In this regard, the Economic and Social Council (ESC) functions under the broad authority of the General Assembly. The UN system works in a variety of ways to promote socio-economic goals. The ESC has 54 members, elected by the General Assembly for a three-year term. It is responsible for co-ordination of the economic and social work of the United Nations and the UN family of organisations. The Council is the central forum for discussing international socio-economic issues, and for formulating policy recommendations. It fosters international cooperation for development and consults with Non-Governmental Organisations (NGOs) and Civil Society Organisations (CSOs). The Council also has subsidiary bodies, which report to it. These bodies include the commission on Human Rights (which monitors the observance of human rights), as well as other bodies that focus on issues, such as, social development, the status of women, crime prevention, control of narcotic drugs, and environmental protection. In addition, five regional commissions were created to promote economic development and cooperation.

### **The Trusteeship Council**

The Trusteeship Council, consisting of the five permanent members of the UN, was created to provide international supervision to the administration of Trust Territories placed under the Trusteeship System. The major goals of the Trusteeship System were to promote the advancement of the inhabitants of Trust Territories and their progressive development towards self-government or independence. As of 1994, all Trust Territories have attained self-government or independence, either as separate states or by joining neighbouring independent countries.

### **The Secretariat**

Under the UN Charter, the Secretariat is mainly responsible for carrying out the substantive and administrative work of the United Nations as directed by the General Assembly, the Security Council, and the other organs of the UN.

The Secretary-General is the Head of the Secretariat who is appointed for a five-year, renewable term. He provides overall administrative guidance. The Secretariat staff informs the world's communication media about the work of the United Nations; organises international conferences on issues of worldwide concern; and interprets speeches and translates documents into the organisation's official language. The Secretariat employs some 8,900 staff from about 170 countries under the regular budget, and almost the same amount under special funding. The Secretariat

stations include the UN Headquarters in New York, UN offices in Geneva, Vienna, Rome, Nairobi as well as other locations.

### The International Court of Justice

The UN provides that all Members (191) of the UN are *ipso facto* parties to the Statute (Article 93, paragraph 1, of the UN Charter). India is the original member of the International Court of Justice, which is also referred to as the World Court and the primary judicial organ of the UN. It comprises fifteen judges, who are elected jointly by the General Assembly and the Security Council. The International Court decides disputes between countries. For example, a case concerning the Status vis-a-vis the Host State of a Diplomatic Envoy to the United Nations (Dominica V. Switzerland, 2006). Although participation by states in the proceedings of the Court is voluntary; if a state does participate in proceedings, it is obligated to comply with the Court's decision. In addition, the Court provides advisory opinion to the General Assembly and the Security Council on request. In this regard, advise on the legal consequences of the construction of a wall in the Occupied Palestinian Territory (2003-2004), and legality of the threat or use of Nuclear Weapons (1994-96) are important examples. The UN has a number of Specialised Agencies to deal with various aspects of development and policy-making. In the next sub-section, we will deal with these agencies.

### 10.2.2 UN: Specialised Agencies

The International Monetary Fund (IMF), along with the World Bank and 13 other independent organisations as depicted in table 10.1, are known as 'specialised agencies.' This table mentions the year of establishment and describes the role of Specialised Agencies. These agencies are linked to the UN through cooperative agreements. They are autonomous bodies created by inter-governmental agreements. The Specialised Agencies have broad responsibilities in the economic, social, cultural, educational, health and related fields.

The mandates of the international specialised agencies cover virtually all areas of socio-economic endeavour. These agencies provide technical assistance and other forms of practical help to formulate policies, set standards and guidelines, foster support and mobilise funds. The **World Bank**, for example, provided more than a billion by way of development loans.

A number of UN offices, programmes and funds work to improve the socio-economic conditions of people. These offices include the Office of UN High Commissioner for Refugees (UNHCR), the UN Development Programme (UNDP) and the UN Children's Fund (UNICEF). All of them report to the General Assembly or the Economic and Social Council as per requirement. They have their own governing bodies, budgets and secretariats. Together with the United Nations, they are popularly known as the UN family or the UN system. These organisations, collectively, provide technical and other forms of assistance in socio-economic areas.

#### UN Mandate: Development Assistance

One of the UN's central mandates is to promote higher standards of living, full employment, and conditions of socio-economic progress and development. In this regard, 70 per cent of the work of the UN system is devoted to accomplishing this mandate. This is based on the belief that eliminating poverty and improving the well-being of people on the globe is necessary step in creating world peace. With respect to promoting development, the UN has two unique advantages: a global presence, and a comprehensive mandate that spans socio-economic and emergency needs.

Table 10.1: Role of Specialised International Agencies

Name of Agency (Year of establishment)	Role
ILO (1919)	It formulates policies and programmes to improve working conditions and employment opportunities, and sets labour standards used by various countries.
FAO (1945)	It works to improve agricultural productivity and food security, and living standards of rural people.
UNESCO (1945)	It promotes education for all, cultural development, protection of the world's natural and cultural heritage, international cooperation in science, press freedom and communication.
WHO (1948)	It coordinates programmes aimed at solving health problems and the attainment by all people of the highest possible level of health. It works in areas like immunisation, health education and the provision of essential drugs.
WB (1944)	It provides loans and technical assistance to developing countries to reduce poverty and advance sustainable economic growth.
IMF (1945)	It facilitates international monetary cooperation and financial stability and provides a permanent forum for consultation, advice and assistance on financial issues.
ICAO (1944)	It sets international standards for the safety, security and efficiency of air transport, and serves as the coordinator for international cooperation in all areas of civil aviation.
UPU (1875)	It establishes international regulations for postal services, provides technical assistance, and promotes cooperation in postal matters.
ITU (1865)	It fosters international cooperation to improve telecommunications of all kinds, coordinates usage of radio and TV frequencies, promotes safety measures and conducts research.
WMO (1950)	It promotes scientific research on the Earth's atmosphere and on climate change, and facilitates the global exchange of meteorological data.
IMO (1948)	It works to improve international shipping procedures, raise standards in marine safety, and reduce marine pollution by ship.
WIPO (1967)	It promotes international protection of intellectual property and fosters cooperation on copyrights, trademarks, industrial designs and patents.
IFAD (1977)	It mobilises financial resources to raise food production and nutrition levels among the poor in developing countries.
UNIDO (1966)	It promotes the industrial advancement of developing countries through technical assistance, advisory services and training.
IAEA (1957)	It is an autonomous intergovernmental organisation under the aegis of the UN, which works for the safe and peaceful uses of atomic energy.

Source: <http://www.un.org/docs/ecosoc/unagencies.html>

Acronyms:

ILO	- International Labour Organization.	UPU	- Universal Postal Union.
FAO	- Food and Agriculture Organization.	ITU	- International Telecommunication Union.
UNESCO	- UN Educational, Scientific and Cultural Organization.	WMO	- World Meteorological Organization.
WHO	- World Health Organization.	IMO	- International Maritime Organization.
WB	- World Bank.	WIPO	- World Intellectual Property Organization.
IMF	- International Monetary Fund.		

<b>ICAO</b>	- International Civil Aviation Organization.	<b>IFAD</b>	- International Fund for Agricultural Development.
		<b>UNIDO</b>	- UN Industrial Development Organization.
		<b>IAEA</b>	- International Atomic Energy Agency.

### United Nations-Funds and Programmes

The UN programmes and Funds work under the authority of the General Assembly and the Economic and Social Council to carry out the UN's economic and social mandate. In 1997 the Secretary-General set up the UN Development Group to enhance overall cooperation among the UN operational programmes and Funds. These Programmes and Funds include:

- United Nations Conference on Trade And Development (UNCTAD)
- United Nations Development Programme (UNDP)
- United Nations Environment Programme (UNEP)
- United Nations High Commissioner for Refugees (UNHCR)
- World Food Programme (WFP)
- United Nations International Drug Control Programme (UNDCP)
- United Nations Human Settlement Programme (UNHSP)
- United Nations Children's Fund (UNICEF)
- United Nations Population Fund (UNPF)



The co-ordination between the UN and the specialised agencies is achieved through the UN System Chief Executives Board for Coordination. This Board comprises of the Secretary-General, the Heads of the specialised agencies, funds and programmes, the International Atomic Energy Agency, and the World Trade Organisation.

### UN system - Pooling resources

The UN system is pooling its efforts to tackle complex problems that cut across organisational areas of expertise and defy the efforts of concerned country acting alone. The Joint Programme on AIDS pools the expertise of eight UN agencies and programmes to combat AIDS. The global environment facility, a \$3.5 billion fund administered by UNDP, UNEP and the World Bank, helps to carry out the activities regarding environment programmes. In fighting with complex problems joint initiatives to expand immunisation and develop new vaccines have enlisted the support of governments, business leaders, philanthropic foundations, NGOs as well as international agencies like the UNICEF, WHO and World Bank.

### UN: Agenda Setting for Development

In the 1960s setting of priorities and goals by the UN was based on a series of 10-year International Development Strategies. However, while focusing on particular issues, the strategies of the successive decades have consistently stressed the need for progress on all aspects of socio-economic development. In September 2000, the world leaders adopted a set of Millennium Development Goals (MDGs) at the Millennium Summit.

The UN played a crucial role in building international consensus on action for development. Obviously international agencies contribute to policy-making through guidance, technical and financial assistance, and support.

## **10.3 POLICY-MAKING: ROLE OF INTERNATIONAL AGENCIES**

The MDGs are to be achieved by India by using a set of measurable targets by the year 2015, which include cutting in half the proportion of people in the world who earn less than a dollar a day; achieving universal primary education; eliminating gender disparity at all levels of education; and reducing child mortality while increasing maternal health in India.

In this section, we will describe the role of International agencies in policy-making and development. In the first sub-section (10.3.1), we will describe the role of IMF, World Bank, and UNICEF in detail. In the second sub-section (10.3.2), we will discuss the role of international agencies with reference to selected programmes.

### **A. The International Monetary Fund (IMF)**

Article 1 of the Articles of Agreements sets out the IMF's main responsibilities to:

- promote international monetary cooperation;
- facilitate the expansion and balanced growth of international trade;
- promote exchange stability;
- assist in the establishment of a multilateral system of payments; and
- make its resources available to member countries experiencing balance of payments difficulties.

#### **i) Policy-Making: Surveillance**

Surveillance is dialogue and policy advice that the IMF offers to its members. The IMF conducts in-depth appraisals of each member country's economic situation on an annual basis.

Reports of the IMF are published twice each year in the World Economic Outlook and the Global Financial Stability Report. In the policy process, discussions take place with the authorities on the policies that are most conducive to stable exchange rates and a growing and prosperous economy. It also combines information from individual country consultations to form assessments of global and regional developments and prospects. The IMF won new power to monitor the world economy. Its member countries endorsed a new framework to monitor how the economic policies of one country affect others. For example, Washington pushes Beijing to loosen its tightly managed currency. In this regard, the IMF made the case that such move was critical to coordinating economic policies and preventing the unruly unwinding of huge global imbalances in trade and investment flows that could spark a world recession.

In the assessment of India's economic performance, the IMF has raised the country's growth projection for 2006 to 7.3 percent – from the 6.3 per cent that it had forecast of September 2005 (Rajagopalan, April, 2006). However, it cautions India on inflationary pressures and the continuing high fiscal deficit, even while making a stronger push on economic reforms, especially in the infrastructure sector. The IMF also calls for liberalisation of labour laws in India. The IMF's semi-annual report, which was released on April 19, 2006 mentions that while inflationary pressures have prompted the Reserve Bank of India to tighten the monetary policy, the report notes that further interest rate increases may be needed as monetary conditions are still accommodative and credit is expanding strongly. The report also draws attention on the challenge posed by fiscal deficit. Even after three years of fiscal consolidation, the general government deficit remained

broadly unchanged in the fiscal Year 2005-06. The IMF reiterated its suggestion to India to achieve the objective of cutting fiscal deficit. In addition, the report has a word of caution on globalisation and inflation. It emphasises on the fact that if the process of multilateral dialogue is not strengthened, globalisation could prompt a backlash, reversing much of the gains of the last few decades.

#### **ii) Technical Assistance**

Technical assistance, which includes training, helps to strengthen the capacity to design and implement effective policies. This assistance is offered especially in fiscal policy, monetary and exchange rate policies, banking and financial system supervision and regulation, and statistics. In this context, services are usually free of charge.

#### **iii) Financial Assistance**

Financial assistance is also provided to correct balance of payment problems. However, continued financial support from IMF is conditional on the effective implementation of a policy programme designed jointly by the national authorities concerned and the IMF.

The IMF works to reduce poverty independently and in collaboration with the World Bank and other organisations. It provides financial support to member countries through its concessional lending facility, popularly known as the Poverty Reduction and Growth Facility (PRGF). In addition, the IMF also provides assistance through debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative.

#### **iv) Resources**

The IMF's resources are contributed by its member countries through subscriptions. The major source of funds is through payment of quotas, which determine its financial and organisational relations with the institutions. The total amount of quotas determines the IMF's lending capacity. In addition to quotas, the IMF is authorised to supplement its resources by borrowing. The annual expenses of running the IMF are met by the difference between interest receipts (on outstanding loans) and interest payments (on quota deposits).

### **B. The World Bank (WB)**

The World Bank (WB) is a specialised UN agency with 184 member countries. India has joined the WB in 1944 and is one of its oldest members. It is headquartered in Washington D.C. and employs development professionals from almost every country in the world; they are stationed at headquarters or in any of its 109 country offices.

At present, the WB is focused on achieving the MDGs, which define specific targets in terms of school enrolments, child mortality, maternal health, disease control and access to drinking water to be met by 2015.

The WB is partnering with India to reduce poverty and improve the living standards of citizens. To achieve the MDGs, the WB group lays emphasis on investing in people and empowering communities, improving the effectiveness of government, and promoting private sector-led growth.

#### **i) World Bank - Action Plan (2005-08)**

The World Bank Group's India Country Assistance Strategy (CAS) is closely aligned with the Government of India's poverty reduction strategy embodied in the Tenth Five-Year Plan (2002-2007).

## ii) World Bank – Strategy

It's strategy is governed by three guiding principles. It mainly focuses on helping to achieve development goals, and targeting the ~~Bank's limited~~ resources in the most effective manner. The World Bank's strategy increasingly focuses on providing practical advice to policy-makers on the major development challenges in India by sharing good practices and experiences from within the country and abroad. The WB envisages a substantial increase or doubling the volume of lending to India. In this regard, the focus will be on infrastructure, social development (particularly education and health), and rural livelihoods.

## Financing – Indian National Programmes

Under the new strategy, the Bank uses new approaches to finance national programmes, such as, the ongoing US \$500 million Bank credit to fund India's Elementary Education Programme. The programme is being co-financed with other development partners under common arrangements. Similarly, the WB is contributing for the improvement of national and state health programmes, urban development, and rural roads.

## Reforming: Indian States

The new strategy aims to spread the Bank support more widely. In this context, lending is based on 'guidelines for engagement' for each key sector with special ~~emphasis~~ to help the poorest and weakest states. Policy dialogue on fiscal and governance reforms, is to be offered in partnership with other donors (ADB, DFID) etc. to the 12 largest states in India which contain 90 per cent of the country's poor, regardless of the progress in the states concerned in the implementation of reforms. The states identified are Andhra Pradesh, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal. In addition to reforms, capacity building efforts will focus on Bihar, Uttar Pradesh, Orissa, and Jharkhand to enable them to use government funds more ~~efficiently~~.

To meet major challenges, the Bank will also assist India through analytical reports on key developmental issues. It attempts to ensure that its portfolio performance is of the highest standards in achieving the objectives. In addition, increased IFC lending is envisaged for financing ~~infrastructure~~ and supporting the expansion and globalisation of companies in India.

Lending to India from the **World Bank** touched \$2.9 billion in 2005, more than double the \$ 1.4 billion lent a year earlier—making our country the world's largest recipient of the World Bank assistance. As apart of this total (2.9 billion), ~~India received~~ IDA credits totalling \$1.1 billion that is the largest for any country in ~~the~~ world – and IBRD loans totalling \$1.8 billion, that is, the fourth highest for any country in the world. In this period, IFC financing also rose to over \$400 million.

The World Bank group had 64 active projects with a ~~net commitment~~ of about \$13 billion at the end of July 2005. Of this US \$ 6 billion was from IDA, US \$5.7 billion from IBRD and US \$0.1 billion under the GEF/Montreal Protocol. The increase in support to India highlights the rapid growth in India's economy with the bulk of the new lending going to ~~much-needed~~ infrastructure and human development projects.

## World Bank – Analytical and Advisory Services

Under the **World Bank's** analytical and advisory services, following reports are to be released:

- India's Water Economy: Bracing for a Turbulent Future
- Unlocking opportunities for Forest Dependent People
- Service Delivery in India

- o Economic Impact of HIV/AIDS in India
- Climate Change
- o Disability Issues in India
- Labour and Employment Study
- Development Policy Review

## C. The UNESCO

In the field of national educational policies, the UNESCO's main thrust is to provide a focused support in development and/or reinforcement of national education sector plans for the achievement of Education For All (EFA). It supported India in the implementation of EFA Programme. In this context, the state governments have developed plans of action on the basis of the existing national education sector development strategies. The UNESCO advised that these plans should be based on transparent and democratic process involving all the stakeholders, that is, peoples' representatives, community leaders, parents, learners, NGOs and CSOs. The main vehicle for providing elementary education to all children in India is the Sarva Shiksha Abhiyan (SSA), which was launched in 2001-02. The UNESCO/ECOSS project has been quite successful in Sikkim. It aims to promote community participation in developing tourism in the Central Asia/Himalayan region, by helping to generate employment opportunities and income-generating activities for local people. Selected members of the community were trained to become cultural or environmental guides.

The following section is devoted to presentation of information on important programmes of the UN, under which various specialised international agencies are working to achieve specified objectives.

### i) United Nations Development Programme(UNDP)

To achieve the MDGs, UNDP is working at the conceptual level with a wide range of partners to advocate for policy and institutional changes needed to fight poverty more effectively. Child labour elimination forms a major area of assistance under the GOI-UNDP supported Community Based Pro-Poor Initiative Programme(CBPI). With assistance from NORAD, the UNDP is supporting two major social mobilisation initiatives for getting children out of work and into school, one with the M. V. Foundation in Rangareddy District of Andhra Pradesh and the other with the Centre for Rural Education and Development Action (CREDA) in Mirzapur District of Uttar Pradesh.'

### United Nations Volunteers (UNV)—Success Story

The UNV is the UN organisation, which was created in 1970 to support sustainable human development globally through the promotion of volunteerism, including the mobilisation of volunteers. It reports to the UNDP and works under UNDPs country offices, situated around the world. The UNV serves the causes of peace and development through enhancing peoples' participation. It embraces all types of volunteer action while holding to the values of free will, commitment, engagement and solidarity, which are the foundations of voluntarism.

**UNDP—Orissa** and Mission Shakti, Government of Orissa designed a computer training programme, which is undertaken by the literate women members from different WSHGs at Garidaswar ICT Kiosk in Darrathpur Block of Jajpur district. The UNV office in New Delhi has been working as a 'voluntary hub' – a haven for experiments in volunteer action.

The UNDP's substantive focus is on providing help in building institutional capacity, which is needed to promote, support and accelerate human development and sustainable growth through

funding and policy advisory services to create opportunities in the following areas.

- **Building strong Democratic Governance**

This entails the development of institutions and processes that are responsive to the needs of ordinary citizens and the poor. The UNDP builds partnerships and shares methods to promote participation, accountability, and effectiveness at all levels in society. More specifically, the UNDP helps to strengthen electoral and legislative systems, improve access to justice and public administration, and develop capabilities to deliver basic services to the most needy segments of the society.

- **Poverty Reduction: Generating Equitable Growth**

India has worked with the assistance of UNDP advocates and support to create its own national strategies, which are based on local needs and priorities. The UNDP provides support in:

- funding for innovative pilot projects;
- providing knowledge and expertise to India about global best practices and resources;
- promoting the role of women in development; and
- bringing governments, civil society, and outside funding groups together to co-ordinate their efforts.

- **Crisis Prevention and Supporting Long-term Recovery**

The UNDP seeks to reduce the vulnerability to violent conflicts or natural disasters that can have the impact of destroying years of development resulting in further entrenchment of poverty and inequality. The UNDP searches for and shares new approaches to crisis prevention, early warning and conflict resolution. It also acts to bridge the gap between emergency relief and long-term development.

- a Energy and Environment: Protecting the Planet**

The UNDP focuses on this aspect for development because it believes that the link between energy and environment are critical for sustainable development, and the poor are disproportionately affected by environmental degradation and lack of access to clean and affordable energy sources. Furthermore, such issues cannot be resolved at national level alone. Issues, such as, climate change and ozone layer depletion require international co-operation. The UNDP assists to improve capacity to manage these challenges at all levels in society. It also searches for and shares knowledge on best practices, provides policy advice, and links partners through pilot projects in this area.

- a Promoting Information and Communications Technology (ICT)**

The UNDP sees ICT as a powerful tool for participation of developed and developing countries in global markets; promotion of political participation and accountability; improvement of the delivery of basic services; and expanding local development opportunities. The UNDP assists by drawing on expertise and best practices from around the world to develop strategies that expand access to ICT and harness it for development. UNDP also relies on ICT solutions to make the most effective use of its own global network.

- **Gender Mainstreaming**

UNDP has a clear gender policy and has designed specific strategies to ensure that the organisational commitment to gender equality is reflected in the programmes that it supports as well as in its own

structures, systems, and practices. In this context, field offices have a clear framework to follow: on the basis of these guidelines local strategies are evolved. The experience of gender mainstreaming reflects disjuncture between global UNDP focus areas and government priorities: limited awareness of UNDP policy among programme staff; corporate policy not adequately reinforced by senior management; poor use of existing information, documents and tools for gender mainstreaming; weak database; and limited funds for mainstreaming.

The UNDP India identified the focus areas, which include gender mainstreaming as well as enhanced outreach, broad based resource mobilisation, building professional capacities, empowering management structures and strengthening inter-agency collaboration. The change process through public policy involves the dismantling and re-assembly of some structures, re-tooling of systems and re-deployment of human and financial resources. Thus, it offers the opportunity to experiment with gender innovations and strategies and build them into emerging new structures and systems.

#### • Halting the spread of HIV/AIDS

India's HIV/AIDS population is about 5.7 million. According to the UNAIDS report, India is the home to the highest number of HIV positive people in the world. (Sharina, May 2006). The UNDP works as a partner to prevent the spread of HIV/AIDS, and reduce its impact by mobilising all levels of government and civil society; advocating the placement of HIV/AIDS at the centre of planning and budgeting; assisting in building national capacity to manage initiatives in institutions and fields; traditionally considered outside the field of health; and encouraging a decentralised approach that supports community-level action. The UNDP assists national efforts by providing knowledge and resources, including best practices in dealing with the HIV/AIDS issue.

The UN Volunteers (UNVs) are working, especially on Great-Involvement of People living with HIV/AIDS (GIPA) in India. In UNDP Regional Programme on HIV and Development, the UNVs are working to create regional platform and strengthen the voice of people living with HIV/AIDS (PLWHA) for advocacy and developing the capacity of PLWHA groups to influence HIV/AIDS policy development, prevention and care, and support responses. In this manner, they are involved in planning, implementation, monitoring and evaluation, and also in upscaling of this initiative. Thus, they are involved in:

- Devising a strategy for PLWHA Initiative;
- Identifying, selecting, and forging partnerships, and networking between UNDP and the Asia Pacific PLWHA groups;
- Providing appropriate technology and support to the groups, and follow-up with the UNDP country office for releasing funds to the partners; and
- Assisting in organising and conducting various regional meetings, and workshops on PLWHA issues and conduct training sessions on clinical aspects and treatment.

The UNVs are also trainers for those involved in HIV/AIDS programmes.

#### **Co-ordinated HIV/AIDS/STI Response through Capacity Building and Awareness (CHARCA)-AD/IND/03/H14**

A project has been formulated by the UNAIDS co-sponsors in India as a joint UN system response to reduce the risk of HIV infection among the vulnerable section of Indian society, especially adolescent girls. The CHARCA project was developed in collaboration with the UN Foundation and the World Economic Forum with assistance from the Netherlands government. It is an attempt to develop a model for public-private partnership between the government, NGOs, and the UN system. The project will be implemented in six districts, that is, Guntur (Andhra Pradesh), Kishanganj

(Bihar), Ballery (Karnataka), Aizwal (Manipur), Udaipur (**Rajasthan**) and Kanpur (UP). It aims to equip women, especially young girls, to protect themselves against HIV/AIDS and realise their rights, by reducing their vulnerability. The CHARCA also aims to build leadership, support networks and an enabling environment.

- The UNDP also contributes to development through:

- a) Production of annual Human Development Reports; and
- b) Assistance in capacity development

- a) **Human Development Reports: Policy-Making**

The UNDP produces the annual Human Development Report (HDR), which focuses on key development issues, new measurement tools, innovative analysis, and policy proposals. These reports are very useful in measuring the performance and in influencing the development of new policies. The HDRs have emerged as the principal advocacy platform for sustainable human development.

Human Development Report 2005 takes stock of human development, including progress towards the MDGs. In addition to statistics, it highlights the human costs of missed targets and broken promises. Extreme inequality between urban and rural areas is identified as one of the main barriers to human development – and as a powerful brake on accelerated progress towards the MDGs.

The Human Development Resource Centre (HDRC), located in UNDP India is a centre of excellence. It is dedicated to human development, research, training, and advocacy. The HDRC provides technical assistance and advisory services for the preparation and follow-up of State Human Development Reports (SHDRs) in partnership with the Planning Commission, Government of India, and the respective state governments. These reports serve as platforms for public accountability and advocacy for action on the human development front in India. In 1995, the State of Madhya Pradesh has released the first sub-national State HDR. However, the other States like Assam, Tamil Nadu, Himachal Pradesh, Karnataka, Sikkim, Maharashtra, Rajasthan, West Bengal, Punjab, Nagaland, Orissa and Gujarat have also brought out their SHDRs. In this process, the UNV is supporting the HDRC work by providing research and advisory support to the Tamil Nadu Human Development Research and Coordination Unit.

- b) **Capacity Development**

#### ***Human Development Resource Centre***

Here, capacity refers to the ability to perform functions; solve crucial problems; and to set and achieve desired goals. Thus, capacity development covers the sustainable creation, utilisation and retention of that capacity, which will serve to reduce poverty, improve self-reliance and the quality of vulnerable people's lives. However, the UNDP's involvement in this area seeks to build upon and leverage rather than replace indigenous capacity. According to the UNDP the main focus in capacity development is on promoting learning, boosting empowerment, building social capital, creating an enabling environment, integrating cultures, and orientating behaviour.

#### ***United Nations International Drug Control Programme***

The Ministry of Social Justice and Empowerment is implementing a project on 'Developing Community Drug Rehabilitation and Workplace Prevention Programme' in collaboration with the UN Office on Drugs and Crime (UNODC) and International Labour Organisation (ILO). Its objective is to sensitise and train voluntary organisations on prevention of alcoholism and substance abuse at the workplace. In this regard, a number of corporate institutions have also volunteered their involvement in two projects.

Under the scheme for prohibition and Drug Abuse Prevention, the Ministry provides financial assistance in the form of grant-in-aid up to 90 per cent to the eligible NGOs for extending services through counselling and awareness centres, de-addiction-cumrehabilitationcentres and for running awareness programmes. About 400 voluntary organisations are financially assisted for maintaining 450 centres in various parts of India. On an average about Rs. 25 crore is released annually for this scheme. An allocation of Rs. 140 crore is provided for this programme in the Tenth Five-Year Plan. The efforts being made to prevent drug addiction are far too little as compared to the magnitude and dimensions of the problem. Most vulnerable target groups in remote areas are yet to be reached.

### ***Elimination of Child Labour***

The UN system supports various activities and programmes in this regard. Among these programmes the ILO's International Programme on the Elimination of Child Labour (IPEC), aims progressively to eliminate child labour through education, social mobilisation, and awareness raising; and legal enforcement and strengthening of institutional capacity. In this regard, 121 agreements have been signed so far for implementing action programmes under IPEC in India. In addition to IPEC, ILO has implemented the Child labour Action Support Project (CLASP), which is aimed at enhancing the central government's planning and implementation capacity with regard to child labour. It also supports several ongoing projects of state governments and NGOs under the National Child Labour Projects in India.

In this area, joint initiatives within the UN system in India include Joint UN system Support for Community Based Primary Education. The participants include UNICEF, UNDP, ILO, UNESCO and UNFPA. These initiatives aim at supporting government efforts on universal elementary education and making primary education more accessible and effective. They concentrate on disadvantaged and marginalised children. Other related joint UN initiatives include the UNICEF-ILO protocol regarding regular consultation and co-ordination on various aspects of child labour, the ILO and UNESCO Joint Convention on the status of Teachers, and collaboration between UNICEF and UNAIDS on the prevention of child trafficking along with UNAIDS, UNICEF, UNESCO.

A joint UN strategy on child labour supports the government's efforts to enhance its administrative, technical, and infrastructural capacity. Strategies of International Agencies to support India for working with the government include enhancing legal enforcement and providing policy support, besides facilitating coordination within the government. For example, in the case of eliminating Child Labour, under legal enforcement, the UN system would support the government concerned in formulating or reviewing child labour-related legislation. It also provides assistance to sensitise the official machinery, child workers, trade unions, and employers about child labour laws, and train officials regarding implementation of child labour legislation. The UN system's policy support would consist of facilitating the government's ratification of important international instruments on child labour. It also persuades public agencies in the implementation of policies and programmes in line with other instruments like the UN Convention on the Rights of the Child. The UN System would also facilitate convergence and co-ordination within the government by attempting to bring different nodal ministries/agencies to discuss child labour and related issues. Hence, it is evident that the UN system and specialised agencies contribute to the policy process in specific areas.

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## **10.4 ROLE OF INTERNATIONAL AGENCIES IN POLICY-MAKING: ANALYSIS AND SUGGESTIONS**

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India has adopted MDGs and efforts are afoot to achieve these goals. In these efforts, international

agencies have also been supporting the government agencies in various ways. The results of the joint efforts of the government and international agencies are noted below.

- i) To eradicate extreme poverty and hunger the government has enacted, in 2006, the National Rural Employment Act (NREA). The Act guarantees a minimum of 100 days of remunerative work to those below the poverty line in the rural areas. The NREA is a positive step in India's efforts to reduce rural poverty.
- ii) Easing long-standing inequalities between women and men in education is one of the MDGs. In this regard, Gross Enrolment Ratio (GER) for girls in secondary education indicates that the number has increased progressively from 32.1 in 1990-91 to 84.91 in 2003-04. It has been observed that the rate of increase in GER of girls is higher than that of boys, indicating that the gender gap in enrolment is declining. The drop-out rate of girls at primary level has also declined from 39.0 per cent in 2000-01 to 31.4 per cent in 2003-04. As on October 2005, the number of out of school children (boys and girls put together) was down to 95 lakh from 320 lakh in 2001. It is a significant achievement.
- iii) The child mortality rate has declined in India. The under 5-mortality rate (USMR) has decreased to 98 per thousand live births between 1998 and 2002. It is observed that the infant mortality rate (IMR) has also come down from 80 per thousand live births in 1990 to 60 per thousand in 2003. The proportion of one-year old children immunised against measles has increased from 42.2 per cent in 1992-93 to 58.5 per cent in 2002-03. The data reflects that progress is not up to the expected level.
- iv) In the new millennium, the Maternal Mortality Rate (MMR) has declined marginally. However, the proportion of births attended by skilled health personnel has been continuously increasing, that is, from 25.5 per cent in 1992-93 to 39.8 per cent 2002-03, thereby reducing the chances of occurrence of maternal deaths.
- v) Although India has a low prevalence of HIV among pregnant women as compared to other developing countries, yet the prevalence rate has increased from 0.74 per thousand pregnant women in 2002 to 0.86 in 2003. This trend needs to be reversed to achieve the MDG in this respect.
- vi) Malaria and Tuberculosis (TB) represent a severe drain on national economy. However in India, the prevalence and death rates associated with malaria are consistently coming down. The death rate associated with TB has come down from 67 deaths per 100,000 population in 1990 to 33 per 100,000 population in the year 2003. The proportion of TB patients successfully treated has also risen from 81 per cent in 1996 to 86 per cent in 2003.
- vii) In the field of ensuring environmental sustainability, action to prevent further deterioration shows mixed results. The total land area covered under different forests has declined by about 20 per cent during the three decades preceding 2005, from about 26 per cent to about 19 per cent (2005). There have also been increasing threats to wild life, and biodiversity in general. The energy use has declined consistently from 36 kilogram oil equivalent in 1991-92 to about 32 kilogram oil equivalent in the year 2003-04 to produce GDP worth Rs. 1000.
- viii) Developing a global partnership for development is basically meant for the developing countries since developed countries provide assistance to the former. India has supported the G8 initiative on irrevocable debt cancellation for the Heavily Indebted Poor Countries (HIPC), which has now been adopted by IMF and the World Bank as the Multilateral Debt Relief Initiative (MDRI).

In the context of global partnership for development, India has made substantial progress in achieving one of the targets, that is, cooperation with the private sector. In this regard, special efforts have

been made to make available the benefits of new technologies, especially information and technology. The overall tele-density has remarkably increased, from 0.67 per cent in 1991 to 9.4 per cent in June 2005. Use of Personal Computers has also increased from 5.4 million PCs in 2001 to 14.5 million in 2005.

The National Employment Guarantee Act, Sarva Shiksha Abhiyan, Total Literacy Campaign of the National Literacy Mission, 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendments, provision of Reservation for Women, Commitment for Women Empowerment in the NCMP, National Health Mission, and Bharat Nirman are some of the important steps taken by the government which help in achieving the MDGs in India.

### **Policy Suggestions**

To achieve the MDGs and for all-round development, following suggestions need to be followed with joint efforts of national and international agencies.

- i) To achieve the goal of eradication of extreme poverty and hunger, India must reduce by 2015 the proportion of people living below poverty line, that is, about 26 per cent (2000) to about 10 per cent.
- ii) To achieve universal primary education, India should increase the primary school enrolment rate to 100 percent and wipeout the dropouts by 2015.
- iii) To ensure gender mainstreaming, efforts should be made at educational level. to promote female participation at all levels to enable the country to reach an equal proportion of females and males especially for equal participation in development by 2015.
- iv) To reduce child mortality rate, serious efforts are required to expand the existing programmes that promote simple, services low-cost solutions.
- v) To reduce the level of maternal mortality, the Government of India should strengthen primary healthcare services including provision of trained medical and para-medical personnel.
- vi) In the case on HIV/AIDS, though new drug treatments prolong life, there is no cure for AIDS. In this regard, it is suggested that awareness-building and prevention efforts must be intensified in every region to achieve the targets.
- vii) Ensuring environmental sustainability requires greater attention to the plight of the poor whose day-to-day subsistence is often directly linked to the natural resources, and an unprecedented level of global cooperation. The proportion of population without sustainable access to safe drinking water and sanitation is to be halved by 2015. However, India is on the track to achieve this target. It is suggested that joint efforts should be enhanced in this regard.
- viii) To develop a global partnership, India should do more to ensure its own development, whereas the international agencies as well as the developed countries will have to extend greater support through aid, debt relief, and better opportunities for trade.

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## **10.5 CONCLUSION**

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In this Unit, we have concentrated on the role of international agencies and its implications for policy-making in India. In this regard, we have exposed you to the role of specialised international agencies that are committed to achieve the MDGs in India. The first part of the Unit presented an overview and development approaches of the United Nations Organisations in Development. The second part of this Unit dealt with the major contributions of various international agencies. International Agencies provided a platform at the international level to enhance cooperation between countries; and provide guidance, and technical and financial assistance. They have also been

advocating the cause of the developing countries in various international fora, thereby enhancing the alternatives available to policy makers.

In the third part of this Unit, we have analysed the socio-economic development and MDGs achieved so far with the efforts of international agencies. Thus, the impact of the international agencies on the policy-making process can be seen in various sectors. Based on our analyses of the role of national and international agencies in achieving the MDGs, several suggestions were made to enable effective policy-making and efficient implementation.

The increasing interdependence of national economies in a globalising world and the emergence of rule-based regimes for international economic relations have meant limited space for national economic policy in the areas of trade, investment, and industrial development. In this regard, national policies have been increasingly influenced by international agreements and global market considerations. It is for the national (member) government to evaluate the trade-offs between the benefits of accepting international rules and commitments, and the constraints posed by the loss of policy space. There should be an appropriate balance between national policy space on the one hand, and international commitments and considerations of the global market on the other.

## 10.6 KEY CONCEPTS

**Bharat Nirman** : It is a four-year project for rural infrastructure development. This project includes development of irrigation, road, rural housing, rural water supply, rural electrification, and rural telecommunication connectivity. In this regard, specific targets have been set to achieve the goals so that accountability can be maintained in the progress of development works.

**Sarva Shiksha Abhiyan** : The government of India has launched the Sarva Shiksha Abhiyan in the year 2000-01 to fill the gaps in elementary education, especially for children in the age group of 6-14 years. The Central government along with state governments, local governments, and community would work together to achieve the targets over a period of time. The goal is universalisation of elementary education through a time-bound action plan.

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## 10.8 ACTIVITIES

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- 1) Describe the organisational overlay of various specialised international agencies. Select an area (MDG) of your choice, and discuss the impact of international agencies on policy-making in the selected area.
- 2) Identify the various international development agencies operating in India, and evaluate their role in policy-making process in India.
- 3) Visit the office of any international agency in India, and collect data about recent programmes of assistance. On the basis of this data, analyse the role of this agency in policy process:
- 4) Analyse the status of MDGs achieved in your area. Suggest remedial measures to improve the level of achievement.