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Fiscal Federalism, Local Governments

M A Oommen

NITI Aayog and Indian Fiscal Federalism

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Foundations and Development of Indian Federalism: Lessons Learnt and Unlearnt

Balveer Arora

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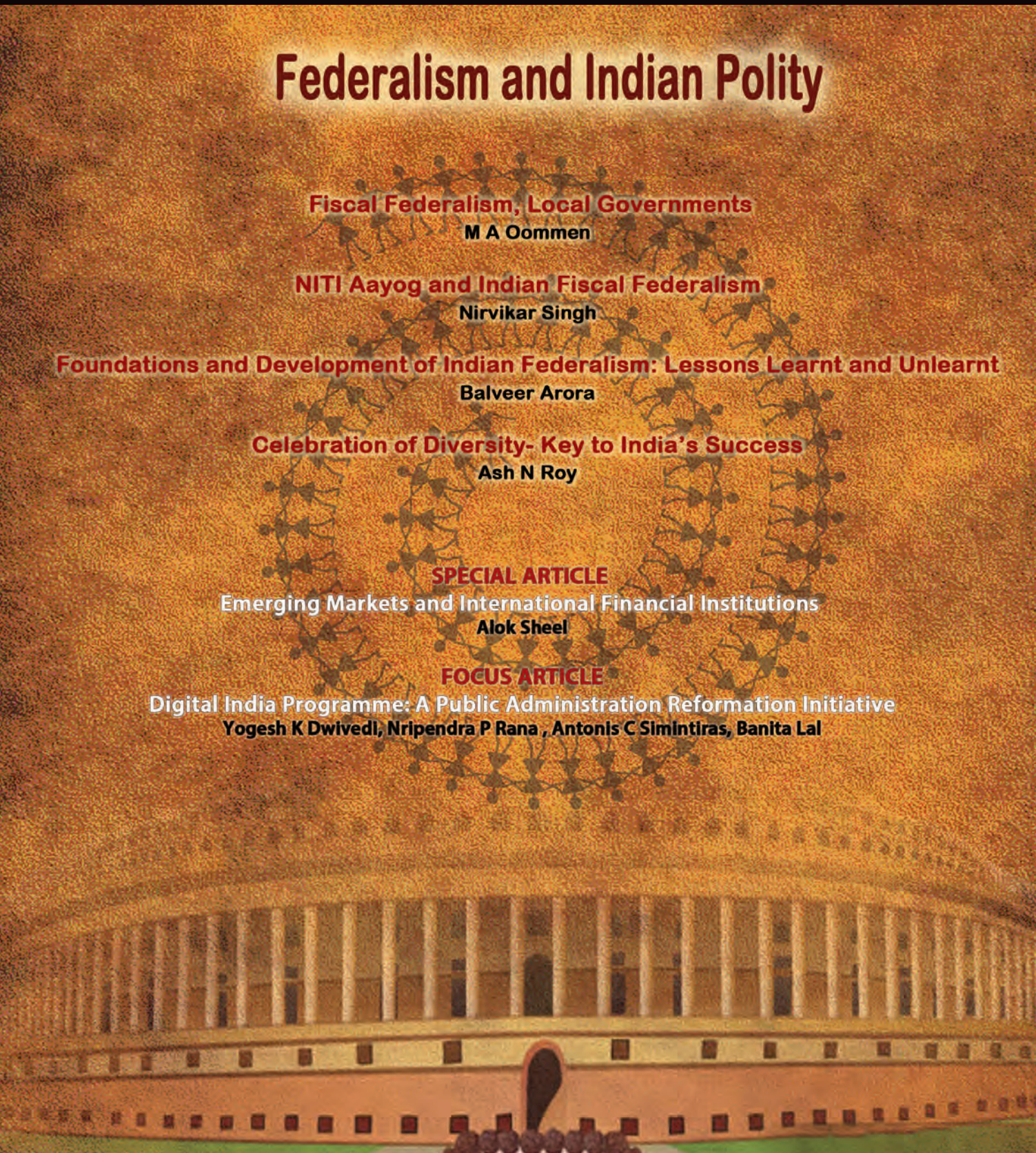
Emerging Markets and International Financial Institutions

Alok Sheel

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*Let noble thoughts come to us from all sides
Rig Veda*

CONTENTS

FISCAL FEDERALISM, LOCAL GOVERNMENTS M A Oommen.....	6	BETI BACHAO, BETI PADHAO	42
WHY FEDERALISM? A PERSPECTIVE Vinayak Narain Srivastava.....	12	CELEBRATION OF DIVERSITY: KEY TO INDIA'S SUCCESS Ash Narain Roy.....	45
SPECIAL ARTICLE		NATIONAL LITIGATION POLICY	50
EMERGING MARKETS AND INTERNATIONAL FINANCIAL INSTITUTIONS Alok Sheel.....	17	NITI AAYOG AND INDIAN FISCAL FEDERALISM Nirvikar Singh.....	52
FOUNDATIONS AND DEVELOPMENT OF INDIAN FEDERALISM: LESSONS LEARNT AND UNLEARNT Balveer Arora.....	22	PREVENTING OPEN DEFECATION: CHANGING MINDSETS IS THE PREREQUISITE Rohit Gupta	55
NORTH EAST DIARY	26	COOPERATIVE FEDERALISM IN INDIA: CONTESTS AND CONTRADICTIONS V Mishra	60
FOCUS		J&K WINDOW	64
DIGITAL INDIA PROGRAMME : A PUBLIC ADMINISTRATION REFORMATION INITIATIVE Yogesh K Dwivedi, Nripendra P Rana, Antonis C Simintiras, Banita Lal.....	28	FEDERALISM IN INDIA: POLITICAL AND FISCAL PK Chaubey	65
EXPLORING UNION MODEL OF INDIAN FEDERALISM Ajay Kumar Singh	35	DO YOU KNOW?	69

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Exile of Buddha

The idea of federalism as an organising principle between different levels of a state is quite old. Greek city states had it. Lichchavi kingdom of northern India in the 6th century BC is a celebrated example of a republican system. In the modern world, this continues to be the most popular system in larger countries like US, Brazil, Mexico and India. In fact, the European Union is a recent example of the idea of federalism being implemented at a trans-national level to leverage its various advantages in the economic sphere. It may perhaps look surprising that close to three dozen nations have been born after 1990 either by seceding from a larger federal structure or due to war and other factors. In a large number of cases, the mal-functioning of the federal structure gave rise to ethnic and nationalistic strife which finally culminated in the emergence of new countries.

Scholars have noted that there is a 'federalist ferment' across the world but there is no single model of federalism. While Montesquieu talked about the 'confederate republic constituted by sovereign city states', federalists like James Madison pleaded the case for a 'compound republic' with an 'overarching central government that can override against narrow local interests'. The architect of Indian Constitution, Baba Saheb Ambedkar believed that for a culturally, ethnically and linguistically diverse and heterogeneous country like India, federalism was the 'chief mark', though with a strong unitary bias. This understanding, which was shared by Pt. Jawaharlal Nehru, Sardar Patel and other national leaders stood at sharp variance with Gandhi's idea of federalism who was a votary of decentralisation and devolution of power to the lowest unit of Panchayat.

Globalisation has also deeply impacted the concept of federalism. As the countries of the world become more and more tightly integrated, the external influence of powerful financial and political entities tends to limit the freedom of action on the part of states. It is often reflected in the weakening of public institutions. This process has also generated a phase of 'competitive federalism' where provincial governments compete with the centre to attract investment, garner capital and technology for their benefit. India, on the other hand, has taken forward the path of cooperative federalism by gradually loosening the control of the central government over the states in financial matters and restricting itself more and more to policy issues in certain areas only. It can be argued that cooperative federalism could be the path to make best use of the 'different advantages of the magnitude and littleness of nations' as Tocqueville had once remarked.

It is important to underline that federalism, in its true sense, can be successful only by broadening the base of democracy and deepening its roots. In the case of India, a deep respect for diversity of languages, cultures, ethnicity and religion as hallmarks of its political and civilizational existence could nourish federalism and strengthen the nation. It is the only way India could take forward its great tradition of federalism which goes back to the time of Buddha.

Let us end with a story. Around 5th century BC, the republican states of Lichchavi and Sakya had an institutional system called *Santhagara* which was used to debate issues of vital importance to the republic, including disputes between various constituents of the republic. Buddha was initiated into the Sakya *Santhagara* at the age of 20. When he was 28, there was a dispute over sharing of water of Rohini river between the Sakyas and Koliyas. The Sakya military commander was in favour of war on Koliyas which Siddhartha opposed. But the peace proposal of Siddhartha was defeated miserably during voting. Siddhartha had to face exile. Buddha may have been defeated and exiled but the idea of the republic and settling of disputes without the use of force has survived. The republican spirit has survived as a guiding spirit for nations.

And finally, it is the time to say adieu to the readers of Yojana with whom the last two years have been a period of exploration and sharing of ideas on an exciting range of subjects. Yojana would continue to provide stimulating and thought provoking material to involve the readers in this great journey of nation building. □



Fiscal Federalism, Local Governments

MA Oommen



India is a unique example of cooperative federalism. Local governments are now an integral part of India. They have tremendous potential for bottom up planning. To make them viable components cannot be achieved except through deliberate policy choices and fostering supportive measures. In the pursuit of economic reform this is likely to be missed. A golden opportunity is now on the anvil and it is for a democratic government to give the right direction

FEDERATION REFERS to a multi-level system of government. Fiscal federalism deals with the division of expenditure responsibilities, fiscal assignments, inter-governmental transfer arrangements and encompasses fiscal relations within a federation. The objective of any good fiscal federal arrangement is to facilitate effective, efficient and equitable allocation of resources and responsibilities among the different tiers of government and work towards, a stable federal system. Originally, the Indian federation was a dual system comprising the union and the states. The 73rd/74th Constitutional Amendments (CAs) have added part IX and Part IXA to the Indian constitution creating a third stratum of government with a three-tier system for the Panchayati Raj Institutions (PRIs). This virtually turned the Indian federation into a multi-level federal system with a multi-level public finance. Over twenty years have passed since these amendments and the conformity legislations appertaining to that enacted in 1994 by all the states. Indeed, it was a major effort towards fiscal decentralization creating democratic space for people's participation and working towards local democratic governance at the cutting

edge level. Fiscal decentralization essentially means fiscal empowerment of the local governments. The crucial question that comes up for an answer is: are the local governments (LGs) functioning as 'institutions of self-government' endowed with the vital task of delivering 'economic development and social justice' as mandated in Articles 243G and 243W? Now that the Planning Commission, which was a non-constitutional body was scrapped and a new institution called NITI (National Institute for Transforming India) Aayog has been put in place from January 1, 2015, a question that immediately arises is: new role being envisaged or a renewed one for the constitutional body called the District Planning Committee (DPC) created as per Article 243 ZD? What reforms are needed to rationalize the transfer arrangements? Several such fiscal federalism issues *vis-à-vis* LGs require a renewed and closer look. This article proposes to raise some of these. Raising right questions is more important than providing wrong answers.

Cooperative federalism of India to which the new government has affirmed its faith and commitment has no parallel among the federations of the world. For example, it does not resemble Germany or South Africa

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where the federal governments decide major policies and where the different levels of governments function as implementing agencies. It is also different from the Brazilian model where all the three tiers of government enjoy autonomous and equal status and coordinate their policies horizontally and vertically. India cannot also be called the 'marble cake model' of cooperative federalism where the various levels of government have shared and overlapping responsibilities and are treated as equal partners. In India, the various tiers are not treated as equal partners. Actually the Indian federation has a built-in bias in favour of the Union with great vertical imbalances in the resources and responsibilities at the state level and at the local government level. The problem is considerably confounded by the multi-layered character of the federation (comprising the three-tier Panchayati Raj Institutions, the municipalities and corporations besides the Union and States) and the extant multiple channels of transfer arrangements with diverse objectives to serve.

The Principle of Subsidiarity and India's Cooperative Federalism

An important necessary condition for shaping a viable and vibrant fiscal federalism is to have a division of labour of the functions, responsibilities and regulatory role of the various levels of a government by asking two vital questions: Who should do what? and who should tax where and what? Looking back, it is not difficult to see that India never raised these questions nor sought satisfactory answers to them. A simple but extremely relevant principle to guide the division of expenditure responsibilities, revenue raising assignments and of regulatory functions is to follow the principle of subsidiarity which says: What can be done best (of course with minimum transaction and coordination costs) at a particular level should be done at that level and not at a higher level. In other words, a convincing case will have to be made for assigning a task to each higher level of government. Although

many make nostalgic references to the panchayats of the past whose antiquity is traced to the Vedic times, it was the colonial government under the British who tried to create 'little republics' at the local level and ventured to make them institutions of self-rule. The Government of India Act, 1935 and the inauguration of provincial autonomy had led to the creation of several steps to carry forward the process of democratization at the level of municipalities and village panchayats. We all know that the village panchayat was central to the ideological underpinning of India's Independence movement and Gandhiji, the father of the nation, declared his vision of *gram swaraj* (village-self-rule) as the centre of social life for

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future India. Even so, in the Indian constitution, village panchayats were mentioned only under Article 40, that is, to create 'units of self-government' as part of the directive principles and therefore, did not form part of the legally enforceable part of the Constitution. The Constitution did not even accept the concept of local self-government envisaged in the Lord Rippon Resolution of 1884. It was left to the 73rd/74th CAs to rectify this historical deficit and give local governments a constitutional status.

In the Indian Constitution, functional and tax assignments of union and states are given under three separate lists (under Schedule VII) called union list for centre, state list for states and a concurrent list where

both the tiers have joint jurisdictions. Largely following the Government of India Act, 1935, the Constitution makers followed adhoc historical arrangements rather than applying the principle of subsidiarity. The 73rd/74th CAs offered a great opportunity to re-examine the functional and fiscal domains of the three tiers and create a more rational public finance regime in India. Instead of that, the two amendments added two more lists, Schedule XI for panchayati raj institutions (PRIs) and schedule XII for urban local governments. The subjects given under these two schedules are culled out from the state list, and the concurrent list making the local government domain a happy grazing ground for everyone. The fiscal space of LGs was also left ill-defined. Government of Kerala (GoK) which took the 73rd/74th Amendments rather seriously realised the operational difficulties and tried to disaggregate the subjects given under schedules XI and XII into activities and sub-activities and tried to bring role clarity into an otherwise amorphous and overlapping situation¹. Although late in the day, the Ministry of Panchayati Raj (MoPR) established in 2004, realized the malady and initiated an activity mapping drive at the state level. Better late than never. Unless activity mapping is operationalized followed by devolution of functions, funds and functionaries decentralization will not take off the ground.

In this section, I may point out another grey area and certainly an irritant sometimes pitted against those in favour of democratic decentralization. That is item no. 5 in the State list which reads:

Local government, that is to say, the constitution and powers of municipal corporations, improvement trusts, districts boards, mining settlement authorities and other local authorities for the purpose of local self-government or village administration. [The constitution of India, Schedule 7, List II-State List]

The present Government of India which swears by good governance (which is but rational governance) will have to abolish this item and work towards a new local list outlining activities and sub-activities that will do away with Schedules XI and XII.

NITI Aayog in the Federal Set-up: Raising Issues

It is important to acknowledge that the former Planning Commission, although grown into a leviathan of sorts with no domain knowledge to provide critical policy advice, had served the nation in some important respects. Any reforming or restructuring exercise has to start from there. First, it has drawn five yearly blue prints for economic development based on elaborate reviews and studies and laid down macro-economic objectives and strategies for the economy and the nation. In what manner this exercise should continue in the future is a matter to be decided by the NITI Aayog and the new dispensation. Second, almost from the inauguration of the federal republic based on the Indian Constitution, the Planning Commission was also launched *inter-alia* with a resource allocation function. The creation of the Union Finance Commission (UFC) as per Article 280 of the Constitution was essentially because of the vertical imbalances in the revenue and expenditure responsibilities of the union and the states, of course reinforced by the need to rectify the horizontal imbalances in this deeply diverse sub content with great disparities in resource endowments (financial, physical and natural), development achieved, and remaining to be achieved, backwardness, ecological imbalances and so on. The Planning Commission derived its allocative function from the miscellaneous provision of Article 282- a residual provision meant to accommodate grants for public purposes in unusual situations. Surely, it was not a constitutionally neat action. Originally started as a schematic transfer, the resource allocation was made formula-based from 1969 onwards. The formula named after the

then Deputy Chairman D.R. Gadgil although modified several times retained considerable discretionary space often attracting strong protests from the states. Articles 243I and 243Y added following the 73rd/74th CAs have provided for the creation of State Finance Commission (SFC) exactly on the lines of the UFC for rectifying the vertical and horizontal imbalances at the state sub-state level. It is important to underscore, that the 73rd/74th CAs amended Article 280 to facilitate UFCs to supplement the resources of panchayats and municipalities on the basis of the recommendations of the SFCs. The organic link in Indian fiscal federalism is very evident and any restructuring cannot ignore this. Third, the Planning Commission played a critical role in major policy making and project evaluation. If the NITI Aayog is going to be only a think-tank, this is

While the blue print of NITI Aayog has not yet been spelt out there are enough indications that the new dispensation recognizes the need for a bottom-up planning in India. It is important to underline that Articles 243G, 243W and 243ZD and 243ZE mandatorily require the initiation of bottom-up planning.

the function it has to lay emphasis upon backed up by quality research and discussion. But this cannot be a stand-alone exercise.

Towards Bottom-up Planning

While the blue print of NITI Aayog has not yet been spelt out there are enough indications that the new dispensation recognizes the need for a bottom-up planning in India. It is important to underline that Articles 243G, 243W and 243ZD and 243ZE mandatorily require the initiation of bottom-up planning. As per the provisions of 243G and 243W, the rural and urban local governments will have to be endowed with such “powers, authority and responsibilities” “to function as

institutions of self-government” and are required to prepare “plans for economic development and social justice” and implement the schemes proposed. Article 243ZD mandates all states to create district planning committees (DPCs) and for metropolitan areas metropolitan planning committees (243ZE). It is the task of the DPC “to consolidate the plans prepared by the panchayats and municipalities in the district and prepare a draft, development plan for the district as a whole”, and are expected to do integrated spatial planning and efficient conservation of natural resources as part of the draft plan. Being a draft, its operational validity has to be ensured through appropriate policy choices at the level of the state as well as at the level of LGs by devising relevant institutional and procedural measures.

There are 2.5 lakh PRIs and 3842 urban local governments comprising over 3 million people’s representatives. To be sure, this is a unique democratic base which no other country in the world enjoys. This great potential for a *sui-generis* opportunity for performing the biggest democratic bottom-up planning exercise has to be taken up as a national goal. Bottom-up planning in this country that has created the institutions of gram sabha, DPC, SFC and other avenues for people’s participation is to be seen as enlivening the given framework towards a purposive direction. Kerala has demonstrated in unequivocal terms that if there is a political will, there is a way for local democracy. To enlist people’s participation and awareness the bottom-up planning exercise in Kerala was first started on a campaign mode. But later it was institutionalized based on the recommendations of the Sen Committee, an expert body that worked simultaneously. Kerala has evolved a multi-stage process of participatory planning from identifying and assessing the felt-needs at the gram sabha to the final administrative sanction by the

DPC. That all village panchayats and municipalities prepared and printed development reports is no small achievement. The Development Reports that contained the resource inventory of each area and long term development goals were discussed in what has come to be called Development Seminars. They organised sectoral task forces (subsequently rechristened working groups, around 10-12 such groups per LG) whose responsibility was to prepare projects. As two scholars pointed out, the most important purpose was “to organise development seminars in every gram panchayat and municipality to discuss the (development) reports so that the ward-wise development dialogue initiated at the grama sabhas could be scaled up to a higher level of the village” [Isaac and Franke (2000):105]. That under the People’s Plan Campaign mode, nearly 5 lakh people consisting of gram sabha members, political party leaders, civil servants, local experts and so on participated in the Development Seminars [See State Planning Board (SPB), (2000), *Economic Review*] underscores the potential for deliberative problem-solving and participatory exercise in a decentralised democratic set up. Of course, this does not mean that all the development seminars were uniformly successful and the decentralized planning project has no shortcomings. Even so, that it is fully institutionalized is itself a great story to write home about. The State Planning Board had issued detailed manuals in Malayalam during the early days of the planning campaign mode and helped the people to prepare the people for the planning project². GoK (2009) has a chapter on district planning methodology, and along with that, the prolific Kollam district plan documents³ of the state could offer excellent guide lines for the new government if they are serious about bottom up planning. Indeed, there are other initiatives like that of West Bengal’s bottom-up planning introduced in 2006-07

in selected village panchayats with DFID assistance.

The constitutional task of implementing the mandate of planning for ‘economic development and social justice’ by the PRIs and urban local governments need different emphasis. That this type of planning is a holistic concept and department level conceptualization and implementation will not be the right approach. Certainly departmentalism has been the curse of India. Bottom-up planning even if it can be effectively done, will have no meaning if the panchayats have only schematic funds at their disposal. Look at the much touted decentralization in Karnataka and West Bengal which are

Kerala has demonstrated in unequivocal terms that if there is a political will there is a way for local democracy. ... Kerala has evolved a multi-stage process of participatory planning from identifying and assessing the felt-needs at the gram sabha to the final administrative sanction by the DPC. That all village panchayats and municipalities prepared and printed development reports is no small achievement.

built on schematic transfers⁴. Local governments should have a predictable flow of untied funds with the freedom to plan and prioritize.

The NITI Aayog could immediately commission a country-wide status report study, debate the Planning Commission’s efforts including the Manual prepared for Integrated Planning in 2008 and then work towards preparing a frame work that can accommodate local variations. If all the 640 districts eventually prepare district plans based on a long-term vision, with medium term goals and annual plans based on that, the nation will have the best expression of unity in diversity. Given the good progress India has made in regard to local government level,

geographic information based data on geo-location, soil, groundwater, crops, river basin, watershed and so on, scientific local planning is not a pipe-dream. If supplemented with census and probably a simple household socio economic data (could use local school teachers to do adhoc surveys), household level information could be prepared and could be the anchor of planning from below. The real question is: are the DPCs, as they function in the country are politically, legally and technically empowered to deliver ‘economic development and social justice’ at the sub-state level? The NITI Aayog may do well to exercise their mind on this.

Rationalising Transfer Arrangements

Putting fiscal assignments and transfers on a rational, efficient and equitable basis is an essential requirement of a good cooperative federal polity. The Achilles heel of Indian fiscal federalism has been the multiplicity of channels with diverse objectives and conditionalities. This has resulted in conflicting priorities and distorted outcomes. Abolishing the allocative functions of the Planning Commission does not solve the problem. The share of Centrally Sponsored Schemes (CSSs) as a percentage of gross budgetary support has been increasing continuously. Although their number has been reduced following the B K Chaturvedi Committee (2011) recommendations, they have a strong presence even today. How they are going to be addressed and made part of a viable transfer arrangement is important in establishing a more equitable and rational transfer system in the county. The practice of counterpart funding by states in implementing the CSSs has become a menacing distortion of their priorities. Also fitting Kerala with high health, educational and social attainments and backward regions like Jharkhand or Odisha into the straight jacket of all-India conditionalities and above all, unilateral announcement of schemes and imposing them on the

states (every such announcement is a missile on the fabric of cooperative federalism) are all problems that remain to be addressed.

India is the most fiscally centralized country in the world. Even the unitary government of communist China is far more decentralized than India. Given the historical legacies of transfer arrangements, can the burden of progressively reducing the vertical and horizontal imbalances of this country be put on the shoulders of the Union Finance Commission alone? At any rate, there is a need to examine *denovo* whether India was converging or diverging in development over these years. It is for the new Vice Chairman of NITI Aayog, Arvind Panagariya to commission a study on this. Indeed think-tanks cannot work on assumptions. That even after 68 years of Independence, the Prime Minister of this country had to take a big broom to sweep the streets as part of a Swachh Bharat campaign is a shameful verdict on the pattern of 'development' that was underway. Whose priorities ruled the destinies of this country is an intriguing issue that needs proper examination. The primary rationale of strengthening the panchayats (making them virtually *smart*) and also following the letter and spirit of the 73rd/74th CAs is that every citizen irrespective of his or her choice of residence should have the basic amenities of sanitation, drinking water, housing, electricity, connectivity (both road and internet) and other public services is something that needs immediate attention. It is important to incentivize the LGs to mobilise their own source revenue. That Punjab, Rajasthan and Haryana abolished property tax—the main source of local governments in 80 per cent countries of the world and several other retrograde actions are also matters of grave concern. However, it is equally important to work towards a transfer system that will enhance the fiscal capacity of local governments to offer comparable levels of public services for all citizens, the tribals in remote areas as well as for the

elite citizens of New Delhi of course with comparable revenue efforts. The recommendations of the 13th Finance Commission to provide a general performance grant, although not an equalization grant was a great step forward towards improving the lives that ordinary people live if only such efforts are carried progressively with follow-up action. That federations like Canada and Australia where horizontal imbalances are far less acute than in India work on the basis of equalization grants is something the NITI Aayog and the future UFCs should keep in view. It is certainly improper if not unconstitutional to incentivize states to fall in line to serve the dictates of Fiscal Responsibility and Budgetary Management Acts before the basic public services of ordinary citizens are met.

To conclude, India is a unique cooperative federalism. Local governments are now an integral part of the India. They have tremendous potential for bottom up planning. To make them viable, components cannot be achieved except through deliberate policy choices and fostering supportive measures. In the pursuit of economic reform this is likely to be missed. A golden opportunity is now on the anvil and it is for a democratic government to give the right direction. Social inclusion can acquire meaning only when marginalized and disadvantaged are included on their own terms. This is *dharma* par excellence. Strengthening LGs can be the necessary condition towards that goal.

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Endnotes

- 1 GoK appointed the Committee for Decentralization of Powers (1996-1999) (popularly called Sen Committee after its first Chairperson Subrato Sen) whose primary task was to recommend measures for institutionalizing decentralized governance and planning by devolving functional, financial and administrative autonomy to the LGs, besides activity mapping. The author of this paper was a member of this Committee.
- 2 For an objective evaluation of the decentralized planning project of Kerala, see GoK (2009).
- 3 For an updated evaluation of the decentralized planning exercise including the Kollam district plan, one may read Government of India (2013), Vol. I, Chapter V.
- 4 The Third State Finance Commission of West Bengal observe: 'DPCs in West Bengal have failed in the mandatory responsibility of preparing district plans scientifically. A disparate set of schemes stitched together without proper integration have been put into volumes and labeled .. as district plans in all the districts'. West Bengal (2008): 131. □

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Why Federalism? A Perspective

Vinayak Narain Srivastava



Most societies are in a sort of transition from the preponderance of a more feudalistic political culture of primordial societies to a political culture that is more democratized, secular and federal. This is, of course, not a straight-line transition.

Federalism, that is, an increasing devolution of power and decentralization of administration, to so-called localities is an integral part of this positive transition. Hence, the importance of appropriate federalism, that takes the process of democracy and secularism in a broad sense, forward

FEDERALISM IS an idea of contemporary modernistic democratic political system that introduces a system of governance entailing an attempt to involve the widest possible populace and institutions into a system of governance. This is to be introduced through a network of institutions and structures, and appropriate division of power and administration between them. It is a uniquely modernist political phenomenon, in that it seeks to ensure a distribution of powers and responsibilities within the politico-geographic boundaries of a political system. The process of federalization is about the devolution of power, and the decentralization of administration, throughout the institutions and structures of a given democratic political system. Typically, a system of political and administrative governance in a democracy constitutes of a network of institutions and structures that spread from the centre to periphery, or the central government to localities or regional and local governments. There is a distribution of powers and functions between them that are thought to be appropriate in accordance to the wisdom of times. However, in practice, there is always a multi-pronged tussle for increased devolution of power and decentralization of administration on

the one hand, gravitating towards the localities, whilst on the other hand, is the reverse process of centralization of power and administration in the hands of central institutions and structures. This contradiction and dialectics marks the process of federalization and federalism. Any deepening of democracy by definition will involve further devolution of power and decentralization of administration.

In India, for instance, powers have been very clearly divided, in accordance to the Indian Constitution, between the Central Government and the States. A further tier of the local bodies, that is municipalities and panchayats, exist below the second tier of governance, that is, the state governments. The basic idea behind such a division of power has been that of allowing respective tiers to deal with the respective issues within their competence. Central Government has an overall supervisory role and considerable powers, regional or provincial or state governments are mandated to deal with the issues relevant to regions or provinces, and whilst local or grassroots institutions with those pertaining to the localities. Indian Constitution from its outset, with further Amendments has quite clearly outlined and defined the respective domains of influence and action, including their powers, areas of legislative competence, areas of

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raising revenues, fiscal field etc. Such a division is substantially exhaustive, although, it can be suitably modified further to suit the contemporary requirements, after more than six decades of freedom of India and promulgation of Indian Constitution. As has been noted earlier, Indian Constitution has not been a static, rigid document, and several Amendments, notably, 73rd and 74th Amendments of Indian Constitution have taken place. Yet, there have been problems with the actual implementation of these provisions. However, a comprehensive exercise in determining the overall and optimal division of powers and decentralization of administration in all aspects, that is, political, administrative, fiscal etc., to bring federal relations up to date with the contemporary requirements, is urgently needed. Piecemeal alterations only go up to certain extent, and may even cause distortions. A harmonious and apt division of rights and responsibilities between the various tiers of governance is required forthwith. This is to build up, and not to undermine the federal system of politics and governance, as set out in the basic document, the Indian Constitution and in subsequent Amendments that have been incorporated.

A responsive and responsible federal political system of polity and governance is essential in any political democracy to maintain and sustain its relevance and integrity. Institutions or structures are not permanent or immutable. No society is static, neither are its political system, its institutions and structures immune to contextual changes. Latter, either transform in accordance to the larger context or perish. Thus, a federal system needs to deepen as political democracy matures. One salient feature of such a reformation is gradual and appropriate devolution of power and decentralization of administration, lest excessive or inappropriate centralization encourages fissiparous tendencies, and threatens the integrity of the political systems itself. Most authoritarian and dictatorial political system, throughout

contemporary, modern history, have either collapsed under their own weight and disintegrated, often giving rise to rather undesirable successor regimes and systems, creating socio-political upheavals or chaos of unprecedented proportions in the wake of demise of such systems, or have resorted to unprecedented levels of violence to sustain themselves, hurtling from one crisis to another. All this have been caused by highly centralised power and administrative structures and institutions, with central power refusing adamantly to devolve powers,

The two concepts, that of centralism and political democracy, are anachronistic terms and realities. Federalisation and further involvement of localities through a larger and appropriate self-governance seem to be the only way for a reasonable and stable political democracy, lest the world is faced with repeated phenomena of divisions along the lines of ethnic, sub-ethnic, linguistic, regional, sub-regional, religious, racial and other such politically active identifications and crafted identities.

responsibilities and administration to periphery or localities or regions or provinces, in the belief that such an exercise in federalizing will undermine the integrity of the polity and the nation. In fact, history has shown that the reverse is true. Often, such overly centralised political systems and systems of governance have indulged in show of formalistic transfer of powers, without really doing so. Most centralised regimes, political systems and nation-states have crumbled under their own weight that has resulted in their unceremonious disintegration.

Most democratic nations and political systems too have been very reluctant in devolving powers to their regions and localities, leading to situations of virtual rebellion and secession. Political democracy can only remain relevant with democratic political institutions and

devolution of power, responsibilities and administration, and not by a centralised, albeit democratic, rule or governance. The two concepts, that of centralism and political democracy, are anachronistic terms and realities. Federalisation and further involvement of localities through a larger and appropriate self-governance seem to be the only way for a reasonable and stable political democracy, lest the world is faced with repeated phenomena of divisions along the lines of ethnic, sub-ethnic, linguistic, regional, sub-regional, religious, racial and other such politically active identifications and crafted identities. Many democratic, quasi-authoritarian and authoritarian political systems that tend to follow either 'centralised democracy' as in case of former, and outright centralism, as in case of latter, tend to experience serious fissiparous and secessionist tendencies. They are either, after considerable brinkmanship, as in the case of former, compelled to devolve substantial powers, albeit hesitantly to the localities, or, as in the case of latter, use a combination of force and ensuing violence, and that of devolution of power, rather reluctantly, and not to the requisite levels, to deal with the imminent threats of disintegration and thereby try to preserve the integrity of political system and nationhood.

It has been observed in contemporary, post Second World War era and with the advent of 21st Century, that host of political problems faced by myriad sovereign nations lie in their being unable to adequately resolve the national question, by federalizing, and thus democratizing their political systems through devolution of powers and responsibilities and decentralizing their administrative structures. At the core of national question in all political systems, - its ethnic, sub-ethnic, linguistics, religious, racial dimensions notwithstanding, - lies the aspiration of common people in the localities to participate in governing and administering themselves. Although such an aspiration, ambition, quest for self-governance or self rule of some variant, may have a somewhat

'negativist' dimension of localism or localistic chauvinism, yet it is coupled with a genuine desire to be able to have a greater say in managing and resolving their own affairs. This is truly democratic aspiration of any people, and ought not be suppressed, or ignored, or indifference shown to it. These sentiments must be respected in a truly democratic manner through devolution and decentralization. A formalistic and half-hearted approach to such a process will only be counter-productive and ineffective. Of course, this process of federalization has to be appropriate. However, more democracy is any day better than less, or conditional democracy. Vested interests that tend to impede and stall such a process and very often succeed in doing so, actually aggravate the problem in the long term as it gets postponed and very difficult to resolve.

Rising levels of democratic consciousness amongst the people has given considerable impetus to the issue of devolution and decentralization of power to localities. An urge for greater democratic freedom and responsibility is often reflected in terms of assertion of socio-cultural identities with all their negative manifestations. Hence, the political leaders and political systems will be wiser to recognize this impulse and pre-empt any negative fallout of such assertions and aspirations by granting greater devolution, autonomy, decentralization, through a considered and appropriate system of federalization. However, any devolution, autonomy or decentralization presupposes a competent and coordinated division of powers and responsibilities. Any haphazard, half-hearted or disharmonious division may result in tendencies of disintegration, and/or tendencies of authoritarianism rearing their head and becoming dominant politically. Such tendencies have been witnessed in the course of recent history whereby several countries split along ethnic, sub-ethnic, linguistic-chauvinist, religious lines. This can only be avoided by allowing a considered, consistent, mature, appropriate autonomy, devolution

and decentralization to genuinely empower the localities. This will undermine any mobilization along pre-modern, primordial faultlines. Such an arrangement most certainly envisages a significant and a positive role for the Centre within appropriate division of powers and responsibilities. Periodic review and reorganization are important to avoid accumulation of any stress within a political system that is liable to explode into ugly, even violent situations, or cause enough consternation and chaos within a system so as to prevent its efficacious functioning whilst dealing with public affairs. Hence, Functional and periodic review of institutional and structural mechanisms and subsequent reform

Periodic review and reorganization are important to avoid accumulation of any stress within a political system that is liable to explode into ugly, even violent situations, or cause enough consternation and chaos within a system so as to prevent its efficacious functioning whilst dealing with public affairs. Hence, functional, periodic review of institutional and structural mechanisms and subsequent reform of the process of federalization are needed.

of the process of federalization are needed. Often governments, either because of inbuilt inertia, or under pressure from vested interests, or immature political elements that come to dominate governments, tend to ignore such measures resulting in long-term structural problems.

Modernistic, contemporary ideologies of Enlightenment, that is, liberalism, socialism, communism and their different variants have dominated 19th and 20th century political systems. They gave rise to political systems that were rather centralistic in spirit and content, albeit more democratic than the feudalist political systems of the yore, given the fact that they sought to build up secular political institutions and the structures that came to be imbued with a sense of

triumphalism, over a primordial base that was primarily informed by the identities of the past like those based on ethnicity, religion, caste, race and so on. Ideologies of modernity and enlightenment were a consequence of a secular and industrial economic order that required a different, non-primordial-identity-based economic, political and social system to flourish, and a cultural order that dovetailed to the requirements of modernity and industrialism. However, this project of modernity and enlightenment, based on a secular order of nation-states, that were to be sovereign and democratic, as well as of a concomitant modernistic world order, was to be built on a superstructure that was invariably an inheritance of the past centuries, and was essentially primordial in nature. Hence, both liberal democratic and other political systems based on the ideas of socialism and communism and their other variants, notwithstanding the praxis of democracy were essentially centralist at worst, or unitarian at best, in one way or the other, and thus authoritarian or quasi-authoritarian in practice, to a substantial extent. Thus, the political and other institutions that were built within the political system were primarily centralised or of centralist orientation. Political and social institutions, in fact any institution for that matter, does not evolve in a vacuum and is thus encumbered by its respective inheritances from its past, particularly in case of the legacy of political and social cultures. Thus, the inheritance of all the modernist institutions of Enlightenment, and concomitant and evolving political and social cultures were essentially feudalistic or semi-feudalistic and authoritarian or quasi-authoritarian. Therefore, the new process of building institutions imbibed authoritarian and quasi-authoritarian streak in terms of praxis and ideological orientation from their respective past histories. As noted earlier, institutions do not emerge from a vacuum or abstraction and tend to carry the legacy of inheritances, particularly the prevailing and dominant political and social cultures that tend to be quite resilient and resistant to reforms. This

substitution of political and social cultures to a more secular, modern, democratic one, takes a long transitional period. These changes are spread over generations. Even so-called classical democracies take very long time, therefore, to fully abandon a centralist and unitarian ethos. Thus federalisation and federalism has been a tedious and long drawn historical process everywhere. This is also true for India. However, federalism and federalization is an inalienable part of democracy, and deepening of democracy. This is a process that is neither smooth nor without resistance, particularly by the believers in centralist ethos, who fail to recognize that political and economic systems work better, and with greater efficiency in situations where localities are given greater autonomy and rights to manage their own affairs.

Vested interests provide stumbling blocks and resist or prevent devolution and decentralization. In the absence of proper and appropriate federalism and requisite institutions, structures and functioning, centralised institutions become moribund, alienated and often ossified. This leads to discontent in the absence of avenues of participation in governance and administration, despite certain democratic processes like elections etc. being followed regularly. This discontent with the absence of a properly responsive and responsible federalized political system may be tapped into and mobilized by destabilizing political forces, particularly those based on primordial identities, for extremist politics. Although political mobilization, in a modern political democracy, that is based on primordial identities, is a perfectly legitimate activity, since they reflect the given socio-political and cultural realities of a society, yet in cases of high discontentment of people with the failures of political system, and its failure to address legitimate grievances of people, such mobilisations can be used to undermine the integrity of the political system or a nation itself. Involvement of localities and people through the institutions of federalism may give

them a sense of participation and self-governance, as well as an appreciation of the magnitude of the problems modern societies face with rising aspirations and demands of a system. Thus, federalism and its institutional framework of an appropriate kind strengthens and not weakens a society and its political system, and provides avenues for political participation governance, policy-making etc. Political democracy, after all in final analysis, is about increased popular participation in governance and public affairs, sans anarchy that could undermine evolved and legitimate institutional framework of the political system. Hence, federalization also has to be a slow process that does not force the pace of development or changes beyond reasonable and appropriate levels and becomes maximalist and arbitrary.

Although political mobilization, in a modern political democracy, that is based on primordial identities, is a perfectly legitimate activity, ...yet in cases of high discontentment of people with the failures of political system, and its failure to address legitimate grievances of people, such mobilisations can be used to undermine the integrity of the political system or a nation itself. Involvement of localities and people through the institutions of federalism may give them a sense of participation and self-governance, as well as an appreciation of the magnitude of the problems modern societies face with rising aspirations and demands on a system.

Dominant economic systems of modern times have favoured more centralised political systems since the diversities and increased tiers of institutional arrangements have been seen to hamper 'smooth' economic advancement, because they are not believed to be able to provide 'stability' and 'uniformity' to a political system. A political system that is more centralised,

is deemed to be more conducive for economic progress and development since it is expected to ensure political stability, predictability, uniformity of policies, their uniform application and implementation through a centralised bureaucracy or administration, and above all, a near monopoly of local markets, in the absence of real threat from local economic interests, who will in a less federalized political system, wield less political power and clout to influence local politics, their institutions and local markets. Hence, the economic system, the economic elite and economic imperatives, become the most important vested interest, or hindrance, to the political process of federalism. Such centralistic ethos driven by economic imperatives, have become more obvious in the context of increasing economic globalisation, dominance of global capital, deepening of market economy, although a tendency towards such a push for centralism has been true for all variants of economic systems, including those based on planning, in modern contemporary era. Market economy envisages a 'trickle-down' mechanism and an optimally functioning market economy for redistribution of fruits of economy, sans any real, well organized, redistributive mechanism that leaves a very large section of population outside the pale of mainstream economy. 'Trickle-down' does not happen in practise, or happens very imperfectly, and in a very limited, circumscribed way. Market economy does not believe in the possibility of a 'conscious' redistributive process as a planned economy does, although the latter may have its own problem of excessive dependence on organized administrative machinery and that again has its own imperfections. Thus, this leads to a wide gap between rich and poor and fosters high levels of inequality and a skewed reality of distribution of fruits of any economic growth. This effectively curtails greater opportunity for people to participate in useful economic activities and undermines the prospects of prosperity to a very large section of population. In a proper federal political system such

redistribution is more efficient because of the devolution of power and decentralization of administration. It is more effective in undertaking a 'conscious' intervention that is more socially and economically responsible, to ensure greater opportunities and better prospects of human and material development. It can do so because of the proximity to the 'felt' needs of the local population, involvement in realistic policy-making such that there are no 'hare-brained' and unrealistic schemes, and thorough participation in the process of implementation. Thus both, the excesses of reliance on extreme market economy or extreme planning, can be avoided.

Politico-geographic boundaries have been drawn and redrawn since a long time, earlier as Kingdoms and later as Nations. Wars, conquests and rebellions have led to redrawing of boundaries. In modern era, ethnic, sub-ethnic, linguistic, religion, race and other such identities have played an important role in the formation of nation-states. In contemporary era, these fault-lines have been the basis of movements demanding formation of separate nations and nation-states. In some cases, such demands have been rooted in the perception and realities of the presence of dominant and subordinate ethnicities, sub-ethnicities, languages and linguistic chauvinisms, religions, races and so on. Formation of nations and nation-states based on secular political ideals of ideologies of modern-day Enlightenment led to establishment of political systems based on secular, constitutional, legislative, judicial frameworks, with Federalism in some form or the other, constituting their vital institutional, structural and functional component. These modern political systems are premised on the ideas of citizenship, secularism, nation-states, democracy, and so on, and have been modernistic, countervailing, systemic force, particularly in multi-linguistic, multi-racial, multi-religious, multi-cultural political set up and societies, that most politico-geographic entities are, to the political systems that were based on primordial identitarian political arrangements and configurations. Former are much more democratic and secular, than the latter that are premised on the idea of 'we' and 'they', or a subordinate 'other'. The latter are thus, more centralised, authoritarian, or even autocratic. Thus, true and appropriate federalism cannot be a part of latter. Both typologies have, however, concomitant political culture that informs their institutions, structures and functioning. Most societies are in a sort of transition from the preponderance of a more feudalistic political culture of primordial societies to a political culture that is more democratized, secular and federal. This is, of course, not a straight-line transition. Federalism, that is, an increasing devolution of power and decentralization of administration, to so-called localities is an integral part of this positive transition. Hence, the importance of appropriate federalism, that takes the process of democracy and secularism in a broad sense, forward. □

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Emerging Markets and International Financial Institutions

Alok Sheel



As the Bretton Woods twins unravel, emerging markets are endeavoring to put in place the alternative institutions to intermediate their own excessive savings, such as the Chiang Mai initiative and the Asian Fund in East Asia, and the New Development Bank and Contingency Reserve Arrangement of the BRICS. These would replicate the roles of both the IMF (Chiang Mai and the Contingency Reserve Agreement) and the World Bank (New Development Bank and the Asian Bank)

THE WORLD Bank and the International Monetary Fund (IMF) were set up after the Second World War following an agreement at an international conference held in Bretton Woods in the United States. These International Financial Institutions (IFIs) are, therefore, better known as the Bretton Woods Institutions (BWIs).

The objective of the World Bank was to channel American resources into the reconstruction of war ravaged Europe. The objective of the IMF was to stabilize the International Monetary System in disarray from the time of the Great Depression of the 1930s with the breakdown of the Gold Standard.

Following the rapid reconstruction of Europe and the floating of major Reserve Currencies against each other after the US went off the gold standard in 1971, the World Bank and the IMF began to mostly cater to the needs of developing countries.

The perceived wisdom was that these countries suffered from a chronic shortage of capital, leading to two separate structural deficits,

namely, a current account deficit that enabled them to access foreign savings and second, a savings deficit with their governments running large fiscal deficits to finance big developmental agendas necessitating large public spending on building physical and social infrastructure. Fiscal deficits frequently spilled over into current account deficits. These twin deficits, of domestic savings relative to investment and public savings relative to total savings, were considered the chief constraints of growth in the developing countries.

Since the private capital flows to developing countries were limited on account of the risks involved, they were overly reliant on soft but 'tied' bilateral aid and multilateral loans through the World Bank and regional IFIs like the ADB, IADB and AfDB, for covering their savings-investment deficit. The World Bank provided fiscal support for investment in infrastructure, both physical and social.

Although, most of this funding requirement was in the domestic currency and the World Bank funding in hard currency was not cheap.

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Once the exchange rate risk was factored in the developing countries they preferred to access these funds rather than borrow domestically as this filled a critical gap in their balance of payments (BOP). The IMF complemented this through provision of emergency BOP support since developing countries were vulnerable to sudden capital stops. Following the Gulf War of 1991, India's foreign exchange reserves plummeted to just \$ 1 billion, triggering a BOP crisis with the loss of international confidence in its ability to service and repay external debt as its foreign currency credit ratings were downgraded. India consequently entered into a financing arrangement with the IMF with stiff 'conditionalities', compelling it to completely restructure and liberalize its inward looking economic policies.

At that point of time, the chief focus of the external finance wing of the Department of Economic Affairs (DEA) was the mobilization and management of scarce foreign exchange channeled through bilateral and multilateral channels, and keeping external commercial borrowings on a tight leash so as to maintain its limited market access to international financial markets. The exchange rate was administered, and there was a separate foreign exchange budget through which the allocation of scarce foreign exchange was prioritized. Indeed, in view of the very substantial foreign currency requirements for import of fossil fuels, there was a separate POL (Petroleum Oil Lubricants) division in DEA. The focus of the Foreign Trade division was conservation of foreign exchange and import substitution. The most critical divisions in DEA were the Fund Bank (FB) that tried to maximize hard currency borrowings from the World Bank, the ADB and the IMF, the Bilateral Aid Division that canvassed assistance from individual developed countries, and External Commercial Borrowings (ECB) that formulated policies, and gave approvals, for borrowing from external debt markets within tightly

controlled caps. In view of the closed capital markets, foreign investment inflows were non-existent.

Following the liberalization and opening up of the Indian economy in the wake of the 1991 BOP crisis, foreign exchange is no longer a scarce resource. The Foreign Exchange and POL Budgets have passed into history. The management of external commercial borrowing has been delegated to the central bank, even as the Foreign Investment Division had risen to prominence in DEA. The Foreign Trade division has lost its importance with trade policy increasingly dominated by the Commerce Department negotiating

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with the WTO. The Bilateral and Multilateral divisions continue to exist, but they have lost their former importance along with that of foreign aid. They now need to adjust to the winds of change and reinvent themselves.

These changes reflect tectonic changes in the wider global economy in recent years. Since the end of the last century, growth in major developing countries, now known as 'Emerging Markets', accelerated as they opened their economies and increasingly relied on external demand as their engine of growth and started running huge current account surpluses.

They became net savers, exporting rather than importing capital. This resulted in a large accumulation of foreign currency reserves. Even those emerging markets, such as India, that continued to have a savings-investment gap saw large inflows of capital, far in excess of their absorptive capacity, enabling them to accumulate a war chest of reserves that hedged them against the more damaging effects of sudden stops. As a result, the IMF began to run out of major clients.

The decline in IMF lending was a demand side problem, as private capital flows plugged the foreign currency deficits of developing economies, except low income countries and conflict ridden/failed States from where the private capital shied away. In case of World Bank, however, the decline in lending was a supply side problem, as for some reason, it gradually withdrew from infrastructure lending and its resources failed to increase in tandem with the rising developmental needs of fast growing emerging markets.

It is not very clear why exactly the World Bank shifted its focus from infrastructure to directly targeting poverty through social sector and livelihood schemes. From an interview given by Mahbub Ul Haq (Director of the World Bank's Policy Planning Department in the 1970s and Founder of the Human Development Report). to Robert Asher on December 3, 1982, as part of the World Bank's Oral History project, it would appear that this was driven by concerns that the gains from growth were not trickling down as inequality in developing countries was increasing. Direct intervention through social sector and livelihood schemes to increase the incomes of the poor by improving their productivity was required. These concerns persist to this day, of course, as they also underlie the shift in Indian economic policy under the previous government from growth to social safety nets and redistribution.

The focus on durable productivity shifted as the ticket out of poverty was spot on, as poverty was another name for low labour productivity. But as India is finding out now, a deficit in physical infrastructure lowers the productivity of capital, while a deficit in social infrastructure lowers the productivity of labour. Livelihood schemes may be effective as social safety nets, but they are unlikely to be a durable ticket out of poverty, as small producers find it difficult to remain competitive in an industrialized and globalized world. That battle was lost long ago with the Industrial Revolution. Indian growth has fallen in recent years not because of a sharp fall in investment, but because of a sharp decline in the output from this investment on account of growing infrastructural and governance bottlenecks.

The resource crunch in the BWIs was magnified as advanced economies, the major shareholders and contributors to BWI resources, started ageing, growing more slowly, and running higher fiscal deficits. They were increasingly unable and also unwilling to expand the resources of the BWIs as they felt that this would mostly be eventually channeled into fast growing developing countries -- the emerging markets. India has always had a huge pipeline of projects which World Bank lending has been unable to saturate. However, the resources of the BWIs were considered adequate to cover the financing needs of chronically crisis-ridden, low-income developing countries.

The recent global crisis response under the aegis of the G 20 suddenly expanded the role and resources of the IMF. IMF's resources were trebled to augment the multilateral war chest to address BOP crisis in a world characterized by increasingly large and volatile capital flows. Since the larger Emerging Markets had accumulated large reserves, they were unlikely to need bailouts which were now required in large amounts in some

advanced economies, especially in peripheral Europe. Indeed, the EMEs now became contributors to IMF resources. The 'big bazookas' for bailouts are now with the United States that prints the premier global reserve currency – the dollar – and major EMEs, in particular China, that have accumulated huge foreign currency reserves, rather than with the IMF.

World Bank lending also expanded modestly, but temporarily during the crisis, ostensibly to partly plug the investment gap left by the temporary withdrawal of private capital (both domestic and foreign). The G 20 however missed a trick by not substantially increasing the borrowing capacity of the World Bank through adequate recapitalization. This could have enabled it to effectively intermediate the global savings glut and channel it to sustain high growth rates in developing countries. This

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could have provided the engine of growth to pull the global economy out of the low growth trajectory into which it has sunk with demand destruction in advanced economies in the wake of the global financial crisis. Therefore, while there was a welcome re-orientation towards infrastructure financing in the World Bank under some nudging from the G 20, it was not given the resources to leverage this re-orientation effectively.

Where do developing countries stand today in relation to the Bretton Woods Institutions?

On the World Bank side, several

developing countries, including India, would continue to remain the biggest borrowers because of their large developmental, especially infrastructural requirements. It is however, not clear why EMEs with large amounts of foreign currency reserves need to borrow from IFIs for financing what is mostly expenditure in domestic currency and adding to their foreign debt that makes them more vulnerable to external shocks. The surge in capital flows to developing countries is basically of a private nature, even as several developing country governments continue to be resource strapped for public investment in physical infrastructure and social services. However, they can achieve their developmental objectives by taking on domestic debt from which they inflate their way out if push comes to shove. There could still be a critical role for IFIs in co-coordinating and part-financing cross border infrastructure projects that would give neighbouring sovereigns, otherwise hostile to each other, the confidence to collaborate, and wary investors the confidence to invest.

Be that as it may, the hard reality is that the scale of World Bank borrowing relative to domestic sources is expected to remain marginal in major EMEs. This is because the G 20 has shown little appetite to augment World Bank resources on the scale of the IMF. They are of the view that these would mostly flow to the bigger emerging markets that are also growing fast, are fiscally much better placed than the traditional donors, and have adequate reserves. On the other hand, EMEs, including India, are unlikely to be significant contributors to the resource mobilization efforts of the Bank as they have huge developmental needs of their own. It might be difficult for governments in advanced countries to persuade their domestic constituencies why substantial commitments are being made to the World Bank when large amounts are needed for investment to bring their own physical and social

infrastructure on par with advanced countries.

The same argument also applies to their contribution to IMF resources, especially since these resources are now being used to bail out developed Euro Zone countries that have much higher per capita incomes than the fast growing emerging markets. India has built up large foreign currency reserves that insulated it from the reversal in capital flows during the height of the global financial crisis even though the magnitude of this external shock was greater than in the early nineties that had led to a major BOP crisis. Over the longer term, net capital inflows into India are expected to exceed the current account deficit (with oil prices as the critical balancing item tipping the scales between deficit and balances). India may expect to be a major recipient of capital inflows as it has been in the recent past. The short point is that India is more likely to be a net contributor to IMF's resources than a net borrower in the future on account of its substantial reserves. It has already committed to contribute a sizeable amount to IMF's resources over the last few years along with several other Emerging Market economies.

Strategically, therefore, most big developing countries, including India, can be expected to stand on a very different footing in the two BWIs. Governance issues, such as parity in voting power and senior executive positions, are no doubt of utmost importance to all developing countries, but their governance concerns are on a much stronger footing in an organization where they may well be amongst the major contributing countries, than where they would remain amongst the biggest borrowers. The IMF needs serious governance reforms to make it more evenhanded as also give confidence to EMEs to contribute more resources through a greater sense of ownership.

In the case of the World Bank,

therefore, most developing countries would continue to have more of a country specific or bilateral focus on sanction of new projects, disbursement and project management. In the case of the IMF, however, they would need to be more multilaterally engaged as their concerns shift to the kind of instruments used to raise resources, where these resources are deployed for their efficiency and their safety, global surveillance and governance. So far, the surveillance and policy advice structures of the BWIs were focused on developing countries because they were the main borrowers. This may however, need to change in the case of the IMF, as European countries now dominate IMF's loan portfolio. Stalled growth, BOP problems, fiscal deficits

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and unsustainable build-up of debt, traditional developing country issues may need to be monitored in advanced economies too. They are now as much in need of structural adjustment and reform as developing economies. This re-orientation, however, is unlikely unless the governance structure of the BWIs, currently dominated by developed economies, becomes more even handed through major shareholding reforms. The BRICS, including India, have started raising these strategic issues in the G 20. One way of arriving at a consensus is to have the governance of these institutions mirror that of the mutually

acceptable G 20. EMEs, however, also need to be more engaged with the issues of surveillance, early warning and global and regional growth projections than what they are at present, as all these have a bearing on the requirement and deployment of the Fund's resources to which they are becoming major contributors. This focus should cover both the developed and the developing countries.

To summarize, the Bretton Woods institutions appear frozen in time because their governance structure has not adjusted to the tectonic changes in the global political economy. Their resources ceased to grow meaningfully once the European project was complete. The voting share of BRICS, the rising economic power, is now only about half their share in global GDP at market prices and just over a third at purchasing power parity. The OECD (Organization for Economic Co-operation and Development) countries' unwillingness to share ownership with emerging markets is matched by their unwillingness to expand their resources on account of growing fiscal stress from ageing and declining growth.

As the Bretton Woods twins unravel, emerging markets are endeavoring to put in place, the alternative institutions to intermediate their own excessive savings, such as the Chiang Mai initiative, the Asian Infrastructure Investment Bank in East Asia, the New Development Bank and the Contingency Reserve Arrangement of the BRICS. These would replicate the roles of both the IMF (Chiang Mai and the Contingency Reserve Agreement) and the World Bank (New Development Bank and the Asian Infrastructure Investment Bank). Whether the rising economic powers can achieve the geopolitical cooperation necessary to collaborate in the manner the US and Europe did in the post war period however, remains to be seen. □

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Foundations and Development of Indian Federalism: Lessons Learnt and Unlearnt

Balveer Arora



While cooperative and competitive federalism have become the new buzz words in the political discourse of the day, it is important to remember that Indian federalism lives in the states and the districts. Unless real changes can be initiated at these levels, the consolidation of India's federal democracy will remain an unfinished task

INDIA'S FEDERAL democracy has undergone many changes over the past six decades. Here we seek to capture the defining features of this experience, the hesitations, mistakes and failures as well as the innovations, excesses and successes. It has reached a new plateau over the last two decades: the era of federal coalitions.

When the experience began, many dictates of conventional wisdom had to be set aside, much to the dismay of constitutional purists. Unlearning the legacy of a unitary colonial state was as much a part of the learning process as the inspired search for solutions to problems never before encountered in quite the same way.

Also during this period, the system has sought to explore and to innovate, trying to discover how much diversity it was possible to accommodate, without sacrificing the unity essential for its existence. It has loosened controls in some, while tightening them in others. It would be an oversimplification to equate the neo-liberal phase of globalised economic growth with a retreat of the State.

Indian democracy, being the largest in the world, is constantly seeking to improve itself by securing more meaningful rights for its citizens. It has survived and flourished because it was designed federal.

We attempt below to highlight a few major features which have marked the development of Indian federalism and to see if there are any lessons to be learnt, or unlearnt.

Federal Framework: The Challenge

Disorderly decolonisation imposed an urgent need for consolidation of the young independent State. The wisdom of the founding fathers in the Constituent Assembly lay in not mistaking the quelling of existing turmoil as their main mission. They transcended the immediate context to lay the foundations of a durable democracy, forsaking neither their principles, nor their vision of what the Indian Republic was intended to represent.

The unitarian temptation was strong and so was the urge to situate India ideologically as a reaction to the immediate context and the tragic

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turn of events. After intense debate, the Constituent Assembly opted for a secular Republic with safeguards for the rights of minorities.

Traumatized by the unprecedented horrors and dislocation of Partition, the Constituent Assembly was naturally focussed on the need for ensuring the unity and integrity of the new nation. The fear of excessive federalism was cogently articulated, the risks of centrifugal and fissiparous forces overwhelming the young Republic were passionately evoked.

The framework finally adopted departed significantly from all existing models of federalism. The Constituent Assembly devised a system which seemed most suited to the needs of the time and the requirements of a federal society. Political processes generated by the logic of a federal democracy completed this work in course of time.

In the absence of any track record or reliable radar to assess departures from the existing template of norms and yardsticks, which were derived from the then dominant models, jurists found it difficult to certify that the system was indeed federal. It was therefore declared 'Quasi-Federal'. This description is no longer valid today because the federal principle has taken root and developed in Indian soil. India's political institutions are now widely recognised as a vigorous albeit hybrid variant of the federal species. Self rule and shared rule have been combined in unorthodox ways which have enabled the Indian Union to not only survive, but also flourish in all its diversity. It is a valuable legacy which has to be protected for India to survive as a democracy.

States' Reorganisation Process: Parameters and Politics

The recognition of linguistic identities as the basis for territorial organisation surfaced as a major issue in the Constituent Assembly. It had its roots in a promise first made during the national movement, and then deferred

through a misreading of priorities and popular sentiment.

Variable geometry and flexible states reorganisation process was incorporated in the Constitution, raising many eyebrows. How has it worked in practice? We need to reassess the political and constitutional processes through which this enabling provision has worked in reality. The tortuous and violent process of the birth of Telangana bears ample testimony to the difficulties of operating this process.

The political process in the first two decades of independence was thus, marked by a mix of the politics of identity and the politics of scarcity. Tension areas of this period were around identity, language and boundaries.

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The Constituent Assembly created an 'Indestructible Union of Destructible States' Secession was banned explicitly in the early years, but constitutional flexibility enabled other forms of search for solutions. Overall, the shift from reluctant to robust federalism was spurred on by the democratic political process, which made it difficult to ignore the reality of Indian federalism.

Resilience of the Strong Centre Framework

The Strong Centre framework has proved remarkably resilient, even to the neo-liberal call to roll

back State intervention in the economy. Deregulation has not meant unregulated growth. New independent regulatory mechanisms have replaced old state agencies. It is another matter that these new autonomous institutions have not been made democratically accountable.

The Centre retains control over all the macro-economic levers of command. While deregulation in some areas has given more scope for state initiatives, the need for central regulation has not diminished and continues to emerge in new areas.

Given the nature and extent of social diversities and cleavages, the judicious intervention of a Strong Central State is often considered indispensable for maintaining social harmony. The first phase of India's federal development was marked by the stunted growth of institutional devices designed to cope with the needs of cooperation and coordination. Single party dominance obscured the challenges that lay ahead. The strong centre framework is not really challenged or sought to be replaced even by the most ardent proponents of state autonomy. What they want is strong states and more state autonomy within the same framework.

It is important to recall that the original design vested substantial legislative powers and responsibilities in state governments for key developmental activities. A literal reading of the Indian Constitution can however be misleading. Multiple overlaps have occurred, not merely in the concurrent spheres of jurisdiction but also in spheres explicitly assigned to the states.

Financial constraints of the states have led to the proliferation of central schemes and national missions. The all encompassing ambit of entry 20 in List III, social and economic planning, provided the constitutional basis for the planned development model of the first phase.

New elements of the division of powers and responsibilities have begun to assume importance, overshadowing to a certain extent, the issues which dominated the reform agenda of the earlier period. While the issue of distribution of responsibilities and powers in federal political systems is generally contentious, a gross mismatch between the two can lead to serious tensions.

The federal dialogue with the states is often pre-empted by central administrative and policy decisions. The Centre often decides on a particular course of action and only thereafter seeks inputs from the states. Consensus building is after the decision, not before. This mode of decision-making is contested. In the emerging context of assertive states' rights, mere consultation may not suffice. What is needed is a more proactively inclusive decisional process.

Unequal States give rise to the need for the constitutional recognition of inequality, to be built into the federal polity in ways which protect diversity without sacrificing unity or imposing uniformity.

Asymmetrical Federalism

Related to the quest for a more responsive and participatory federal democracy is the notion of asymmetric federalism. As political and economic asymmetries get accentuated, demands are bound to grow for statutory asymmetric arrangements. In India, the inequality of states, and of regions within states, has commonly generated tensions and dissatisfactions. Asymmetrical federalism and special status provisions, including special fiscal regimes and incentives, have helped address these problems to some extent.

Special Status provisions have been used to resolve issues arising from history, geography and culture. Articles 370 and 371 provide examples of such accommodative constitutional engineering. Special status and unique relationships to meet specific needs

and requirements were very much a part of the original constitutional design from the outset.

Sub-State autonomy structures and autonomous district councils have had a mixed record. Some have been mere transit points towards statehood, others have proved more durable. Combining self rule and shared rule can assume many forms: fragmentation and non-viable units have to be weighed against the advantages of integration and size. The creation of north-eastern states raised this issue in a particularly acute form.

Fiscal Federalism: The New Mantra

Have liberalisation and deregulation strengthened or weakened the Centre? Has this new changed paradigm outstripped the evolution of the polity and political thinking? Has there been a new discourse of 'states' rights' which has moved from political autonomy to economic assertion? The answers to these questions are still in a state of flux.

...the situation today is largely the outcome of the conjunction of two factors: the economic liberalisation reform programme and the federalisation of the party system. The problem of growing inequalities is equally complex. How social and economic inequalities are viewed is a core issue in the debate on the new role of the State.

In the creation of the Indian Union, the development sequence adopted was to aim for political integration first, and the building of a common market was considered a relatively easier task, given the existence of a common currency, a central bank, and central government control over other macroeconomic parameters.

Growing imbalances in fiscal federalism have however created new obstacles in the path of this delayed integration. States have developed as centres of power and complex

negotiations had to be conducted to persuade them to forego sources of revenue resulting from interstate tariff barriers.

A new phase in India's political and economic development began in the early 1990s with liberalisation and an increased role for market forces. This shift has given rise to new contradictions and cleavages between market driven economics and politics based on universal suffrage. Earlier, it was the State that had the primary role in mediating these tensions. It sought to reconcile those excluded by markets by including them through the policies and processes of political democracy.

In addition to wide income disparities, the Indian Union is characterised by vast regional inequalities too. Here again, the State was earlier assigned a primary role in mitigating the consequences of geographically uneven development.

Thus, the situation today is largely the outcome of the conjunction of two factors: the economic liberalisation reform programme and the federalisation of the party system. The problem of growing inequalities is equally complex. How social and economic inequalities are viewed is a core issue in the debate on the new role of the State.

Greater reliance on market allocation of capital investments has given rise to competition among states that are unequally equipped and endowed for it. This has given rise to a competitive federalism in which a level playing field has still to be created.

The impact of competition for attracting investments to the states is to be understood at two levels. On the one hand, states are under pressure to provide good governance and to manage their finances with prudence. On the other hand, they are acutely aware of the negative impact of many of these reform measures on their electoral popularity.

The growth of Executive Federalism is one of the noteworthy features of India's

federal development. Bureaucracy has grown with developmental schemes, to be designed, targeted and delivered. Focus is on implementation of schemes rather than empowerment and inclusive governance. Institutions have developed and adjusted accordingly.

Accommodating Local Aspirations: A New Imperative

The 1990s can be viewed as a defining period of transition for India's polity; they paved the way for a political system which was potentially more federal. New modes of participation and decision-making emerged through the mechanism of federal coalitions, to which, the parliamentary system and the Constitution have yet to adapt in a formal sense.

Through federal coalitions, the power and influence of state-based parties is felt on the making of national policy as well as the course of Centre-State relations. More importantly, single-state and multi-state parties have engineered, through the political process, an enhanced degree of participation in national policy-making that they could not achieve through formal institutions of co-operative federalism. In effect, federal coalitions have given them participatory opportunities that were earlier denied to them.

Two main factors can be flagged as the driving force behind this transition.

First, the globalisation has added a new dimension to the polity, with economic reforms assigning new roles and responsibilities to the States.

Second, the federalisation of the party system, which has brought in its wake a new dynamic, with its own mix of 'competing logics' is a crucial development.

The interplay of local aspirations articulated by state-based parties with the imperatives of national cohesion derived from a different discourse is at the core of this debate. The complex power sharing that results from this

multilevel relationship is a significant factor in holding the system together.

Let us look at the other big idea which emerged during this period viz devolution of powers to local self government institutions. This idea took legislative shape with the 73rd Constitutional Amendment, which effectively gives constitutional recognition to a third tier of the federal structure (1992-95).

However, this does not mean that multilevel federalism is already a generalised ground reality, or that it is likely to be so in the near future. It is important to note that there are powerful interests in the states, both within the political class and the bureaucracy, which resist this decentralisation.

Has there been, as a recent study suggests, "a shift of power and influence from the Centre to the state capitals and further down to the level of sub-regions, districts and panchayats?" The evidence put forward in support of this assertion is "the remarkable rise of regional and caste-based parties" and "the clamour for separate states in many parts of the country". Let us assess this claim in the light of contemporary trends

The gradual growth of the panchayat system, working in tandem with civil society institutions of the voluntary sector, is a defining development of the federal system. The pressures that are being generated at this level hold the promise of developing into powerhouses for bringing about further changes in the institutional design.

Challenges in the New Millennium

Having reviewed the functioning of Indian federalism so far, we now turn to the challenges it faces in the new millennium. Has there been, as a recent study suggests, "a shift of power and influence from the Centre to the state capitals and further down

to the level of sub-regions, districts and panchayats?" The evidence put forward in support of this assertion is "the remarkable rise of regional and caste-based parties" and "the clamour for separate states in many parts of the country". Let us assess this claim in the light of contemporary trends:

The rise of cultural intolerance poses a threat to the delicate fabric of pluricultural federal democracy. Two broad set of issues remain unresolved, if one sets aside the ones resolved by the judiciary (president's rule) and the political process. The issue of governor's powers to withhold assent to state legislation remains a contentious issue but norms are being slowly evolved.

First, Identity related issues:

They are reflected in the demands for a second SRC and the recasting of internal boundaries of the federal system to respond to self-rule aspirations. Telangana has already been created, but Vidarbha and the restructuring of Uttar Pradesh remain live issues, among several others.

Second, resource related tensions:

Water resources, long standing inter-state river water disputes (Cauvery, Narmada) and compensation through equalisation formula for unequally endowed states. Linked to this are demands for greater autonomy and self-rule in control over resources.

While these remain live issues, the major issues that are likely to dominate the federal reform agenda in the new millennium relate to the reallocation of financial resources and an overhaul of the fiscal system. The rapid growth in the tax revenues of the Centre as compared to those of the states has focussed attention on the mechanisms of both vertical and horizontal allocation.

The growth in power and influence of state-based parties shapes the course of Centre-state relations primarily through the mechanism of coalition governments at the Centre. More importantly, some parties have engineered, through the political

process, an enhanced participation in national policy-making that they could not achieve through formal institutions of co-operative federalism. In effect, federal coalitions have given them participatory opportunities that were earlier denied to the states in institutions such as the now defunct Planning Commission and the National Development Council, or even the stunted Inter-State Council. The issue is no longer merely consultation but also concurrence in areas where “the legitimate interests” of the states are involved.

The challenge is simultaneously to invent new ways of facilitating the participation of states in the formulation of national policies and motivating them for effective implementation in key infrastructural areas such as power, roads, and basic civic amenities. In the context of a multi-party system and

the need to forge federal coalitions for national governance, this becomes all the more necessary. The political process is able to achieve this to some extent, but is no substitute for effective institutionalised arrangements.

The logic of democratic development in a federal democracy allows several experiments in governance to take place simultaneously, provided they respect the basic values and features of the Constitution. This experimentation has been partially successful at the limited level of administrative methods and techniques, and best practices have effectively emerged from the states, e.g mid-day meals in schools and urban land valuation systems.

But the capacity of the system to generate alternative paths of development through experimentation by the states has been limited by

the constraining framework of a centralised federal system. What is more disconcerting is that the political culture and practices of ‘national’ or polity-wide parties have been replicated by regional parties in the states. They have developed stakes in centralised federalism and have become smaller versions of the parties they have dislodged successfully. In sum, they have no alternatives to offer in real terms.

While cooperative and competitive federalism have become the new buzz words in the political discourse of the day, it is important to remember that Indian federalism lives in the states and the districts. Unless real changes can be initiated at these levels, the consolidation of India’s federal democracy will remain an unfinished task. □

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NORTH EAST DIARY

TRIPURA FULLY COVERED UNDER PMJDY

The north eastern state of Tripura has now been covered wholly with all its resident families, under Pradhan Mantri Jan Dhan Yojana (PMJDY), a national mission of financial inclusion of all households in the country. More than 200,000 new bank accounts have been opened under this scheme. The banks along with the district administrations first identified the families that did not have a bank account. These families were later helped by the nationalised and regional rural banks to secure their bank accounts. □

COMPREHENSIVE PROJECT FOR ARUNACHAL PRADESH, SIKKIM

The Centre has earmarked an amount of Rs 3199.45 crores to build a reliable state power grid boosting the connectivity to the upcoming load centres, through a comprehensive project for the north eastern states of Arunachal Pradesh and Sikkim that will strengthen the power transmission and distribution systems in these two states. The project is expected to provide benefits of the grid connected power to all the consumers that will also include the facilitation of construction of power supply to upcoming hydro power plants in the state. Apart from this, a regional research station of Central Institute of Temperate Horticulture in the state has also been given the nod by the Union Agriculture Ministry. The Centre has also cleared the pending un-awarded package of Trans Arunachal Highway projects have also been cleared by the Centre and soon, the East-West Industrial Corridor Highway from Bhairavkund to Ruksin will also be approved. Ten male and female personnel in Delhi police will be recruited from the North Eastern states to provide assistance and security to the people from the region in Delhi. Besides these approvals, a comprehensive telecom plan for Northeast last, providing 2G mobile coverage services in unidentified and remote areas of Arunachal and to ensure reliability of redundancy in transmission network at state capitals and district headquarters was also approved. □

EXPANSION OF ROAD NETWORK IN NAGALAND

The Centre will aid in the expansion of the road network in Nagaland for construction of Phase-II road from Chuchuyimlang to Yali via Salulemang, Longra Yangpi, that is expected to cost Rs.38 crores. This road from Chuchuyimlang to Yali via Salulemang, Longra Yangpi connects three districts of Nagaland State namely, Longland District, Mon District and Tuensang District. Construction of new roads and extension of the road network will be a boon for the locals living in remote far flung areas in the state of Nagaland where the existing Rail and Air transport are inadequate. Rain water harvesting and ground water recharging have also been stressed upon to assure round the year availability of water in addition to ecological and environmental sustenance. □

GUWAHATI IS THE FIRST COMMISSIONERATE IN NORTH EAST

The capital city of Assam has become the commissionerate in the north eastern region with the new police system in place to check the growing instances of crimes like land grabbing and other crimes to make the city more safer and free from crimes. This commissionerate will also look into the 7000 cases of crime that are pending and will also seek to redress the complaints of the policemen. □

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* (12 tests by CL, 1 by UPSC)

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YE-320/2014

Digital India Programme : A Public Administration Reformation Initiative

*Yogesh K Dwivedi
Nripendra P Rana
Antonis C Simintiras
Banita Lal*



...the DIP can be viewed as a truly revolutionary initiative. By providing the opportunity to educate and enhance the digital skill set of potentially the whole population, the Programme has the potential to create an environment of not just digital but overall social inclusion - the optimal state of a nation is to achieve social inclusion of all citizens which can partially be attained through digital inclusion

PUBLIC Administration reformation enabled by Information and Communication Technologies (ICTs) is argued to have the potential to provide several benefits and opportunities for various stakeholders (Dwivedi et al., 2013ab). Examples of such benefits include: transformation of public organisations in terms of efficiency, responsiveness, effectiveness, transparency, reduced bureaucracy, better communication and coordination, and most importantly, it can enable the delivery of, and access to, citizen-centric ICT-enabled government services anytime and anywhere (Dwivedi et al., 2013ab).

Although India initiated such reformation in the form of e-government during the late 1990s, which gained further momentum after the launch of the National e-Governance Plan (NeGP) in 2006, the country is still lagging behind 117 countries in the World E-Government Development Index (UN e-Gov Survey, 2014). A previous Yojana article by Dwivedi et al. (2013b) identified several

reasons that were arguably hampering India's effort towards becoming an equitable information society and knowledge economy. Examples of the reasons identified included: the fragmentation of ICT-based systems at the central, state and district levels; the lack of system integration; the last-mile bottleneck; insufficient locally situated common service centres (CSCs); lack of awareness, access and use of e-government services; poor digital literacy; lack of availability of e-services in regional languages, lack of trust as well as security and privacy concerns (Dwivedi et al., 2012; 2013b; Rana et al., 2013).

In addition, the said article went on to make several recommendations including: the need to map existing systems, the need to streamline and integrate emerging systems; the use of a mobile platform for service delivery; the development of voice-based mobile applications; the provision of widespread training to equip citizens with adequate ICT skills; an increase in the number of CSCs to reachable distances in all rural communities; the provision of e-services in regional

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languages; and the need to establish the perception of trust and security in the electronic environment as necessary conditions for effective ICT-enabled Public Administration reformation within the Indian context (Dwivedi et al., 2013b).

Recently, the Government of India (GoI) announced a new exemplary initiative which reflects almost all the aforementioned points as identified by Dwivedi et al. (2013b). Hereafter, this article aims to provide an overview of this landmark initiative - known as the 'Digital India Programme' - that, if executed effectively, will have a significant and a positive impact on India's socio-economic development and Public Administration reformation.

Outlining the Digital India Programme

The Digital India Programme (DIP) is a cross-ministry initiative which aims to transform India into a digitally-enabled and empowered information society and knowledge economy (DI Presentation, 2014; PIB, 2014). The Programme, which seems like a larger-than-life-sized reincarnation of NeGP, conceived by the Department of Electronics and Information Technology (DeitY) of GoI, has been allocated more than a trillion rupees for its successful execution (DI Presentation, 2014; PIB, 2014). The DIP was approved by the Cabinet on 20th August 2014 and has set an ambitious target to be completed by the year 2018. The main goal of this colossal transformational initiative is to radically redesign and digitise government processes and make government services available and accessible electronically as well as to contribute towards new employment generation (DI Presentation, 2014; PIB, 2014).

The vision of DIP is centred around the following three key areas: (1) Infrastructure as a utility to every citizen; (2) Governance and services on demand; and (3) Digital empowerment of citizens

(DI Presentation, 2014; PIB, 2014). These three key areas are depicted in Figure 1 and further elaborated in the following paragraphs.

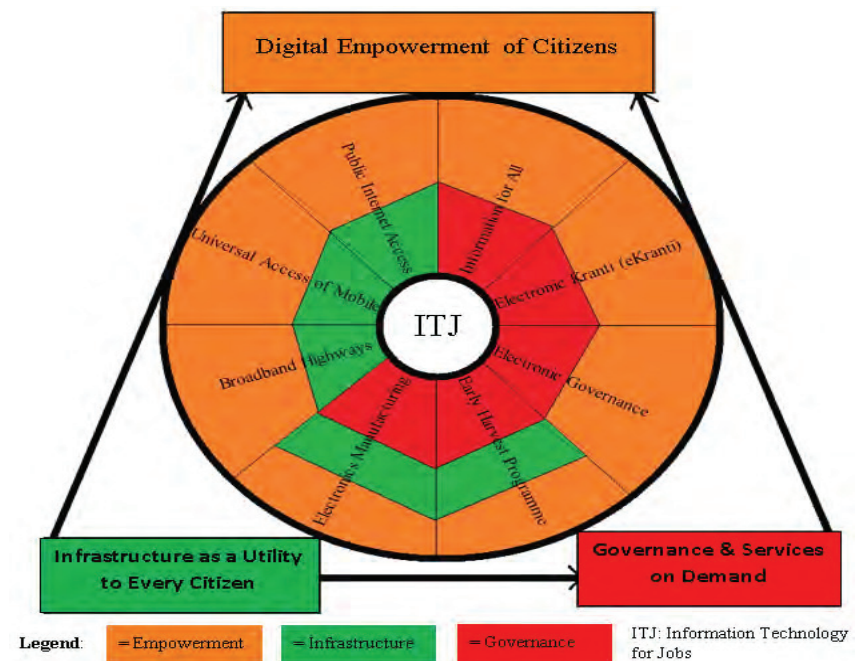
The first key area of 'infrastructure as a utility to every citizen' includes: high speed Internet access to be made available in all *gram panchayats* with the view to digitally empower citizens; the provision of vital digital identity (i.e., unique, lifelong, online, and authenticable) to citizens; enabling citizen participation in the digital and financial space by means of mobile phones and bank accounts for their socio-economic empowerment; the provision of easy access to a CSC, which is a locally situated, multi-functional end-point for service delivery to citizens; the provision of shareable private space accessible on a public cloud; and the establishment of a safe and secure cyberspace in the country that would facilitate the wider adoption and use of electronic services (DI Presentation, 2014; PIB, 2014).

The second key area of 'governance and services on demand' encompasses the following: there should be a seamless integration across departments or jurisdictions

for providing an easy and single window access of various government services to various stakeholders; and such government services should be made available in real time by utilising online and mobile platforms. In order to ensure easy access of information, various entitlements of each citizen should be available on the cloud. Furthermore, ease of doing business should be ensured and facilitated by creating digitally transformed government services, which should enable and facilitate electronic and cashless financial transactions. Finally, there should be the utilisation of integrated electronic government systems for decision support and development (DI Presentation, 2014; PIB, 2014).

The thrust of the third key area of 'digital empowerment of citizens' entails: imparting digital literacy amongst Indian citizens; making digital resources widely accessible; for easy and ubiquitous access, all government documents/certificates should be made available on the cloud; to encourage widespread adoption and use, digital resources and/or services should be made available in regional languages; in order to develop a culture

Figure 1. Digital India Programme: Three Key Areas and Nine Pillars



of participative governance, there should be the provision of collaborative digital platforms; and all entitlements for individuals should be made portable through the cloud (DI Presentation, 2014; PIB, 2014).

DIP has also identified nine pillars that are essential for achieving the three key areas described above. These pillars are: (1) Broadband Highways; (2) Universal Access to Mobile Connectivity; (3) Public Internet Access Programme; (4) e-Governance-reforming government through technology; (5) eKranti - electronic delivery of services; (6) Information for All; (7) Electronics Manufacturing; (8) IT for Jobs; and (9) Early Harvest Programmes (DI Presentation, 2014; PIB, 2014).

Broadband Highways as a pillar will cover broadband for all rural and urban areas and also the integration of the national information infrastructure. The second pillar is focused on creating infrastructure for the ubiquitous mobile connectivity. The third pillar entails the establishment of an adequate number (for a total of 2,50,000 villages) of locally situated CSCs by March 2017, as well as 1,50,000 Post Offices to become multi-service centres within the next two years. As a fourth pillar, the government has planned to reform through technology (i.e., e-Governance) coupled with Business Process Re-engineering (BPR), which includes form simplification, online application and tracking, use of online repositories, integration of services and platforms, automation of workflow, and use of an automated public grievance redressal system for resolving citizens' issues (DI Presentation, 2014; PIB, 2014).

The fifth pillar entails the provision of touch points for citizens for accessing government services. It is concerned with the electronic delivery of services using eKranti which is divided into various categories such as e-Education, e-Health, technology for planning through GIS-based decision making, technology for farmers using online ordering of inputs, technology

for security, financial-inclusion through mobile-banking and a micro ATM program, e-Court, e-Police, e-Jails and e-Prosecution. The sixth pillar is information-for-all where the government pledges to provide online hosting of information and documents as well as to proactively engage itself with social media to keep citizens updated with various important information (MyGov.in portal has already been launched for this purpose), and online messaging to citizens on special occasions (DI Presentation, 2014; PIB, 2014).

...both infrastructure and streamlined e-services coupled with governance are essential for realising true digital empowerment of citizens, since a weakness in any of these key areas will act as an impediment in transforming India into Digital India. Even more important is a real focus on the area of 'digital literacy' as both infrastructure and streamlined e-services will be of no value if end users lack awareness of what is available to them, as well as if they lack the requisite skills and confidence to use ICT-based systems.

The seventh pillar encompasses electronic manufacturing where the government's target is to manufacture all electronic items in the country in order to achieve a net zero import target by 2020. However, the existing structures are not sufficient to attain this objective and many ongoing programmes are planned to be fine-tuned to achieve this significant landmark. The eighth and one of the most important pillars of DIP is to create ICT-based jobs. To achieve this objective, the government plans to train people in smaller towns and villages for IT sector jobs, setting up IT Enabled Services (ITES) in the North-Eastern States in order to train service delivery

agents to run sustainable business-delivering IT services and to ensure that telecom service providers train the rural workforce to make them ready to help themselves. Finally, the ninth pillar, that is the Early Harvest Programme, has already started functioning with the aim to have an IT platform for messages, government greetings being available through e-Greetings and provisions for biometric attendance in the government offices. The initial phases of the Early Harvest Programmes have already been achieved (DI Presentation, 2014; PIB, 2014).

Evaluation and Recommendations

We consciously used the terms 'Exemplary' and 'Landmark' for the Digital India initiative as, in our view, it is 'holistic' and 'inclusive' in nature and based on a long-term sustainable vision.

By 'holistic', we refer to the DIP's focus on all essential and inter-connected aspects, namely infrastructure development, integrated and streamlined electronic services, and digital literacy of citizens. As illustrated by Figure 1, both infrastructure and streamlined e-services coupled with governance are essential for realising true digital empowerment of citizens, since a weakness in any of these key areas will act as an impediment in transforming India into Digital India. Even more important is the real focus on the area of 'digital literacy' as both infrastructure and streamlined e-services will be of no value if end users lack awareness of what is available to them, as well as if they lack the requisite skills and confidence to use ICT-based systems. DIP is 'inclusive' as it is not just focusing on the development of urban areas. Rather, equal or more attention is being given to the development of the rural population. If successfully implemented as conceived, the impact of Internet connectivity (via broadband, mobile and public Internet access points) will be significant in terms of bridging the 'digital divide' between the urban and rural population and

creating an inclusive and equitable information society and knowledge economy.

We termed it ‘Landmark’ considering its scale (in terms of scope, budget, benefits and ambitious timeline for completion), its transformational nature, as well as its contribution towards skill development and employment generation on a massive scale, as the DIP has projected 1.7 crore direct job creation and 8.5 crore indirectly (DI Presentation, 2014; PIB, 2014). No previous Indian digital initiative can match the DIP on such scale. Its landmark nature is also clearly evidenced through interest shown by the largest global IT firms (such as Google, Microsoft) and associations such as NASSCOM to contribute to this initiative. Furthermore, one can term it a landmark initiative as it will have a significant influence on the dynamics and structure of consumer retailing in rural areas due to the widespread emergence of electronic commerce (a more encompassing term would be digital and social commerce) and digital marketing. It is because of its ‘Exemplary’ and ‘Landmark’ nature that the DIP is prominently lauded by industry leaders as well as covered by both Indian and the international media.

The projected benefits of the programme will only be realised when the DIP is completed, wholly or partially. Given that India currently has a strong and stable government, we believe a large part of it (particularly the technical and infrastructural aspects of it) is likely to be completed as planned since some elements have already either been piloted or implemented. For example, employees' attendance monitoring using biometric technology is well underway in a phased manner. However, the digital literacy and human development aspects may take longer as reaching out to all, imparting skills and awareness and changing their attitudes is not only a mammoth but a complex task that can take many years to achieve at an

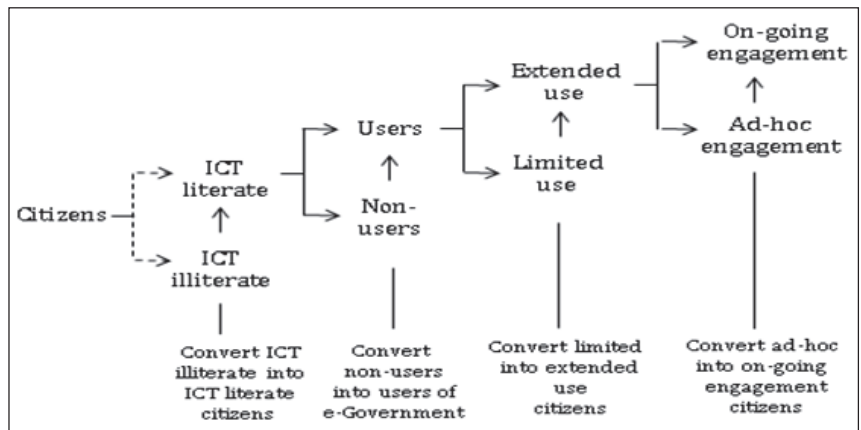
effective level. We recommend a clear, systematic and targeted approach to be used for promoting and developing digital literacy, particularly to the rural population.

Although there is no magic bullet to help yield digital literacy to all within a specific and tight timeframe, adopting a marketing-oriented segmentation and targeting strategy would more than likely facilitate the process in an effective manner. Figure 2 illustrates a Marketing-Oriented Citizen Engagement Framework (adopted from Simintiras et al., 2014) which can help in the effective promotion of digital literacy. In short, the said Citizen Engagement Framework (CEF) argues to segment citizens based on ICT literacy and the different level of usage behaviour of ICT-enabled services. CEF ‘offers a progressive pathway of “conversions” in the ladder of adoption and engagement’ as it recommends ‘three levels of usage behaviour (i.e., non-users, light users and heavy users) and two levels of engagement (i.e., ad hoc engagement and ongoing engagement)’ as a basis to direct strategic focus to: ‘1) convert non-users into users; 2) convert light users into heavy users; and 3) convert ad hoc engaged citizens into citizens with ongoing engagement’ (Simintiras et al., 2014, p.2). Readers are encouraged to refer to the Simintiras et al. (2014) article for further insight regarding the CEF.

The DIP has included different approaches (i.e. broadband, mobile, public Internet access points) to offer Internet connectivity and for the provision of CSCs for accessing government services. These are effective approaches to bridge the digital divide and ultimately, to facilitate digital inclusion. However, there is a bigger obstacle that must be given thought at this stage. A large number of Indian villages still do not have an electricity supply and power outages are common in a large part of India. Thus, home Internet connections, CSCs and public Internet access points would not be useful (hence, all investments on these will be sub-optimal) unless there is an uninterrupted electricity supply. In order to overcome this problem, CSCs and public Internet access points should be powered by a supply of electricity that has been generated by alternative means, such as solar or wind power. In order to harness the maximum potential of CSCs and to provide access to government services electronically on a 24/7 basis, each CSC should be accompanied with the installation of solar panels of adequate capacity. We believe this will not only provide sustainability and continuity to the DIP agenda, but will also create awareness and a positive public attitude towards alternative power sources.

The DIP has the provision of developing and piloting ‘Massive Online Open Courses (MOOCs)’

Figure 2. The Citizen Engagement Framework (CEF) for promoting effective Digital Literacy



(Source: Adopted from Simintiras et al., 2014, p.4)

which is a cutting edge innovation yet to be tested and adopted widely. Such innovation requires attitudinal change in order to be widely adopted. For that, it is important to have user involvement during its development. Furthermore, a few large scale pilots coupled with ethnographic research should be conducted before launching the initiative on a wider scale.

The condition of state-run schools, particularly in not-so-advanced Indian states, is not promising. Teachers are not well trained and are poorly skilled for using digital technologies. In that backdrop, it is simply not enough to just connect schools with broadband. Teachers should be trained on how to utilise digital technologies for delivering education and engaging students and their parents. Perhaps a benchmarking study in this regard from South Korea, which is one of the world leaders in terms of broadband penetration, would be beneficial. Schools played an important role in encouraging the widespread adoption of broadband connectivity in South Korea that is currently ranked #1 by a recent survey on the world E-Government Development Index conducted by the United Nations (UN e-Gov Survey, 2014). Broadband connectivity, availability and use of e-books, and imparting ICT skills at the school level will be immensely valuable as it will provide Indian children with the opportunity to become 'digital natives' which, in turn, will help to remove the digital divide within the next 20 years.

Based on the available information, one area that is deficiently covered in the DIP is the provision for the evaluation of different elements as and when they will be completed. Dwivedi et al. (2013b, p.33) argued that: 'evaluation is essential in order to examine if the desired value is being achieved and if there are any lessons that need to be learned for the development of future electronic services. Without effective evaluation, similar mistakes can be made again.'

Particularly in a country like India where corruption is prevalent at all levels, evaluation of various projects through a 'third eye' is critical to ensure that the DIP is moving towards the right direction. By a 'third eye' here, we refer to academics and research scholars (both from India and overseas higher education institutions) who can conduct methodologically rigorous and independent evaluations of all individual projects. Unfortunately, there is currently little or no indication of such involvements.

By providing the opportunity to educate and enhance the digital skill set of potentially the whole population, the Programme has the potential to create an environment of not just digital but overall social inclusion - the optimal state of a nation is to achieve social inclusion of all citizens which can partially be attained through digital inclusion.

The DIP offers an extremely valuable opportunity to involve doctoral students from various disciplines (technology, business and management, the social sciences) and provide a unique and conducive environment to conduct interdisciplinary as well as transdisciplinary research. Such a provision will not only contribute towards the successful completion of the DIP, but would also contribute towards developing an interdisciplinary/transdisciplinary research workforce and research culture and also bring academia more closely to other public and private sector organisations. Thus, we believe academic involvement and evaluation is an essential ingredient of the DIP which is currently missing.

We now present our final thoughts about India's transformational journey which intends to reincarnate today's India into 'Digital India' by 2022. By launching the Digital India Programme, the GoI has developed a path for this transformational journey. Although the path to achieving the desired state of

'Digital India' seems largely smooth, it is by no means a straightforward one and has some stumbling blocks and impediments as discussed above. The National Informatics Centre (NIC) is largely unprepared for facing stumbling blocks and impediments that Digital India will encounter. Hence, a true metamorphosis of the NIC is essential which, in turn, can lead to a good possibility that the metamorphosis from present day India to Digital India can be achieved. However, a further condition is that this journey has to be continued uninterrupted until reaching the end destination. It is also of utmost importance that during this journey, Indian citizens should be constantly updated, engaged and skilled/trained to appreciate and prepare for the transition to transformed Digital India.

Upon reflection of the Digital India Programme and the various factors that need to be considered at all stages of the Programme - including the development, implementation and adoption - the DIP can be viewed as a truly revolutionary initiative. By providing the opportunity to educate and enhance the digital skill set of potentially the whole population, the Programme has the potential to create an environment of not just digital but overall social inclusion - the optimal state of a nation is to achieve social inclusion of all citizens which can partially be attained through digital inclusion. Thus, the DIP provides not only a promising but an exciting opportunity for the whole of India. In order to make this vision a reality, nevertheless, requires a cultural transformation of Indian citizens and their habits - possibly the most critical yet enthralling challenge facing the creators of the DIP.

We can be confident in asserting that if the Programme achieves the expected results then, in the new economy, India would be in a perfect position to succeed and to sustain positive national growth, which is a crucial element in enhancing India's global competitiveness. The future for India, as the ambitious DIP suggests, is bright.

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55,000 villages to get Telecom network by Dec 2016

Mobile connectivity will be given to nearly 10 per cent of Indian villages that are still unconnected by December 2016. Of the 6,00,000 villages in the country, about 55,000 are still awaiting mobile connectivity. These villages fall primarily under the red corridor - an area affected by left-wing extremism - and in the North East. This move will give a major thrust to the Digital India Programme. Under the 1.13 lakh crore mega Digital India initiative, the government aims to connect the entire country with broadband Internet and deliver services electronically through mobile phones.

Recently, the Cabinet had approved spending of Rs 5,300 crore to install 6,673 telecom towers across 8,621 villages, primarily to boost telecom network along the national highways in the Northeast. Setting up mobile phone network in the Naxal-affected regions is one of the long-pending demands of the Home Ministry.

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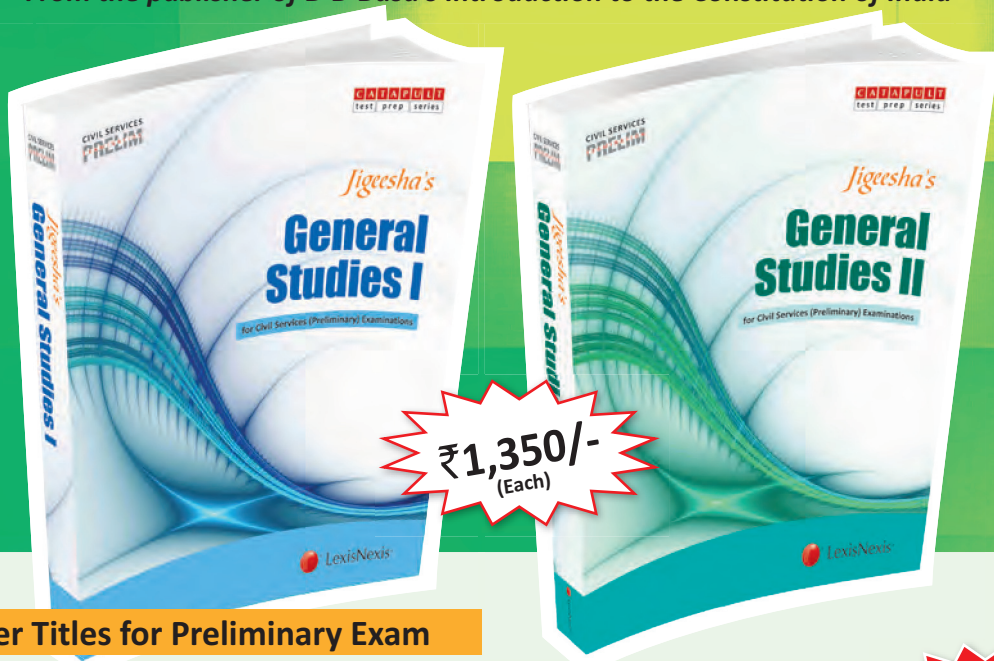
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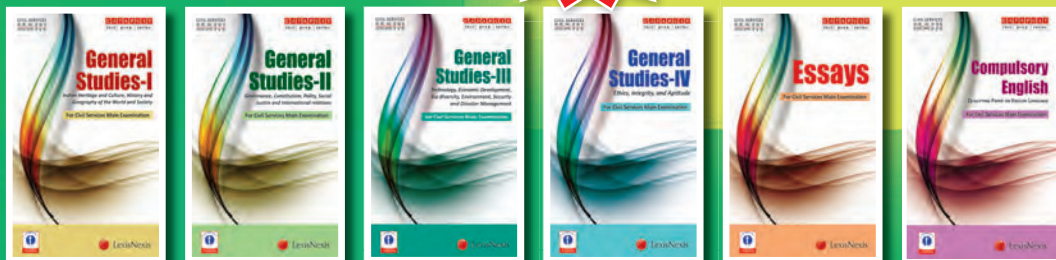
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Exploring Union Model of Indian Federalism

Ajay Kumar Singh



In more than six decades of its working, Indian federalism has shown enough resilience to accommodate societal pressures for federalisation of polity, economy and society. What we need is reorienting our federal-political culture towards establishing a more inclusive polity where 'demos' have adequate institutional space for decision-making within the broader constitutional framework of India

IN LITERATURES and in practice, we find two distinct federal traditions - one based on the classical federal traditions where nature of contract (or compact) determines the extent of state rights, and it selectively reserves the role of federal government to the areas of defence, foreign affairs, communications and currency. It is broadly premised on a legal framework of division and sharing of sovereignty. It is theoretically characterized as dual federalism. However, in post-classical traditions, mostly found in post colonial polities like India and Canada, federalism per se is perceived doctrinally as (i) pragmatic constitutional policies of nation building and state formation where basic objective is the formation of a federal union and a federal nation to which, each layer of government maximally contributes by fine tuning state- society relationships on one hand, and coordinates interstate or inter agency relationships on the other. The emerging pattern of federal governance is both autonomous and unified; (ii) noncentralised or decentralized governance without hierarchy and subordination. It is participatory in ethos and characteristically coalitional in governance; (iii) empowerment and welfarism, an instructive reminder

to State to adhere to developmental policies in a manner as to conform to the broad principles of justice and equity, and overall to the broad contours of the universal principles of Right to Life; (iv) securing federative rights of the people, polity and nation. In other words, it amounts to recognition of the principle that federalism is primarily a 'demos' facilitating principle where constitutive rights of the people such as (a) right to identity, (b) right to development, and (c) right to self governance are duly codified as inalienable rights of the people. Federal units too have constitutive federal rights to autonomy and jurisdictional independence. "In a typical federal system...", writes Murray Forsyth, "the status of member units may be defined in terms of three constitutionally sanctioned rights: **the right of existence**, including in particular, the right of the unit not to have its territorial boundaries changed or abolished unilaterally by the Centre; **the right of autonomy**, with regard to both legislation and administration, which may include not only the right to administer the unit's own laws but also, as the German example reminds us, the constitutionally entrenched right to administer the laws of the central government; and finally **the right to participate** [formally and informally]

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in the formation of the political will of the centre. This last right reminds us that the constitutionally guaranteed rights and autonomy of the units of a federal system do **not** mean that the units are completely separate and detached from the Centre but are engaged in a continuous dialogue with it."¹

At the third level, federal nation and its organic federal polity (read federal government) has significant (a) right to integration, (b) right to governance of common areas of interest, (c) right to coordination of the institutions of 'self and shared governance'; and (d) peace building and conflict resolution through various constitutional, political and social apparatuses of negotiations, boundary specifications and promotion of collective interests. Viewed in this perspective, federalism may be defined as institutional matrix of networked relationship, which acknowledges supremacy of the constitution, separation of powers and autonomous machinery of mediation and conflict resolution. In this context, it is worth mentioning that federalism does not offer any ideal type. It defies theoretical singularity and definitional monocentricity. It generically refers to a grand design of "living together", which is definitionally simplified by Daniel J. Elazar in his seminal work *Exploring Federalism*, 1987 as "self-rule plus shared-rule. Federalism thus, defined involves some kind of contractual linkage of a presumably permanent character that (1) provides for power sharing, (2) cuts around the issue of sovereignty, and (3) supplements but does not seek to replace or diminish prior organic ties where they exist."²

Methodologically speaking, federalism always requires a model-centric appraisal than a single stroke theoretical generalisation. This also holds true of the Union Model of Indian Federalism, which characteristically combines and harmonises the features, sometimes diametrically opposite and contradicting as well,

of (1) dual federalism, wherein sovereignty of jurisdictions of each unit of government is constitutionally elaborated and legally protected by an independent judiciary. Jurisdictional sovereignty is duly acknowledged principle of Indian constitutionalism, which cannot be altered even by any organ of the parliamentary polity of India; (2) cooperative-collaborative federalism striving towards either a rule based or politically negotiated consensual framework of governance. Interestingly, Indian constitution is probably the best worked out federal constitution of the world providing adequate framework of institutionalised cooperation and negotiated settlements of disputes. Cooperation is both formally and

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informally produced through complex parliamentary –political processes; and, (3) interdependent –organic federalism seeking to promote reciprocal dependence without any critical loss of autonomy, subordination and subjugation of unit governments. If unit or provincial governments heavily depend on union government for fiscal help and infrastructure–developmental grants, the union government relies upon states' infrastructure not only for the collection of taxes, but also for the execution of federal policies and programmes.

Being distinctively federal, the union model distinguishes itself from other federations through critical harmonisation of otherwise opposite phenomena of unionisation—(i) regionalisation; (ii) centralisation-decentralisation, and (iii) autonomy-integration. Constitution consciously blends them to promote unity of polity and plurality of society through ideational interface of the core values of democracy, secularism, multiculturalism and nationalism. As a result, federalism in India emerges as grand theory of freedom preserving and justice promoting doctrine. It at once is unifying and pluralising. Constitution in its intent recognises federalism both as means and as an end. As a means, federalism must promote democracy, secularism and multiculturalism. And as an end, it constitutes one of the super structures, un-amendable and unalterable, to which constitutional articles and governmental policies must conform to. As matter of fact, the constitution of India offers both a metatheory and functional principles of federalism. As a metatheory, Indian federalism is akin to Johannes Althusius's principles of 'association' and symbiosis where symbiotes communicates " (1) things, (2) services, and (3) common rights (jura) by which the numerous and various needs of each and every symbiote are supplied, the self sufficiency and mutuality of life and human society are achieved, and social life is established and conserved."³ After a careful reading and deconstruction of constitutional idioms and discourses on authority, power, sovereignty and democracy, one can fairly conclude the following functional principles of federalism in India. (1) Federalism as 'public good', i.e. securing in the best possible manner common good and developmental and security interests of the people as both individual and group. (2) Federalism as principle of independent and interdependent governance, broadly conforming to the principles of equity, accountability, subsidiarity and greater representation and participatory

decisions. (3) Federalism as principle of diversity accommodation and ethnic self-governance. (4) Federalism as principle of promoting civic-territorial nationalism, which is ethically neutral, politically associative, economically inclusive and socially cohesive. The working mantra of federal nationalism is 'unity in diversity.'

Unfortunately, Indian federalism is probably the least researched, but much abused constitutional principle. This is probably due to regimented reading of federalism merely as 'centre-state relations', wrong construction of union as unitarian, and weak comparative analogy and prototyping with classical federations. Weak methodology has led to the absurd propositions such as (1) India is federal because it has not been constitutionally declared as unitary; (2) it is unitary because the application of the word 'federal' is constitutionally missing and the provision of a strong centre causes more centralisation than decentralisation; (3) it is quasi-federal because distribution of powers has selective attributes of dual and cooperative federalism; (4) it is centralised federalism because of the constitutional salience and overwhelming impact of the word 'union' and the extremely restricted and limited regional jurisdictions; (5) It is a parliamentary federalism as the constitutional phrases, idioms and narratives have largely been modelled on the pattern of English constitutionalism with occasional reference to Euro-American tradition of jurisprudence ; and (6) as hypothesised by the Supreme Court of India in **S R Bommai case (1984)** "the state qua the constitution is federal.... Qua the union, state is quasi-federal"⁷⁴ However, in the same judgement, union was construed by justice K Ramaswamy as a federal state, "a political convenience intended to reconcile national unity and integrity and power with maintenance of state's right... The end aim of the essential character of the Indian federalism is to place the nation as a whole under

control of a national government, while the states are allowed to exercise their sovereign power within their legislative and co extensive executive and administrative sphere."⁷⁵ These weak methodological formulations are contrary to the founders' vision of union constitutionalism (one of the original contributions of India to the world of knowledge) and its federalism. In this context, one would like to mention that the founding fathers deliberately avoided any doctrinal fixity; instead, they innovated and scripted a new form of federalism, which retains the metatheoretical propositions and core philosophy of federalism, but departs in its structural designs and framework of resource distribution

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and power relationships. It is precisely the reason that an eminent scholar of India's constitutional law M P Jain has to comment that the " Indian federal scheme while incorporating the advantages of a federal structure, yet seeks to mitigate some of its usual weaknesses of rigidity and legalism. It does not, therefore, follow strictly the conventional or orthodox federal pattern. Along with adopting some of the techniques developed in other federations for making the federal fabric viable, it also breaks down new ground and develops some novel expedients and techniques of its own, and is thus characterised by several distinctive features as compared with other federal countries."⁷⁶ Being distinctively federal, even otherwise unfederal characteristics have federal significance. This holds true of

the centralisation features of the constitution.

Constitutional Semantics of Federalism

As a pre theory, one would like to draw the attention towards three formative documents- (i) Letter from Rajendra Prasad to K T Shah dated December 26, 1946; (ii) First Report of the Union powers Committee dated April 17, 1947, and (iii) Jawaharlal Nehru's forwarding letter to the President of the Constituent Assembly on the Second Report of the Union Powers Committee dated July 5, 1947. In these documents, it is fairly established and as categorically stated by Jawaharlal Nehru in his above mentioned letter "Now that partition is a settled fact, we are unanimously of the view that it would be injurious to the interests of the country to provide for a weak central authority which would be incapable of ensuring peace, of coordinating vital matters of common concern and of speaking effectively for the whole country in the international sphere. At the same time, we are quite clear in our minds that there are many matters in which authority must lie solely with the units and that to frame a constitution on the basis of a unitary state would be a retrograde step, both politically and administratively. We have accordingly come to the conclusion that the soundest framework for our constitution is a Federation with a strong centre."⁷⁷ What notionally the strong centre means? It is the possession of certain power that characterizes a centre as strong or weak. But such power-attributes do not go without corresponding responsibilities. Thus, for one of the members of Constituent Assembly "the attributes of a strong centre are that it should be in a position to think and plan for the well being of the country as a whole, which means that it must have the authority not only to coordinate the activities of states during times of stress and strain, but also the power of initiative to give directions to the various provinces in

regard to the economic development of the country. The second attribute of a strong centre is that it should be in a position to supply the wherewithal to the provinces for their better administration whenever the need arises. The third attribute is that it should have the right in times of stress and strain to issue directives to the provinces regulating their economic and industrial life in the interests of the country as a whole. The fourth attribute of a strong centre is that it must have sufficient powers to protect the country against foreign aggression as also internecine warfare the fifth attribute is that it must be powerful and strong enough to represent the whole country in the international spheres.”⁸ However, notion of strong centre cannot override the idea of provincial autonomy, because the very idea of strong centre is itself conditional to the existence of certain national and international exigencies. In normal times, strong centre is bound to respect provincial autonomy and to work towards the promotion of federal democracy and local self-government. Impliedly, in the constitutional framework of India, centre and states are integral to an organic entity called union, representing India as one social, political and economic union. For that matter, even sub provincial structures of self and shared governance are part of the body called union. States and centre are constitutionally obliged to achieve the national, regional and local goals of the union. Neither of the structures is independent of the other. This is what the constitution bench of India has concluded in the famous **Bommai Case**. The court writes:

“Federalism envisaged in the constitution of India is a basic feature in which the union of India is permanent within the territorial limits set in Article 1 of the constitution and is indestructible. The state is the creature of the constitution and the law made by Articles 2 to 4 with no territorial integrity, but a permanent entity with its boundaries alterable by a law made by parliament.

Neither the relative importance of the legislative entries in Schedule VII, Lists I and II of the constitution, nor the fiscal control by the union per se are decisive to conclude that the constitution is unitary. The respective legislative powers are traceable to Articles 245 to 254 of the constitution. The state qua the constitution is federal in structure and independent in its exercise of legislative and executive power. However, being the creature of the constitution the state has no right to secede or claim sovereignty. ... Both are coordinating institutions and ought to exercise their respective powers with adjustment, understanding and accommodation to render socioeconomic and political justice to the people, to preserve and elongate the constitutional goal including secularism”.⁹

The theory of federalism as propounded by the Constituent Assembly is that of Jurisdictional federalism, which methodologically applies centre-periphery and non centralised matrix models of power sharing, negotiated or circumstantial transfer and delegation of authority, a cooperative and organically interdependent framework of federal governance, where notion of autonomy has qualified application.

The theory of federalism as propounded by the Constituent Assembly is that of Jurisdictional federalism, which methodologically applies centre-periphery and noncentralised matrix models of power sharing, negotiated or circumstantial transfer and delegation of authority, a cooperative and organically interdependent framework of federal governance, where notion of autonomy has qualified application. The federal consequence of the word ‘union’ ceases beyond the recognition of the fact that Indian polity is non-contractarian in origin, and that the

states do not have right to secede. It represents integral unity of the polity and people, “the country is one integral whole, its people a single people living under a single imperium derived from a single source.”¹⁰

Constitutional Rationality of Centralisation

Union model is often critiqued as causing excessive centralisation. However, more we deconstruct the founders’ intent and working of constitutional principles on centralisation, one is fairly convinced that centralisation is not only temporary and transient, but it also has the national purpose and polity maintenance function, besides occasionally being welfare oriented. It has been construed as nation preserving, constitution maintaining and welfare oriented doctrine to be applied only during exigencies, and not during normal times. Centralization has been construed as means to protect national unity and integrity, to promote nationalization and national governance. It is unitarian in ethos. Centralization is broadly of two types – (i) centralization for reasons to maintain the constitution, and to protect the national unity and security of India, including its parts; and (ii) centralization for serving and securing larger national and public interests. In the first category, we find two major subtypes, namely **circumstantial centralization**, and **consensual centralization** or **centralization by consent**.

Circumstantial centralization is mainly on account of the emergency provisions of the constitution, wherein the union is entrusted with the responsibility of (i) protecting the units of the federation from external aggression, internal disturbances, subversive terrorist activities and armed rebellion against the state; (ii) maintaining the constitution i.e. to ensure that government of every state is carried on in accordance with the provisions of the constitution. By virtue of this provision, the constitutional-

political order is restored in the event of maladministration, ministerial crisis emerging in the event of unclear electoral verdict or hung assembly or governmental instability caused by the frequent defection and breakdown of party system, natural calamities and other such physical and political breakdowns which render the government of the day ineffective; (iii) protecting the unity and integrity of the federal union and federal nation in a situation when a particular government itself goes against the territorial integrity of India or subverts the constitutional process in the state; and, (iv) ensuring financial stability or credit of the union and the units. Under the various provisions of the emergency articles of the constitution, the union parliament assumes to itself, certain regulatory powers which otherwise affect the normal distribution of competences between the union and the states. The union can confer onto itself competences to make laws with respect to any matter of state list or on those subjects on which state legislature is competent to legislate. "The executive power of the union shall extend to the giving of direction to any state as to the manner in which the executive power thereof is to be exercised", says Article 353(a). Further, the union can make such incidental or consequential provisions (in order to give effect to the objects of proclamation) for "suspending in whole or in part the operation of any provisions of this constitution relating to anybody or authority in the state", (Article 356(c)). On the fiscal front, the executive direction of the union may seek from the state observance of such canons of financial propriety as may be specified in that executive orders of the union, besides seeking that all money bills of the state to be reserved for the consideration of the President.

On the other hand, **consensual centralization** refers to centralization of federal powers on the basis of express consent of the states or on the basis of authorization by the council of

states. Assigned centralization takes place when two or more states request the centre to legislate a common law or laid down the common policy framework on the matters of mutual concern. Thus, Article 252 provides that "if it appears to the legislatures of two or more states to be desirable that any of the matters with respect to which parliament has no power to make laws for the states...should be regulated in such states by parliament by law, and if resolutions to that effect are passed by all the houses of the legislatures of those states, it shall be lawful for parliament to pass an act for regulating that matter accordingly,

Region, regional and regionalisation have been constitutionally documented as autonomous space for the formation of future polities, a site of further democratisation and decentralisation of governance, promotion of ethnic self-governance and a potential locale of finding content for federal nationalism. In addition, it is also a space preserving societal autonomy and a check post for restraining state from becoming unfederal and undemocratic.

and any act so passed shall apply to such states and to any other state by which it is adopted afterwards....". Two important things to be taken note of are: (i) the consent must be based and backed by the legislative resolve of the concerned states, and (ii) parliament's power to make law is restricted only to the transferred subjects of state list, either in whole or parts. If transfer of Jurisdiction is in parts, the concerned legislature retains its legislative competence on non-transferred area or part of the subject. Further, Article 249 provides "if the council of states has declared by resolution supported by not less than two-thirds of the members present and voting that it is necessary or expedient in national interest that parliament

should make laws with respect to any matters enumerated in the state list specified in the resolution, it shall be lawful for parliament to make laws for the whole or any part of the territory of India with respect to that matter while the resolution remain in force". This provision too restricts or limits parliament's competence to the extent as specified in the resolution. A careful construction of the meaning of this provision would probably suggest that the constitution does permit for contextualized centralization for reasons of securing and serving national interests.

Federal Autonomy

Autonomy, decentralisation and regionalisation are as constitutionally entrenched as centralisation and unionisation processes are. Region, regional and regionalisation have been constitutionally documented as autonomous space for the formation of future polities, a site of further democratisation and decentralisation of governance, promotion of ethnic self-governance and a potential locale of finding content for federal nationalism. In addition, it is also a space preserving societal autonomy and a check post for restraining state from becoming unfederal and undemocratic. It is space allowing varied experimentations with autonomy arrangements. In fact, union model offers multiple opportunities for allowing multiple models of autonomy to be worked out. Each Article from 370 onwards and fifth and sixth schedules represents distinct models of autonomy. The extent of autonomy may range from granting of specific right to identity, right to development, and the right to self-governance. Autonomy is communitarian in appeal and functionally local. It is as integrating as centralisation is. It may take a federal route as well as a democratic passage. Essence of Article 40 may be worked out to promote local governance as self-sufficient unit of rural-urban governance. In fact, union model is flexible enough to

allow for innumerable forms of autonomy and decentralisation. In more than six decades of its working, Indian federalism has shown enough resilience to accommodate societal pressures for federalisation of polity, economy and society. What we need is reorienting our federal-political culture towards establishing a more inclusive polity where 'demos' have adequate institutional space for decision-making within the broader constitutional framework of India. To this end, constitution appears to be soundest one.

Author's note

(Some of the portions of the present text have been suitably adapted from the author's previous publications on the theme-(1) "Understanding Indian Federalism: A Reading into the Content, Intent and Working of the Distribution of Responsibilities" in A. Majeed (ed.), *Federalism within the Union: distribution of Responsibilities in the Indian System*, New Delhi :

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Beti Bachao, Beti Padhao



The Census(2011) data showed a significant declining trend in the Child Sex Ratio (CSR) at an all time low of 918. The sharp decline pointed out by this data called for urgent action to save the girl child. Towards this end, the government announced **Beti Bachao, Beti Padhao** (BBBP) scheme to address the issue of decline in CSR through a mass campaign across the country and focussed intervention and multi-sectoral action in 100 gender critical districts.

100 districts have been identified on the basis of low child sex ratio as per Census 2011 covering all states/UTs as a pilot project with at least one district in each state. The three criteria for selection of districts are a) districts below the national average(87 districts in 23 states); b) districts above national average but showing declining trend(8 districts in 8 states) and c) districts above national average and showing increasing trend(5 districts in 5 states) so selected, so that these CSR levels can be maintained and other districts can emulate and learn from their experiences.

A budgetary allocation of Rs 100 cr has been made under the budget announcement for the campaign and Rs 100 cr is to be mobilised from Plan outlay of the planned scheme 'Care and protection of girl child - a multi-sectoral action plan' for the 12th plan. Additional resources could be mobilised through corporate social responsibility at national and state levels. The estimated cost of the scheme is Rs 200 cr, out of which Rs 115 cr is proposed to be released during the current year i.e. 2014-15 (for six months); Rs 45 cr and Rs 40 cr will be released during 2015-16 and 2016-2017 respectively.

- The overall goal of the scheme is to celebrate the girl child and enable her education. The objectives are to prevent gender biased sex selective elimination and ensure survival, protection and education of the girl child.
- Eight monitorable targets for this programme have been identified, namely, improving the SRB in 100 gender critical districts by 10 points in a year;
- Reducing gender differentials in under-five child mortality rate from 8 points in 2011 to 4 points in 2017;
- Improving the nutrition status of girls by reducing number of underweight and anaemic girls under 5 years of age (from NFHS 3 levels);
- Ensuring universalisation of ICDS, girls' attendance and equal care monitored using joint ICDS-NRHM Mother Child Protection Cards;
- Increasing girls' enrollment in secondary education from 76 per cent in 2013-14 to 79 per cent by 2017;
- Provision of girls' toilets in every school in 100 CSR districts by 2017;
- Promoting a protective environment for Girl children through implementation of Protection Of Children from Sexual Offences (POSCO) Act 2012 and;
- Training elected representatives/grassroots functionaries as community champions to mobilise the communities to improve CSR and promote girls' education.

The strategies worked out to achieve these targets included-

- Implementation of a sustained social mobilisation and communication campaign to create equal value for the girl child and promote her education;
- Placing of the issue of decline in CSR/SRB in public discourse as part of good governance;
- Focussing on gender critical districts and cities low on CSR for intensive and integrated action;
- Mobilising and training panchayati raj institutions/urban local bodies/grassroots workers as catalysts for social change, in partnership with local community/women's/youth groups;

- Ensuring that service delivery structures/schemes and programmes are sufficiently responsive to issues of gender and children's rights and lastly;
- Enabling inter-sectoral and inter-institutional convergence at district/block/grassroots levels.

The two major components to achieve the targets of the programme are mass communication campaign on the programme through interlinked national, state and district level interventions with community level action in 100 districts, bringing together different stakeholders for accelerated impact. Multi-sectoral action, drawn up in consultation with MoHFW & MoHRD, would include measurable outcomes and indicators through concerned sectors, states and districts. The states/UTs would adapt a flexible framework for multi-sectoral action through the state task forces for developing, implementing and monitoring state/district plans of action to achieve their respective specific monitorable targets.

One of the prongs for the success of this programme was advocacy, community mobilisation and awareness generation. The scheme proposal suggests that community mobilisation could be done through interactive initiatives like Nari ki Chaupal, Beti Janmahotsav, Mann ki Baat etc. A dedicated day could be scheduled every month for celebration of Beti Bachao, Beti Padhao. National Girl Child day could be celebrated on 24th January every year by all stakeholders including local opinion makers, PRI members, MLAs, MPs etc at district levels led by the district administration of the 100 gender critical districts. International Women's Day could be celebrated to send out a strong message highlighting the importance of gender equality and need of empowering women and girls. Further, celebration of this Day can be used to highlight the contribution of empowered mothers for the BBBP scheme. A pledge for protection, safety, value and education of the girl child may be adopted by the government of India and it may be taken on the occasion of National Girl Child Day.

Compiled from material received from Minister of Women and Child Development

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Celebration of Diversity: Key to India's Success

Ash Narain Roy



The UNDP Report, 2004, debunked the notion that cultural diversity leads to clash of civilizations. It said that diversity and protecting minority rights are crucial for development. More importantly, it saw India as an example of how “poor and diverse countries can do well with multicultural policies.” The Indian experience suggests that no culture is perfect or represents the best life. Countries and societies benefit from a critical dialogue among cultures

FEDERALISM IS experiencing a new renaissance today. Over the past two decades or so there has been a revival, so to say, of federal political solutions across the world. While India has moved closer to federal governance thanks to the advent of the coalition governments, Belgium has gone as far to change its constitution to become a full-fledged federal state. Post-apartheid South Africa incorporated several federal features into its constitution even though these features are diluted somewhat. Nonetheless, federalism may very well be the future for South Africa's democratic polity.

More importantly, even unitary states and non-federal states have moved towards federal practices like devolution of powers to local governance institutions. (Spain and UK). Yemen has accepted federalism through the national dialogue conference even though the Gulf States' money-driven half-solutions have stalled progress there. Iraq, Nepal, South Sudan and some other countries too have flirted with federalism even though some of the aspiring federal states are examples of how not to build federalism. One

could argue that federalism appears to be an idea whose time has come.

Why federalism is an international flavour? The new found appeal of federalism across the world stems from the values it brings out. It provides instruments to citizens to live their diversity in unity. It also allows ethnic, linguistic or religious minorities to develop their own identities. Federalism provides better opportunities for decentralized governance and for grassroots involvement in political processes.

Another reason for federalism's growing appeal is its flexibility. It adapts itself to new needs and circumstances. The 25-odd federal countries have certain similarities. But they are often very different with regard to distribution of powers, financial federalism and federal institutions. The success or failure of federalism doesn't ultimately depend on federal institutions or decision-making processes. It depends on the particular state's political culture.

There is of course, no single model to follow. Federalism grows differently on different soils. Federalism's success in one state may not be replicable in another. But there is a lot to learn from each other's experiences. While building

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federalism, one needs to design and construct a model. One is not going to ‘discover’ it. Building federalism in post-conflict societies is a very difficult project. It doesn’t come easy. Like Nature, it happens. It has to be nurtured. It has to be worked upon. Federalism is not a mirror held up to reality, but a hammer with which to shape it. Federalism motivates, at times, forces people to be good, to behave. In a way and in some sense it is a leap into the dark. A political system which is based on federal structure will be more likely to keep the new entity stable.

Celebration of Diversity

We inhabit a universe that is characterized by diversity. Variety is the spice of life. Singular identities lead to what Amartya Sen calls “miniaturization of human beings” and “belittling of human identities”. It also leads to disaffection, violence and even terrorism in the world today.

Diversity is an asset, not a liability. Diversity is not a recipe for disaster; diversity, if managed imaginatively, is the strength. Respect for diversity will thus keep the nation united. The state is one, but the nation is plural. Diversity is competitive strength; it encourages innovation.

In the 21st Century, multicultural societies are becoming a norm. With increasing globalization, instant communication, migration of people and multiplicity of beliefs and ideas, the future world is bound to have non-homogenous population all over the planet. This will be the changing face of the world. As Professor Bhikhu Parekh argues, “A culturally homogeneous society whose members share and mechanically follow an identical body of beliefs and practices is today no more than an anthropological fiction.”

Population movements and globalisation have given a new lease of life to federalism. Besides, if multicultural societies don’t learn to live together, there can be terrible

consequences. This is not to suggest multicultural societies are new to our age.

Many pre-modern societies including the Roman Empire, medieval India and the Ottoman Empire contained elements of cultural diversity. In some societies, different cultural groups have lived for long. In others, cultural differences are the result of waves of recent immigration. In some countries, cultural groups are territorially located; in others they are not. In some countries, multicultural societies are peaceful and harmonious. In others, they are in violent conflict.

Many societies have sought to hide their diversities and refused to accept their heterogeneity. Some societies have sought to resolve their heterogeneity by population transfers and some others through a “melting pot” policy. The right way to manage diversity is through a combination of self-rule and shared rule. It is the celebration of diversity that gives a society and nation strength.

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For multicultural societies, federalism can be an attractive option. The combination of unity and diversity that federalism offers potentially enables a multicultural society to have the cake and eat it too.

It enables minorities to become majorities in sub-national units. It provides a means for the recognition and acceptance of different languages, religions and cultures. It embraces diversity, it positively values diversity, it can promote diversity and thus, can capture the benefits of diversity.

Indian Pluralism is Unique

India as a nation and society defies any and all labels that one may choose to put upon it. As UR Ananthamurthy says, in India one lives simultaneously in the 12th and 21st century—as well as in all centuries in between. India is too complex to be defined in any one way. Centuries of history and its multifaceted diversities mean that there are many ways of seeing what India means. Mark Twain, the celebrated American writer, while visiting India in 1896, said, “Anything that can be done by God or man has been done in this land.”

India is a land of bewildering diversity in terms of people, cultures, languages and religions. What, however, makes the Indian experience unique is that cultural traits of various communities in India are not cast in stone; it has never been frozen in time and space. Though the varying groups of people have distinct identities and ethos, these don’t exist in a social vacuum. India’s diversities are not just numerous but also alive and assertive.

E P Thompson, the great British historian has also noted, “India is perhaps the most important country for the future of the world. All the convergent influences of the world run through this society: Hindu, Muslim, Christian, secular, Stalinist, liberal, Maoist, democratic socialist, Gandhian. There is not a thought that is being thought in the West or East that is not active in some Indian mind.” India exemplifies a complex unity through diversity, a society in which the celebration of diversity strengthens the bonds of the modern nation. The country’s incredible diversity has attracted many streams of people at different times from different directions. The bulk of the Indian population represents racial admixture in varying degrees. Unlike in most places where the dominant human cultures have tended to absorb or eliminate others, in India the tendency has been to nurture diversity.

Culture is not merely a vehicle of the past, of heritage, memory, tradition and customs. Diversity of cultures, religions, languages is a value that societies cherish. True diversity means more stakeholders, more enthusiasm and more empowerment. India is a pluralistic society and a secular nation. According to T N Madan, India's secularism really is its pluralism. "Pluralism is the conception", says Isaiah Berlin, "that there are many different ends that men may seek and still be fully rational, fully men, capable of understanding each other and sympathising and deriving light from each other. Intercommunication between cultures in time and space is possible only because what makes men human is common to them, and acts as a bridge between them." (Isaiah Berlin, *The Proper Study of Mankind*, 1997).

India has rejected assimilation and 'melting pot' model. Instead it prefers such metaphors as "salad bowl" or "glorious mosaic" in which each ethnic/cultural element maintains its distinctness. Mahatma Gandhi's famous lines capture the essence of India's 'unity in diversity': "I don't want my house to be walled in on all sides and my windows to be stuffed. I want the cultures of all lands to blow about my house as freely as possible. But I refuse to be blown off my feet by any." (Quoted in S Copps, "On the Cultural Ramparts", *International Herald Tribune*, 17 November, 1998)

Diversity is Unity

There was a time when unity in diversity was the infallible mantra of many newly independent States. This mantra was chanted ad nauseam on all and sundry occasions. Some countries even incorporated this phrase in their constitutions. Later, the more fashionable phrase was unity through diversity. India has exemplified a model which could be described as 'diversity is unity'. India has not only valued but also cherished diversity of cultures, religions and languages. Regular exchange and sharing of

cultural and religious traits, thoughts and ethos have contributed to cultural synthesis of a unique kind.

What is the key to India's success? Federalism is the bedrock of India's democratic edifice. In a country of India's size and bewildering diversity, federalism has come to be identified with national identity and national aspirations. It is key to the preservation of the multiplicity and also the peculiarity of a diverse society. The key to India's success is the belief that no one community owns the nation. Gandhi had said during the freedom movement that "no group was privileged even if it happened to be in huge majority and that minority groups...religious, linguistic, socio-cultural...would be protected against majoritarian agendas."

India has exemplified a model which could be described as 'diversity is unity'. India has not only valued but also cherished diversity of cultures, religions and languages. Regular exchange and sharing of cultural and religious traits, thoughts and ethos have contributed to cultural synthesis of a unique kind.

The 'unity in diversity' is not a mere slogan but a fact of life and is based on democracy, federalism, tolerance and secularism. Indian civilization has had a pluralistic character from the beginning. The pluralistic and composite ethos of Indian civilization, which began evolving during the Vedic period, was supplemented by the rise of Buddhism and Jainism, and was further reinforced during the early medieval period, which witnessed the early zenith in the Bhakti Movement.

Octavio Paz, the Nobel Laureate from Mexico, makes an interesting point. Referring to India's unique syncretic culture, he wonders, whether "Hinduism and Islam (are) two civilizations occupying a single territory, or are they two religions

nurtured by a single civilization, it is impossible to say." But India is a paradox. It is a federation. But it is also a pluralistic society. There is difference between being pluralistic and being a federation. Even a unitary state can have a pluralistic society. Devolution, decentralization of power and the guarantees of fundamental rights to all citizens have sustained the Indian federation. India's success owes a great deal to the institutionalization of aspects of its federal polity and plural society.

Language and Minority Rights

The Indian Constitution laid down a framework of constitutional safeguards to protect citizens' fundamental rights, including the right to freedom of religion.

The Preamble of the Indian Constitution says that India is a secular state. Right to freedom of religion is guaranteed under Fundamental Rights and Indians of all religious persuasions have the freedom to profess, practice and propagate their religion. Way back in 1930, India's position on the minorities was formulated. The position taken by the leaders of the freedom movement was: "There can be no stable equilibrium in any country so long as an attempt is made to crush a minority or force it to conform to the ways of majority.... We in India must make it clear to all that our policy is based on granting this freedom to the minorities and that under no circumstances will any coercion or repression of them be tolerated." India is secular because the people, its culture and national ethos are secular. Secularism is India's manifest destiny.

India is a secular country but no other secular country has so many religious holidays. Indian secularism never discouraged religiosity or the celebration of religions. India's social structure is quite entwined with religion.

Secularism to some has, over the past few years, become a contested

concept. While supporters of secularism argue that the Indian state has not been secular enough. On the other hand, critics of secularism accuse the state of practicing pseudo-secularism and of pampering the minorities. Secularism is integral to India's democracy. That secularism's uses and limits are today being debated and discussed doesn't make secularism any less important.

The process of globalisation has raised fears, both perceived and real, of the increasing homogenisation of cultures, the marginalisation of identities and ways of being of minority groups; and a cultural disintegration through the loss of linguistic, historical and spiritual traditions of the indigenous people. Indian culture has shown its great resilience and has been enriched by successive waves of outside cultural influences. It has been undergoing a constant process of revival, renewal and rejuvenation

India has a lot to offer to the world, especially its long experience of living with diversity. And yet, India's diversities are not unchallenged. Although India stands out among the comity of nations in the world as a model of unity in diversity, nevertheless, it is a unity which is seriously threatened by economic disparities, religious fundamentalism and ethnic conflicts. There has been communal violence in the name of culture, religion and ethnicity.

Modern societies are increasingly becoming multi-cultural. Behaviour of dominant groups is under greater scrutiny in all societies. Secularism by no means legitimizes minority communalism. As Professor Shiv Viswanathan puts it, secularism doesn't "treat minority violations as superior to majoritarian prejudices."

India's linguistic diversities are equally fascinating. Language is a potent symbol of group culture and identity. Multilinguism has always been a feature of Indian life. In India many writers don't speak the same language in which they may be writing. A unique feature of

The idea of India, of unity in diversity, of openness and inclusiveness, has withstood the test of time and history. The success of the Indian experiment in pursuing economic development, social and political empowerment within the framework of a secular and democratic constitution with respect for rule of law and for fundamental human rights has earned India a special place in the comity of nations.

continental-size India is that often the same person uses different languages and dialects for different purposes in different settings. For example, a Khasi woman in North-East India uses the women's dialect among her own


sex and switches to the men's dialect when she speaks to Khasi men.

Linguistic movements in various parts of the country posed a serious threat to India's unity and integrity. However, the political leadership showed exemplary political wisdom and foresight by not only recognising all major languages as national languages but also creating linguistic states.

The idea of India, of unity in diversity, of openness and inclusiveness, has withstood the test of time and history. The success of the Indian experiment in pursuing economic development, social and political empowerment within the framework of a secular and democratic constitution with respect for rule of law and for fundamental human rights has earned India a special place in the comity of nations.

All said, India is perhaps the greatest experiment in multicultural living. The UNDP Report, 2004, debunked the notion that cultural diversity leads to clash of civilizations. It said that diversity and protecting minority rights are crucial for development. More importantly, it saw India as an example of how "poor and diverse countries can do well with multicultural policies." The Indian experience suggests that no culture is perfect or represents the best life. Countries and societies benefit from a critical dialogue among cultures. □

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National Litigation Policy

The National Litigation Policy was formulated recently by the Government of India. The policy is based on the recognition that Government and its various agencies are the pre-dominant litigants in courts and Tribunals in the country. Its aim is to transform Government into an Efficient and Responsible litigant and to reduce Government litigation in courts so as to achieve the Goal in the National Legal Mission to reduce average pendency time from 15 years to 3 years. This policy is also based on the recognition that it is the responsibility of the Government to protect the rights of citizens, to respect fundamental rights and those in charge of the conduct of Government litigation should never forget this basic principle.

The Mission Statement

The mission statement further declared that the Government must cease to be a compulsive litigant. The philosophy that matters should be left to the courts for ultimate decision has to be discarded. The easy approach, "Let the court decide," must be eschewed and condemned. Litigators on behalf of Government have to keep in mind the principles incorporated in the National mission for judicial reforms which includes identifying bottlenecks which the Government and its agencies may be concerned with and also removing unnecessary Government cases. Prioritisation in litigation has to be achieved with particular emphasis on welfare legislation, social reform, weaker sections and senior citizens and other categories requiring assistance must be given utmost priority

Stakeholders & Accountability

In ensuring the success of this policy, all stake holders will have to play their part – the Ministry of Law & Justice, Heads of various Departments, Law Officers and Government Counsel, and individual officers all connected with the concerned litigation. The success of this policy will depend on its strict implementation. Nodal Officers will be appointed by Heads of Department. Accountability being the touch-stone of this Policy, it would be ensured at various levels; at the level of officers in charge of litigation, those responsible for defending cases, all the lawyers concerned and Nodal Officers. There will be Empowered Committees to monitor the implementation of this Policy and its accountability. Screening Committees for constitution of Panels will be introduced at every level to assess the skills and capabilities of people who are desirous of being on Government Panels before their inclusion on the Panel. Emphasis will be on identifying areas of core competence, domain expertise and areas of specialization.

Implementation of the Mission-Modalities

- Government advocates must be well equipped and provided with adequate infrastructure such as computers, internet links, etc. Common research facilities must be made available for Government lawyers as well as equipment for producing compilations of cases.
- Nodal Officers will be responsible for active case management. This will involve constant monitoring of cases particularly to examine whether cases have gone "off track" or have been unnecessarily delayed.
- The practice of giving incomplete briefs must be discontinued. The Advocates-on-Record will be held responsible if incomplete briefs are given.
- It will be the responsibility of the Nodal Officer to report cases of repeated and unjustified adjournments to the Head of Department and it shall be open to him to call for reasons for the adjournment. The Head of the Agency shall ensure that the Records of the case reflect reasons for adjournment, if these are repeated adjournments. Serious note will be taken of cases of negligence or default and the matter will be dealt with appropriately by referring such cases to the Empowered Committee. If the advocates are at fault, action against them may entail suspension/removal of their names from Government Panels.

Public Interest Litigation

Public Interest Litigations must be approached in a balanced manner. On the one hand, PILs should not be taken as matters of convenience to let the courts do what Government finds inconvenient. It is recognized that the increase in PILs stems from a perception that there is governmental inaction. This perception must be changed.

Pendency

The Office of the Attorney General and the Solicitor General shall also be responsible for reviewing all pending cases and filtering frivolous and vexatious matters from the meritorious ones. Cases will be grouped and categorized. The practice of grouping should be introduced whereby cases should be assigned a particular number of identity according to the subject and statute involved. To facilitate this process, standard forms must be devised which lawyers have to fill up at the time of filing of cases. Panels will be set up to implement categorization, review such cases to identify cases which can be withdrawn. These include cases which are covered by decisions of courts and cases which are found without merit withdrawn. This must be done in a time bound fashion.

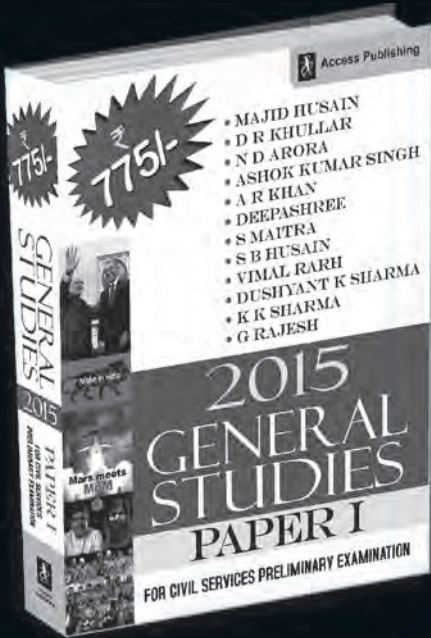
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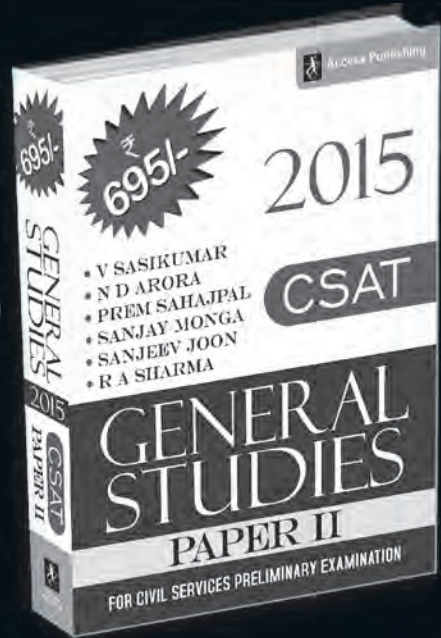
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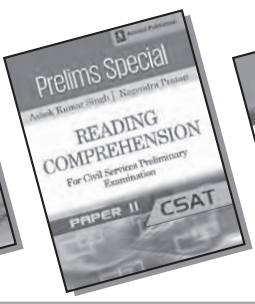
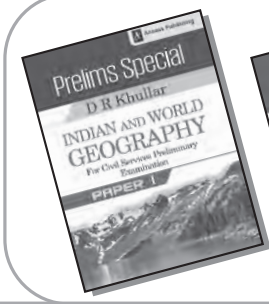
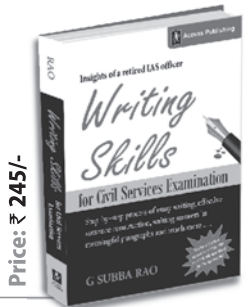
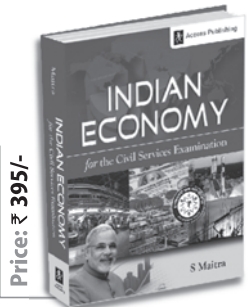
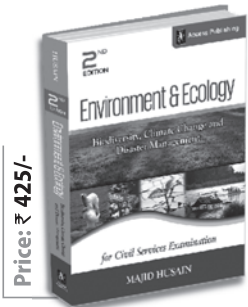
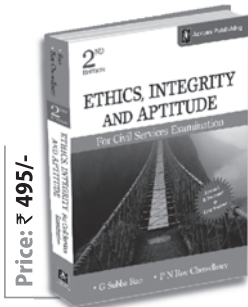


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NITI Aayog and Indian Fiscal Federalism

Nirvikar Singh



...the new NITI Aayog has to define its own role carefully, but at the same time limit its direct intervention in the Indian economy. It can serve as a foundation for rethinking tax authorities for sub-national governments, improving the efficiency of government expenditures at all levels, decentralizing where possible, and streamlining and integrating the system of intergovernmental transfers

INDIA'S NEW national government, which took office in May 2014, took a potentially momentous step with the shuttering of the venerable Planning Commission. The main premise for this step appeared to be a desire to strengthen the role of the States in the process of economic development. Representation of the States in the successor organization, NITI Aayog, is stronger than in its predecessor, but the source of real change will be changes in the way in which Central transfers are made to the States. This has to be done in ways that increase the flexibility and control of the States, but at the same time, increase their accountability. Simplicity, timeliness, transparency, monitoring and evaluation of Centre-State transfers—all need improvement. Without these fundamental changes, new think tanks, or claims of cooperative federalism, will not make a difference to India's economic development.

It is natural for a federal system to have vertical transfers. The central government has advantages in raising funds through taxes, while the states and local governments have advantages in making expenditures for many public goods and services. India

has made, and continues to make, considerable progress in improving the efficiency of its tax system, but mechanisms for expenditures and intergovernmental transfers still need significant reforms.

With respect to transfers, a system that subsidizes marginal sub-national expenditures embodies a common pool problem.¹ Gap-filling transfers are an example of this inefficient approach. On the other hand, transfers that do not affect the cost of marginal spending by recipient governments will not create distortions. One has to be careful here to distinguish between cases where the goal is to increase sub-national fiscal capacity, and those where there is a divergence between sub-national and national benefits. As an example of the latter, spillovers across state boundaries from state-level expenditures could justify transfers that change the marginal cost of that spending.

Barry Weingast and his co-authors (e.g., Careaga and Weingast, 2001) have attempted to tackle an even more important issue for developing countries, namely the growth effects of federal institutions governing revenue authority and sharing. At the risk of some oversimplification, we can distinguish the two sets of questions

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as follows. The standard public finance question takes the subnational jurisdiction's income as given, and looks at the incentive effects of tax assignments and transfers. The growth perspective examines the effects of the tax and transfer system on incentives to increase income (e.g., through public or private investment).

Careaga and Weingast (2001) use a model in which government decision-makers can either capture rents, or increase their jurisdiction's income, and hence its tax base. From this perspective, the marginal sub-national retention rate of all taxes levied on the sub-national tax base comes into play. According to this approach, growth-enhancing federal systems have high sub-national marginal retention rates. In the Indian case, this logic might support a case for modifying the Finance Commission transfer formula, or even changing the assignment of tax authorities across different levels of government to reduce the size of vertical transfers. It also suggests rethinking the role and mechanisms of other transfer channels in India.

Singh and Srinivasan (2013) re-emphasized a recurring idea in recent discussions of Indian fiscal federalism, namely, that centre-state transfers through the Finance Commission, Planning Commission (now its successor, NITI Aayog) and the ministries have to be looked at in a unified framework. Ignoring many details and simplifying a lot, there are essentially three types of transfers: from current revenues as determined by the Finance Commission, capital transfers for financing investment (formerly the domain of the Planning Commission), and transfers for internalizing positive externalities that one state's fiscal actions may have on other states and the country's economy as a whole (currently, the domain of centrally sponsored schemes).

Following Singh and Srinivasan (2013), it is still reasonable to argue that: (i) the centre take full responsibility for financing investment and operational costs of projects that have spill-over across states, regardless of the authority that implements them (centre or state). The current system of centrally

sponsored schemes, under which the centre provides partial funding for the project's investment cost and for its operational cost for a limited period has had the unfortunate effect that projects get started and completed, but once completed are not fully utilized because states have not provided the needed costs of operating them once it became their exclusive responsibility to provide them. The centre assuming full financial responsibility will avoid this waste. (ii) The NITI Aayog serve as a Fund for Public Investment (FPI) for both the centre and states. Its shareholders would be the state and central governments. The Fund, much like a multilateral development bank, would appraise the projects proposed for their economic and social returns as well as feasibility and soundness of proposed financing (from the centre or state's own resources, borrowing from domestic and foreign sources and capital transfers from the centre, if relevant).

However, NITI Aayog has to think beyond its own role to consider many other structures of Indian federalism. Weingast (1993) introduced the idea of Market Preserving Federalism (MPF), defined by five conditions: (1) a hierarchy of governments with delineated authorities (the basis of federalism); (2) primary authority over local economies for subnational governments; (3) a common national market enforced by the national government; (4) hard subnational government budget constraints; and (5) institutionalized allocation of political authority. Earlier, the idea of cooperative federalism (Wheare, 1953), emphasized the mutual gains from different subnational jurisdictions as well as subnational and national governments working in concert. Similarly, Riker (1964) conceived of federations as constitutional bargains, designed to enhance security and stability. An alternative approach stresses the benefits of competition among subnational units, and between national and subnational governments. This competition enhances efficiency by improving the incentives of political leaders to act in the interest of their constituents (Tiebout, 1956; Brennan and Buchanan, 1980; Breton, 1995). Breton also notes that

competition among governments may be destabilizing or lead to inequitable outcomes, and does not see it as something that is always best left unrestrained. MPF encompasses key aspects of competitive federalism, but goes beyond it in several ways, particularly in conditions (3) and (4). At the same time, except in the restrictions embodied in (3), the view of MPF is more sanguine about competition than is Breton. It emphasizes both the decentralization and the restraint of the regulatory power of governments vis-à-vis the market. Singh (2008) discussed the applicability of these ideas in the context of India and China.

In federal systems such as India's, general issues of quality of governance become intertwined with the features and operation of the hierarchy of governments. The MPF perspective is that, given basic good governance, what matters especially is restricting inefficient government interference in the market, and the right kind of federal institutions can be important in achieving this. From this viewpoint, certain kinds of decentralization of governance may be complementary to market-oriented reforms that redraw the boundary between government and market.

To the extent that India's fundamental governance problem is one of accountability, one can argue (Rao and Singh, 2003) that India's centralized traditional accountability mechanisms, relying as they do on hierarchical political and bureaucratic control and monitoring, have been ineffective. A more robust federal structure, extending political accountability more effectively at the sub-national level, is important to consider as a way of increasing the efficiency of governance. At the same time, the MPF perspective emphasizes the importance of having the right restrictions on the sphere of action of sub-national governments vis-à-vis the market.

Decentralization of government to improve efficiency does not remove all higher-level government oversight. If certain individual rights are a national level merit good, then the central government can still monitor their sub-national provision to ensure

there is not a case for direct or indirect intervention. This is very different from primary control for expenditure on local public goods (which may themselves be inputs into providing basic rights) resting with the centre. Thus, decentralization of some government powers need not lead to local elite capture and exploitation, as was the fear after independence. Singh and Srinivasan (2013) characterized this possibility of improvement in governance as Governance Enhancing Federalism (GEF).

To summarize, the new NITI Aayog has to define its own role carefully, but at the same time limit its direct intervention in the Indian economy. It can serve as a foundation for rethinking tax authorities for sub-national governments, improving the efficiency of government expenditures at all levels, decentralizing where possible, and streamlining and integrating the system of intergovernmental transfers. This conceptual reform program would be ambitious, but extremely beneficial for improving governance quality and increasing economic growth.

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Endnotes

- 1 This material draws on Singh and Srinivasan (2013).
- 2 This material draws on Singh and Srinivasan (2013). □

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YE-303/2014

Preventing Open Defecation: Changing Mindsets is the Prerequisite

Rohit Gupta



...instead of grants or subsidy to individuals, in order to motivate the people in rural areas, a general purpose grant for the overall village sanitation drive should be given to panchayats achieving the tag of 100 percent 'open defecation free'. Instead of monitoring the number of toilets constructed, let us start monitoring the number of open defecation free villages

IN HIS last budget speech, the Finance Minister had said that the government has set Mahatma Gandhi's 150th birthday in 2019 as its target for achieving 'total sanitation' including access to toilets to all 1.20 billion residents. Accordingly, the Union government sanctioned Rs. 65,000 crore for the construction of toilets at the national level, which will be partly financed by corporate houses. It was further stated that "there will be no dearth of finance. If needed, the government will sanction the additional amount for the construction of toilets under the Swachh Bharat Abhiyan launched by the Prime Minister." The government, therefore, appears to be determined to improve sanitation and hygiene in the country and may take all possible steps to achieve the set target for 2019. Even the chief ministers of a developed state like Punjab, in a recently held meeting of chief ministers to consider the idea of having an alternative set-up to the Planning Commission, had said that the country needs to focus on providing basic amenities like drinking water, toilets, etc. instead of diverting precious resources on capital-intensive projects.

Thus, building toilets and their actual utilization should be high on the agenda of every state. Recently, in Rajasthan, every candidate contesting

the forthcoming Panchayat elections for panchs, sarpanchs, block samiti members, zila parishad members, etc. had to give an affidavit that they had a toilet in their houses and every member of their families actually used the same.

However, before constructing toilets, government will have to change the mindsets of people so that they actually develop the habit of using toilets. They have to be educated and convinced about the ill-effects of open defecation. According to the World Bank Report, open defecation contaminates ground water causing illness such as diarrhoea and cholera which is a great deterrent for foreign tourists. Further, as per UNICEF report "each gram of faeces in an open field contains 10 million viruses, 1 million bacteria and 1000 parasite cysts", which is conveyed to markets every day on vegetables and fruits sold in the market. Thus, in terms of policy issues, open defecation leads to significant negative externalities¹, which policy makers must work hard to minimize. Economic evidence also suggests that health at early life affects adult's productivity and achievements. If damage is done in the first two years of life, it is difficult or impossible to reverse. Besides children's health, womenfolk's dignity and health are also at stake. Either they will have to wake up early or control themselves till it is suitably dark to defecate in the

The author is an IAS Officer who has served as District Collector in various places. He has one several certificates of appreciation and commendation for his work during these postings.

open. Ignoring the natural calls affect their health adversely.

In June 2014, RICE (Research Institute for Compassionate Economics) conducted a SQUAT (Sanitation Quality Use Access and Trends) survey in 13 districts of five states of Bihar, Haryana, Madhya Pradesh, Rajasthan and Uttar Pradesh. The survey found that a full 40 per cent of rural households in the sample that had a toilet/latrine had at least one person who was still defecating in the open. This number was the highest for Rajasthan (57 per cent) and the lowest for Haryana (35 per cent). The findings suggest that just building toilets without focusing on behavioral change would not be enough.

My initiation in the sanitation sector started during my probation days in Jhalawar, a small district in south eastern Rajasthan with verdant country side and good annual rainfall. Jhalawar, like most of the other districts of the state, was lagging in sanitation matrix, and more than 80 per cent of rural households went without toilets. It also happened to be the Chief Minister's constituency. My trainee collector was very keen to change the situation. To begin with, three gram panchayats were targeted for getting selected in nirmal gram panchayat. The district program coordinator was a very enthusiastic lady, and she would easily establish rapport with women folk. I still remember with fondness the frenetic activities and late night chaupals held with villagers to convince them to make toilets and use them. We even went door to door, trying all tricks under the sun - cajoling, requesting, even reprimanding recalcitrant persons to fall in line. The Government of India team came and inspected, and all three villages were selected for nirmal gram that year. I ended up having developed a keen respect for the program, and an excellent rapport with the local community and sarpanches.

As district collector, I had the opportunity to work in sanitation sector in three districts – all totally different in terms of geography, socio-economic circumstances and culture. On the one hand, Jhalawar is verdant

country side with more than 1000 mm annual rainfall. Churu is typical desert, with temperature variations from -5 degrees in winters to 50 degrees Celsius in summers. The ground water is not fit even for irrigation, leave aside drinking. And Pali is heart of Marwar, complete with traditional social structure and hospitality epitome associated with Rajasthan. Yet, my experiences have shown that the village folk in all these places are equally keen to acquire good sanitary habits and eradicate open defecation. What then stops them from building toilets, one may ask? No, of course the answer is not money, as repeatedly many studies have shown. The answer is social behavior and peer impact. Today our whole nation is focused on the Swachh Bharat Abhiyaan. Celebrities

A person littering on the road or in public place is not an idiot; he is not insensitive either – for he doesn't litter his home. ...Deep inside he knows it is wrong, and his conscience may prick him also. ...The day our society starts objecting to, shaming and embarrassing rubbish throwers, public littering will stop substantially.

and intellectuals alike are espousing the cause, with deeds as well as with words. If we ask what is the single major change the Mission has brought since its launch (since tangible result of the campaign shall take time to come), it would perhaps be bringing the sanitary and hygienic conduct of our society in public discourse. It is common to hear someone coming from Europe or Singapore raving about the cleanliness of those nations, yet few would question the errant habits of our own countrymen. A person littering on the road or in public place is not an idiot; he is not insensitive either – for he doesn't litter his home. He is also not indifferent to hygiene, for he would not hesitate to complain to authorities if the road or drains outside his home are not cleaned by the municipality properly. But he still throws discards in public because no one stops him. Deep inside he knows it is wrong, and his conscience may prick him also. It is like a kid who knows it is bad to eat

chocolates for teeth, but would still do it if parents are not around. The day our society starts objecting to, shaming and embarrassing rubbish throwers, public littering will stop substantially.

The above holds true for open defecation also. People are still going to defecate in open because no one is stopping them. Specifically, since objection from government officials holds little sanctity in villages, it is the rural society and community which is allowing this to happen. The moment we educate, train, and empower the community, open defecation will stop. In fact, if I may say so, it is the only way to stop this malpractice in a sustainable fashion. Open defecation has to be recognized as a behavioral malpractice, just like sati or child marriage. Efforts naturally then have to be deployed with such understanding.

Role of Money

The crisis of open defecation is often inextricably linked with rural poverty. The problem statement is something like this – since the rural poor is living hand to mouth, not able to even meet his basic needs, how can we expect him to invest money in a luxury such as toilet? So if we are able to construct toilets for every household in a village, open defecation shall stop.

There are a few problems with this approach. One, there is an inherent presumption that every rural household cannot afford to construct toilet. This may be true if we are thinking of a super structure costing Rs50,000. However, a functional toilet can be constructed in one tenth of this cost. The problem of rural open defecation is less of affordability but more of education and awareness and consequent right prioritization of resources at the household level. Secondly, toilets constructed without generating awareness become dysfunctional as the household never owns them up. Unofficial studies like SQUAT survey found that 60 per cent households who have toilet constructed with government support have a member still defecating out in open. This figure is twice the number for toilets constructed with private resources.

In fact, the best way to construct the toilet is to let the household construct it. We banned all outside agencies in construction of toilets in Churu and Pali, and that is the one of the major reasons behind success of the campaign. The explanation is simple: whenever a toilet is constructed by household itself, the keeper will ensure that it is as per the needs of the home. The whole process of selecting the site, procuring the material, hiring a mason etc requires considerable effort. Only those households indulge in it who are fully convinced about the need of toilet. Therefore, once constructed, the probability of usage is very high.

Another way the money given in form of subsidy works insidiously against the campaign is by dividing the village in have and have nots. Since the subsidy can be given only to eligible families, and no village can have hundred per cent population eligible for subsidy, there will always be a certain set of families who are not covered in the subsidy net. This set of village automatically becomes the hardest nut to crack. From their perspective, rest of the village gets to have toilet because government gave them money. So the grudge they hold against the campaign makes them difficult to be convinced to construct toilets in their homes also without government support. We tried to overcome this handicap partially by taking two decisions: one, no subsidy shall be given up front, i.e. every family shall first construct the toilet out of its own resources and start using it. Only after that government contribution would be given. Two, the distribution of subsidy in the village would start only when majority of households have constructed and started using the toilet. Both of the above conditions may seem unfair, but they worked really well in keeping the community and village united on the issue of sanitation and open defecation. As a safety net to extremely poor, revolving fund is given to gram panchayat. Material can be procured by panchayat for those families who do not have enough saving to purchase it.

Role of Community Incentive

The best way to motivate the community and village to stop open defecation is by announcing

development steps linked to the success of the campaign. Every village, every community has a dream of living in clean, hygienic surroundings with best of facilities. As such, there are always unmet demands of villages which can be easily tapped into for motivating them. Today, whether a village shall get more funds for development compared to others is based on two factors: population (for finance commission grants) and political approach (for the rest). If sanitation can be included as one of the factors, it shall give a major fillip to the campaign. For example, certain amount of funds based on the population of a village can be set aside to be transferred only if the village is

The best way to motivate the community and village to stop open defecation is by announcing development steps linked to the success of the campaign. Every village, every community has a dream of living in clean, hygienic surroundings with best of facilities. As such, there are always unmet demands of villages which can be easily tapped into for motivating them.

open defecation free. This fund shall be for at least five years, so that slipping back to the practice of open defecation is discouraged regularly.

Reinforcing the Message

Open defecation is a social evil and has to be tackled as such. Message of ill effects of open defecation should be reinforced from each corner of the community. Conversely, the families who have stopped this practice should also be given maximum recognition. Therefore, involvement of each and every department which has presence at village level is necessary. In the initial days of the campaign, we also realized that common folk were not connecting with the theme of the movement. That is when we decided to give a local flavor to campaign by branding it differently. A stakeholders' workshop was organized in which multiple agencies participated: from sarpanch, teachers, grass root workers of health, revenue deptt etc as well as volunteers.

The outcome was renaming of open defecation movement: 'Chokho Churu' in Churu and 'Footro Pali' in Pali². We were also able to come up with campaign logos which suggested the theme in time honored local symbols. Also, motivational slogans in local parlance were coined and documented. More than the brand name, it was the process of common brain storming and table discussion that gave dividend in terms of community ownership of the campaign.

To reinforce the message from all quarters, different strategies are used. Attractive name plates with 'chokho ghar' or 'footro ghar' written were put outside the residences of those families which started using toilet and stopped open defecation. Their ration cards were also stamped with campaign logo. Local health centres were given stamps which were put on prescription slips to patients coming there. Schools were asked to make lists of those students who were still going out in open. Rather than the government or outside agency building toilets, people were encouraged to do so themselves, thus cultivating a sense of ownership. Villagers were first imparted sanitation training explaining through the use of models how germs from feces are transferred via flies, water and even milk. Watch committees were created in order to ensure toilet usage. Public shaming and social pressure from women/elders/disabled was used to alter the preference for open defecation. A dedicated cadre was trained at district level which made regular visits to the village and held community discussion using every techniques taught by experts. Both Churu and Pali are supported by World bank aided water and sanitation projects. In fact, support of WSP has been very critical in the success of mission in both the places. With the help of WSP, repeated workshops for training the district cadre in best communication strategies were organized. To kill the myth about toilets being a costly affair, training sessions of local masons were organized in which the knowhow of constructing toilets with locally available materials with least cost was imparted. Additionally, a sanitation

park in the collectorates of both the places have been developed with model toilets costing from Rs. 5000 to 30000 were attractively explained.

One of the most effective ways of motivating the community has been 'sanitation status board'. A district collectors office is one place which is visited by all and sundry. And a major factor in any behavior change is pride, and conversely, shame. Outside the office of the district collector, a board showing the sanitation profile of each panchayat is displayed. Those communities which have become free from open defecation are shown in green dots, the progressing one in orange and worst in red. Hence, every villager that comes to the office gets to know the status of his community vis a vis the peer group, and the thought process is tinkered.

With the right mix of incentives, communication strategies and vigilant community members, the results can be astoundingly fast. In fact, one gram panchayat in Pali became ODF in just 25 days. Out of roughly 1200 households, only 10 per cent were using toilets before launching the campaign. But the village community will power changed the scenario in less than one month.

Role of Corporates

With the launch of 'Swachh Bharat Mission', funding in sanitation sector has become the norm in CSR activities. But the key question is how to spend this money? Presently, the only way the corporate sector can visualize their commitment is by constructing toilets for households. But we have seen that it is precisely the last thing we should do to change community behavior. Giving additional money to households is also not a wise option; since again it will create divisions in the society – those getting additional money and those who could not. Moreover, government has itself increased the subsidy amount substantially. What then? One way could be focusing on IEC (Information, Education, Communication) activities. Pali is lucky to have substantial industrial presence. But all of them have been strictly barred from engaging in any

toilet construction activity at household level. Instead, they are being encouraged to adopt gram panchayats, and work on enabling behavioral change at community level. Some of the activities they are now doing are : giving incentives like attractive school bags and lunch boxes to school kids whose families have stopped open defecation, employing volunteers from village which work on morning follow ups (counseling the persons going out in early morning), putting name plates, organizing community talk sessions on ill effects of open defecation, etc. Interestingly, the money they are now spending is a fraction of the amount they used to spend earlier. The scale is now larger, and results

With the launch of 'swachh bharat mission', funding in sanitation sector has become the norm in CSR activities. But the key question is how to spend this money? Presently, the only way the corporate sector can visualize their commitment is by constructing toilets for households. But we have seen that it is precisely the last thing we should do to change community behavior... What then? One way could be focusing on IEC (Information, Education, Communication) activities.

are even faster. For example, out of five gram panchayats which Ambuja Cement Foundation adopted, one gram panchayat became ODF in just one and a half months.

In 2010, Ministry of Urban Development has also released a list of ranking class I cities based on sanitation parameters. Last on the list was Churu, a district headquarter in Rajasthan. Now, four years later, Churu has become a case study of how to turn things around. One of its blocks, Taranagar, has become completely free of open defecation. More than 100 gram panchayats and 400 villages have become open defecation free. And this progress happened in a time frame of one year.

As already said, the crisis of open defecation is often inextricably linked

with rural poverty. It is argued that since the rural poor are living from hand to mouth, how we can expect them to spare money for a luxury such as toilets. Therefore, if the govt. can provide them money for building toilets, which is the usual approach, open defecation will stop. But this is far from the truth. Because money is often an allurements which may be misused as the age-old habit for open defecation would not simply die. In the past it has been found that the government-built toilets, because of lack of supervision and maintenance become defunct and often end up as storage places or diverted to some other uses. Similarly, subsidy for building toilets is likely to be misused. To avail of subsidy some sort of competition develops between beneficiaries and non-beneficiaries. Even household who have already toilets in their houses do not hesitate to claim subsidy. It is also reported in the press that many a time, households who already have toilets in their houses have claimed subsidy under Nirmal Bharat Abhiyan by simply painting toilet space afresh. This is often done with the connivance of officials who are in a hurry to achieve the set targets. Therefore, instead of grants or subsidy to individuals, in order to motivate the people in rural areas, a general purpose grant for the overall village sanitation drive should be given to panchayats achieving the tag of 100 per cent 'open defecation free'. Instead of monitoring the number of toilets constructed, let us start monitoring the number of open defecation free villages. Even the Finance Commission can give specific grants for this purpose.

A World Bank study in 2006 concluded that India is losing 6.4 per cent GDP annually because of lack of sanitation facilities to its citizens. Let us resolve to reverse the situation by 2019, as envisioned by our Prime Minister.

Endnotes

- 1 Externalities are defined as secondary effects of public and private action.
- 2 Both chokho and footro mean 'beautiful' in local language. □

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Cooperative Federalism In India: Contests and Contradictions

V Mishra



The structural acceptance of federalism has been somewhat achieved but the progression towards reconciling internal diversities – regional, fiscal and administrative – within the federal framework has been obscure. ... In order to adopt the cooperative model of Indian federalism, we have to reorient our operational discernments of federalism so that the present ‘predominantly centralized federal polity’ becomes malleable

IN THIS article, I propose to present a synoptic description of the inherent contradictions and likely contests in the structure of cooperative federalism in

India. It is not an attempt to provide a comprehensive analytical narrative but an endeavor to bring to light, again, the basic ambiguities in working the cooperative federalism in the present political context. Also, this article is more of an attempt to express my optimistic concern over the potential of the principle of cooperative federalism in Indian conditions rather than a denial of it being the best possible alternative. There is no denying the fact that the parliamentary – federal system that India adopted was suitable for Indian needs¹. Granville Austin argued, “The (constitution) assembly, in fact, produced a new kind of federalism to meet India’s peculiar needs.”² But ‘India’s peculiar needs’ have compounded manifolds thus posing a formidable challenge of enlisting the desired cooperation from all three – the Centre, the states and the local – sets of government. Hence, we attempt to bring to light some thematic issues in the working of cooperative federalism in India.

The Background

Historically, the adoption of the concept of federalism was more of a

necessity than choice. The prevalence of fissiparous tendencies; religious communal frenzy; and partition of the country called for a centralized federal union. The practical problem of governing culturally and regionally diverse India knocked on the doors of British administration quite early thus resulting in Montague-Chelmsford Report on Constitutional Reforms (1918) which stated: “[o]ur conception of the centralized future of India is a sisterhood of states, self-governing in all matters of purely local or provincial interest. Over this congeries of States would preside the Central Government.”³ Based on this report, Government of India, 1919, devolved some powers and authority to the provinces. Provinces received explicit control over sources of revenue such as land, health, agriculture, irrigation and public works. Though this act succeeded in providing a certain amount of autonomy to the provincial authorities, but the Government of India remained a unitary Government. The Simon Commission Report (1929) also proposed schemes for devolution of financial powers and sharing of income tax proceeds between the Central government and the provinces. Finally, the Government of India Act, 1935, prescribed a federal type union of autonomous provinces wherein, the Governor-General got the powers to overrule the Provincial government. The act provided for

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separate legislative, financial and judicial jurisdictions for Centre and the provinces but in the process, also diminished the sovereign stature, much desired by the princes, of the provincial legislatures. Again in the Cabinet Mission Plan of 1946, certain proposals for loose asymmetrical federation were mooted. All these proposals of loose federation were almost a dead letter for the newly emergent Indian nationalist elite who were in favour of centralized federal union. This resulted in the adoption of a heavily centralized system of parliamentary federalism bearing the twofold impact of British colonial and nationalist interventions.

The framers of the constitution provided for the federal form of government under Article 246 and VII Schedule to the constitution but they deliberately refrained from using the term federation, as in their considered view, it might impede the objective of 'Unity and Integrity of the Nation'. The form that the Constitution presents is, beyond doubt, a federation – though a unique one in contemporary comparative politics.⁴In a multi-culturally, multi-ethnically, multi-linguistically diverse country like India, only federalism could have provided for reconciliation of this internal diversity. Cooperation and accommodation only can provide the stopover at the crossroads of aggression between antagonistic (regional, religious, linguistic and ethnic) groups. But the multiplicity in the post- independence diversities presents a bumpy terrain.

The Contests and Contradictions

We are discussing a case of 'Cooperative Federalism' in a country where there was never an agreement between the Centre and the states regarding the creation of the Union. The states are not a part of the pact but rather a creation of the Constitution which was designed by an assembly favouring centralized polity. No equality has been designed as far as states' rights vis-a-vis the Centre are concerned and even the

representation of the states in the upper house, Rajya Sabha, is unequal; the 'federal' parts of this Union are not even entitled to decide about their name, territory, boundary, or area; in matters enumerated in Concurrent list Union law prevails when it is in conflict with the state law; the Union Government can trench upon the state list in national interest (Article 249); and the residuary powers of legislation are vested in the Union Government (Article 248). Similar other centralizing provisions weigh heavy on the spirit of cooperative federalism in India.

The form that the Constitution presents is, beyond doubt, a federation – though a unique one in contemporary comparative politics.⁴In a multi-culturally, multi-ethnically, multi-linguistically diverse country like India, only federalism could have provided for reconciliation of this internal diversity. Cooperation and accommodation only can provide the stopover at the crossroads of aggression between antagonistic (regional, religious, linguistic and ethnic) groups.

● Until the late 1980's, the parliamentary centralism was ushered in by the one-party dominant system, The 1989 parliamentary elections were a watershed in bringing about greater federalization of the political system. One of the important reasons for this development was the shift from one-party dominant party system to a multiparty system and the prominent rise of regional political parties.⁵"The party system is a major intervening variable through which the plural and federal diversities of Indian society have caused the current phase of federalization in the working of the political system."⁶As a result of this development, the coalition/minority governments at the Centre became a norm for more than two decades (1989 – 2014).

- Issues of revenue sharing between the union and the states have always been important and debatable. If we look at the distribution of net proceeds of taxes between the Centre and the state, provided for by the Constitution, there appears an upright imbalance between (1) the powers of taxation apportioned between the Union and the states and (2) the implementation responsibilities assigned to the states. For example, under Article 282⁷ of the Constitution, the centre gives Plan grants to the states equal to the sum that the state has raised through its own resources. This means that the already unequal geographical division of the country in terms of resources, land, and development initiatives can be further accentuated under the provisions of Article 282. The present government has replaced the planning commission with National Institute for Transforming India (NITI) Aayog. The governing council of NITI Aayog is composed of all the Chief Ministers and Lt. Governors of the Union Territories.
- Given the continuance of regional inequality; possibilities of opposing parties coming to power in few states; pressures of globalization professing more fiscal decentralization; and the seemingly visualized policy making role of NITI Aayog-
 - a. Will it be possible for the Union Government to allow a considerable degree of desired financial autonomy not only to the states but also to the third tier of government?
 - b. Will the new NITI Aayog be provided with the required and long desired effective decentralized inter-governmental mechanisms, instead of the pre-existing centralized planning structures, with enough powers to act on the long disputed verbal rhetoric of cooperative federalism?

- The reluctantly designed asymmetrical federalism is already a logjam for governance. Article 370 of the constitution gives asymmetrical status to the state of Jammu and Kashmir – its own constitution, a title equivalent to prime minister for its chief minister and a distinct assignment of functional responsibilities. The Article 370 in the constitution goes with the heading ‘Temporary provisions with respect to the state of Jammu and Kashmir’ and poignantly, these temporary provisions continue till today. Special provisions have been assured to the regional tribal majorities in Nagaland and Mizoram under Articles 371A and 371G. Yet in most of these areas there is a feeling of injustice and betrayal. Their dissatisfaction at the unilateral decision to take away the option of withdrawal from the union is reflective of their sense of alienation. The insensitive response of the Central government towards the demands of subsidies and investments in infrastructure facilities and other financial assistance further accentuates the distance. The centralized and unresponsive bureaucratic apparatus is often alleged for ‘step-motherly’ treatment towards the north-eastern states.⁸
- The sixth schedule, which covers the states of Assam, Meghalaya, Tripura and Mizoram, knits another strand of asymmetrical federalism by providing for councils for self-governments in autonomous districts. The tribes located in these states and the states themselves are caught in a triangular strife-
 - i. Limited powers to administer the tribes, inadequate finances, and governor’s omnipresent intervention;
 - ii. Centralizing political interventions largely under the garb of security; and;
 - iii. The strategically sensitive location of these states on the Indian borders with China, Bangladesh, Bhutan and Myanmar.

Such special provisions for these states are unquestionably positive steps in the course of building a more responsive federal democracy but the challenges here are:

- a. To bring the north eastern community into mainstream politics by increasing the participation of their elected representatives and opening up the face of north east to planned development initiatives;
 - b. To change the unitary mould in which the state-district relations have been casted.
- Other than the asymmetrical texture of the Indian federalism, we are also witnessing strands of multi-level federalism in India. Other than the Centre and the

Other than the Centre and the states, the third tier comprising of Panchayat and municipalities is also functional. This tier comprises 8 of 592 District panchayats, 6,321 Block panchayats and 2,53,189 village panchayats, which taken together, elect more than 3 million representatives every five years.

states, the third tier comprising of Panchayat and municipalities is also functional. This tier comprises⁸ of 592 District panchayats, 6,321 Block panchayats and 2,53,189 village panchayats, which taken together, elect more than 3 million representatives every five years. Through the 73rd and 74th amendment, the Centre has also ensured opportunity for women and dalits to participate in local governance.

- The third tier has got constitutional recognition but the debate on distribution of responsibility and resources is still on. Their position in the federal structure is still ambiguous. They still are treated as merely an implementing agency of the Union or the State; getting funds and functionaries

is still a herculean task i.e. fiscal ambiguities overshadow any rational move towards practicing decentralization; politico-electoral meddling is rampant; the elite bureaucracy still displays the age old condescending attitude towards any form of interaction with the functionaries of this ‘third tier’; and the locally dominant social elite bias proves to be a major bottleneck.

- With the increase in the number of states in the Indian Union, the third tier will also widen its presence. The challenges here are of:
 - a. Recognizing and acknowledging the ‘third tier’ as a next level of government with autonomous status in the federal structure rather than as a unit for discharging the devolved responsibilities from the state government; and
 - b. Deciding whether the third tier was envisioned just as a contrivance of governance or also for empowering people at the local level thus decentralizing democracy.

If the panchayats and the local governing agencies are to be allowed to function as real units of local self-governance, then they should be apportioned separate competence areas, functions and corresponding accessibility to resources.

The phase of Coalition governments at the Centre (1989- 2014) was important from the point of view of power sharing between federal units and also for the federalization of India’s predominantly parliamentary regime. Coalition governments provide ample space for improving intergovernmental relations in the form of formal and informal interactions between the prime minister and the chief ministers; prime minister and the governors; cabinet ministers and the ministers from the state; and also inter bureaucratic interactions at the policy making and policy implementation levels. But the mathematical compulsions of coalitional governments shifted

the balance of power in the hands of state/regional parties thus cementing the ambience of federalism but at the same time, reduced the powers of the prime minister in relation to the coalition partners to miniscule¹⁰. It has been widely observed that, “coalition partners treat the allocated ministries as virtual fiefdoms and use them as patronage to the advantage of their parties. Cabinet cohesion and collegiality and its collective responsibility to the Parliament, more specifically to the Lok Sabha, is stretched and diversified beyond constitutionally recognized limits to extra-parliamentary centres of powers.”¹¹

The general elections of 2014, by bringing a single party in power at the Centre, have once again changed the progression of Coalition Governments at the Centre. -

The past Indian experience has shown that the centralizing predispositions by the Union government had always enfeebled the federal structure. The promises of the present government of endorsing and committing itself to cooperative federalism on the one hand and the overriding persona of the present Prime Minister heading a majority government on the other hand is making political observers anxious and apprehensive.

The challenge of balancing the ongoing forces of globalization, which act variedly on Central and state governments, looms large. Hence, reforms have to be carried at the central as well as the state levels so that the multi-tier interaction with the global economy is made possible. The pre-reform vertical competition between the Centre and the States has changed into horizontal competition among the states to attract investment and resources from varied sources, national as well as international, which are bound to further accentuate regional disparities. Since none of the twin processes of globalization and decentralization can be reversed or even disturbed, the government

has to strike a balance in a way that allows state-level actors also to shape foreign economic relations.

The principle of practicing federalism might be about distribution of powers between the Centre and the states but the spirit and essence of federalism is about the decentralizing tendencies of the operating political system. The notional transfer of powers to the state governments and the continuance of a disciplinary hierarchical political party at the Centre and the states will be an obstacle to the very principle of federalism. The structural acceptance of federalism has been somewhat achieved but the progression towards reconciling internal diversities – regional, fiscal and administrative – within the federal framework has been obscure. What is required is the resilience to adapt and to accommodate, structurally and politically, the countless pressures of regional forces and centralizing endeavors of national political parties. In order to adopt the cooperative model of Indian federalism, we have to reorient our operational discernments of federalism so that the present ‘predominantly centralized federal polity’ becomes malleable.

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Endnotes

1. The arguments favoring this viewpoint have also been extended by K.R. Bombwall, *The Foundations of Indian Federalism* (Bombay: Asia Publishing House, 1967).
2. Granville Austin, *The Indian Constitution: Corner stone of a Nation* (Bombay: Oxford University Press, 1966), p.186.
3. The following quote is taken from M. Govinda Rao and Nirvikar Singh, *The Political Economy of Federalism In India* (New Delhi: Oxford University Press, 2005), pp.- 43-44.
4. The Constitution, in some areas, displays not only centralizing tendencies but authoritarian also. For example, the uneven distribution of legislative jurisdictions provided for in Article 246; powers of Rajya Sabha under Article 249; Article 250; Article 257; Article 353(b); Article 354; emergency powers of the president under Article 356; etc.
5. For a detailed discussion on the political and economic factors resulting in greater federalization of Indian polity, refer to M.P. Singh and Rekha Saxena, *Federalizing India in the Age of Globalization* (Delhi: Primus Books, 2013).
6. M.P. Singh, ‘Towards a More Federalized Parliamentary System in India: Explaining Functional Change’ in B.D. Dua and M.P. Singh (eds.), *Indian Federalism in the New Millennium* (New Delhi: Manohar, 2003), p. 198.
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8. See D. Munshi and P.R. Dash, “NE

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10. H.D. Deve Gowda had to surrender his power, of appointing ministers to the cabinet, to the United Front bosses. Inder Kumar Gujral is also known to have no say in the composition of Council of Ministers. Jayalalitha forced her own choice of a member of AIADMK as Cabinet Minister in the Atal Behari Vajpayee government. During the first NDA government (1999-2004) the Prime minister could not retain Suresh Prabhu as the minister of power when he developed strenuous relations with his party boss Bal Thackarey. For a detailed discussion, see Harish Khare, ‘Prime Minister and Parliament – Redefining Accountability in the Age of Coalition Government’ in Ajay K. Mehra and Gert W. Kueck (eds.), *The Indian Parliament – A Comparative Perspective* (Delhi: Konark Publishers Private Ltd., 2003), pp. 350-368. Swapan Dasgupta, ‘Failing Leader’, *India Today*, August 13, 2001.
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Corrigendum

In the January issue of Yojana, the maps on page no 16 may have been portrayed as actual. They were meant only to be indicative. The error was inadvertent and regretted.

J&K WINDOW


Disaster Contingency Plan For Children

To facilitate comprehensive insights into the present needs of children in the state, J&K will soon have its state Child Policy and draft Disaster Contingency Plan for Children. This State Child Policy and Plan of Action 2014 will ensure all the children of J&K, the Right to happy childhood as envisaged under the constitution of J&K. The state government will undertake all required steps and work towards a conducive environment for protection, growth and development of all children. The draft policy has been framed along with the suggestive framework in the shape of State Plan of Action for Children. The state will also have a draft Disaster Contingency Plan for Children. □

Online Consent Management & Monitoring System

To bring transparency and accountability in the working in the State pollution Control Board has put in place, an on-line consent management and monitoring system in Jammu. After Jammu, this system will be extended to other districts of the State as well. This system is expected to bring transparency, accountability and simplification of procedure and paperless working for the e-consent. Gradually, all the services of the board shall be made online for the benefit of the industry and the people at large.

Since the Public Service Guarantee Act has been adopted by the State Government for the service provider departments, and PCB is one such organization, so it is necessary to improve the efficiency in working of the board, so as to dispose of the consent cases in a stipulated time period that too in a transparent and simplified manner, for which the introduction of online consent management is a step forward in this direction. □



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Federalism in India: Political and Fiscal

PK Chaubey



There is a need for better delineation of resource bases so that dependency of units reduces but the access to resources does not. In whatever remains, the unit states get a matter of right, not be as charity. ... It can happen only when unit states are treated as responsible states and the basis of federation is fraternal, not paternal

WE PROPOSE here to delineate the difference between political federalism and fiscal federalism as they are understood today. While it is well understood that the two are not co-extensive, there is still a need to differentiate between decentralization and federalization. Scholars delving into fiscal federalism have a tendency to suggest that all countries, barring city-states like Singapore and Monaco (and, one can add, Vatican City), are fiscally federal simply because there too exists a level of government, which is called local. We also propose to posit the complexion of Indian polity with respect to political federalism and fiscal federalism but almost as an illustration.

Present Categorisation of States

States are often categorized by structure as unitary, federal and confederal though very few constitutions have called their states as federal or for that matter, even unitary or confederal.

Unitary State

A unitary state may have several layers of 'local' governments, where 'local' includes 'regional'. State is the principal and local governments are the agents of this principal. In modern

times, as citizens are accepted as the 'principal' rather than consumers or subjects, state is being increasingly conceived as an 'agent' rather than the master.

Confederal And Federal States

In other two systems—confederal and federal, there are two levels of states; the two share the sovereignty between them by the constitution. For analytical purposes, we can call them 'union state' and 'unit state'. When a number of sovereign states come (voluntarily or forced to come) together to form a union state, the form of the emerging polity might become an issue. If constituting units lose their sovereignty altogether, the resulting polity becomes unitary. The UK could be taken as a good case. But if the unit states retain their sovereignty substantially, the resulting polity becomes co-federal. If however the constituting units surrender a good amount of sovereignty and yet retain it too in a good measure, the emerging polity is called federal. All constituting unit states here have common rules in certain matters through the union state, known in literature as 'shared-rule' and they also continue having their own rules, known in literature as 'self-rule'. Accepted as father figure in federalism literature, Kenneth, Who tried to impress upon that units and union are coordinate and independent in their

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respective spheres. One can interpret it to say that none are subordinate but are equal.

If functions which require common dealing or there is substantial economy of scale like defence or money or foreign affairs, are devolved to the union state, then emerging polity can be said to be co federal. It was the case when the term 'The United States of America' was coined for the 'perpetual Union' formed between original 13 states, each of which was to retain 'its sovereignty, freedom and independence, and every power, jurisdiction, and right, which is not by this Confederation expressly delegated to the United States, in Congress assembled' (See Articles of Confederation and perpetual Union). In fact, Article 3 puts emphasis on 'each other' for friendship, cooperation and assistance between states. But a provision said that there shall be a common treasury to meet common defence and general welfare. Under Confederation phase of the USA, constituting states were supposed to raise army and navy too.

However, many politicians argued in the 'Federalist' papers that the confederation or the perpetual union is too constrained and is toothless, as for each penny, it has to depend on contributions by the constituent unit states. Then, they decided to form a 'more perfect Union' in order to 'establish Justice, insure domestic Tranquility, provide for the common defence, promote the general Welfare, and secure the Blessings of Liberty to (themselves) and (their) Posterity' (See The Constitution of the United States, words and parentheses added) and imposed certain restrictions on constituting states and asserted power to impose taxes, duties, imposts and excises but also to provide for common defence and general welfare. The Constitution came into operation when 9th State (New Hampshire) ratified it on June 21, 1788. However, now, the 'union state' shares sovereignty with constituting units which continue to be states in their own right. The emerging polity would assume the form of federation. It is from here that the world

learnt of democratic republican form of federalism so much so that Switzerland, said to be a confederation since 1291, chose to pattern its polity along the American lines in 1848 for a federal set up while leaving cantons all right to self-government on local issues. It may however be mentioned that use of referendum and an element of direct democracy are unique features of Switzerland. India is often described as a federal, quasi-federal or semi-federal and federal with unitary features. And it is true. For example, governors of the states and judges of the High Courts are appointed by the President of India and they are transferrable across the country. In the case of judges of High Courts, salaries are paid by the state they serve in, while pensions are paid by the union.

State and Local Government

We have noted that a unitary state may have different levels of governments. All confederal and federal states do have their local governments too, exception being Saint Christopher and Nevis (popularly called St. Kitts and Nevis). Local governments may be at several levels under unit states. But, in many cases, there may be some local governments under union state as well. Australia, Canada, Malaysia, India, Pakistan, the US and many other countries have federal territories which are not sovereign and the laws for them are made by the union state¹. In India, laws for self-government in union territories and cantonment boards are enacted by the Parliament of India with two exceptions, NCT of Delhi and Pudduchery, in certain matters.

The relationship between a union state and its unit states is constructional, delineating their separate and concurrent powers, while that between a unit state and its local government is legislative whereby, a unit state delegates some of its powers to its local governments.

In India, the constitution provides for perpetual existence of local government, political reservation for certain sections of the society, constitution of state election commission and of state finance commission.

Process of Federalisation

In history, we find two processes of federalization. In one case, pre-existing unit states came together to form a union state. The United States of America is a prime example. In the other, a pre-existing unitary state creates unit states with legislative powers through constitution, not just (local) governments which it can do through legislative acts or administrative actions. The case in point is Belgium which, for long ruling as a unitary state, finally decided to go federal in early 1990s, respecting cultural and linguistic sentiments. There may be a mixed case too. India is said to be such one. It is said that, while princely states were brought within the fold, after Independence, with what was British India (Dominion of India) and provinces of British India were made 'states' by given better legislative powers. To begin with, all territories were divided into four categories of states but later, after various combinations and permutations, there emerged states and union territories. In any case, for rest of the world, this cultural expanse was known and recognized as India which, unlike Europe, was not so much known by its sub-cultures.

Here, one can well note that federalization does not automatically connote decentralization. With passage of times, both unitary states and cofederal ones are found to be moving towards the federal structure. Therefore, decentralization of government below the level of a unit state does not make the state as the multi-order, multi-layer federal.

State and Super-State

Difference Between Confederal State and Federal State

Though many states are not claiming these days to be confederal, this conceptual difference is very important. In a confederation, a citizen belongs to a constituting unit state while the unit state in turn belongs to the union state and there is no transitivity. In a unitary state, a citizen belongs to the state and there is only one level of

state as such, call it union or not. In a federation, a citizen simultaneously belongs to the unit state as well as to the union state. As a result, the citizens (and hopefully other legal persons) are under the jurisdiction of only unit state in a confederation (and under one state in a unitary state) while they are simultaneously under jurisdiction of both, his/her unit state and the union state, in a federation.

There are certain countries in which unit states retain their constitutions too. States in the USA and Australia do have their own constitutions wherein some of them explicitly assert sovereignty of their people². Most federal countries have a single constitution. In India, only one state, viz., Jammu and Kashmir, has a separate constitution³. Powers of the two levels of states are delineated in the (national) constitution. One level cannot encroach upon the delineated areas. Still there are two kinds of asymmetries. One relates to the concurrent areas and other relates to residuary power. Generally, union state is given supremacy in concurrent areas, which is true of India. Residuary power rests with unit states in the USA but with union state in India. And this is vertical asymmetry.

Under democratic dispensation, confederal and unitary (with exception of the United Kingdom) states are both likely to have a unicameral parliament but, using Indian nomenclature, a confederation will have a Council of States whereas a unitary state will have a House of Representatives. A federal state will have both, a Council of States—representing constituent unit states, and a House of People—representing citizens in domicile⁴.

Federalism: Political and Fiscal

Political federalism is different from fiscal federalism. Political federalism is a relationship between sovereign States while fiscal federalism is a relationship between fiscal matters of different tiers of government. In view of Broadway and Shah (2009), some unitary countries like China might be fiscally more decentralized than are some federal countries like Australia, India and Malaysia. Fiscal decentralization is

perhaps one thing and fiscal federalism is another. Yet economists have a habit of asserting that federal fiscal principles are equally applicable in all countries irrespective of the fact that the country is politically unitary, federal or confederal because their approach to polity is overly economic, that is, in terms of relationship of the state with the market. In their reckoning, ‘a federation is imply a multilevel system of government in which different levels of government exist, each of which has some independent authority to make economic decisions within its jurisdiction’ (Broadway and Shah, 2009, p.4). We might well differ and hold that economic decisions are only a subset of decisions that the states and governments are allowed to undertake on behalf of the people. But more importantly, the relationship between states (not governments) at different levels defines complexion of a national polity whether it is confederal or federal. A state may have a decentralized government structure is a different matter.

In a confederal state, matter is very simple. Unit states contribute (or pay tribute) to the union state to carry out its functions. In a unitary state, the state can, by legislation, grant power to local governments to collect and appropriate tax proceeds. We might recall only a sovereign has the right to tax its people and their activities and a state, as a sovereign, has that right through their legislative bodies. Governments collect taxes and, if allowed, appropriate the proceeds. In a federal state, both union state and unit states are granted separate and concurrent rights to tax. The Constitution of India has a clear-cut distinction. Local governments are also authorized to collect taxes on behalf of their unit states as are the state departments. We can further note that user charges are charges for commercial activities of the government. There may be a few pecuniary charges, fees and fines, which are of regulatory nature.

Fiscal constitution divides the sources of resources and areas of disbursement. Most scholars concentrate on tax-revenue on resources side and

expenditure on disbursement side⁵. However neat division is carried out, there emerge two imbalances. One is called vertical fiscal imbalance and the other is called horizontal fiscal imbalance. Under the assumptions that sum total of resources available for nation as a whole are equal to sum total of resources required, vertical imbalance would be that a level of government has more resources than it requires. It is found that union level government raises more resources than it needs and therefore it passes on resources through revenue sharing or grants to the unit states to support their expenditure. Thus, even if states at two levels are constitutionally sovereign, independent and autonomous, fiscally the governments are not. For example, in India, of the total revenue, union government collects more than 60 per cent while of the total expenditure, it spends around 40 per cent, including expenditure on centrally sponsored schemes. Obviously the opposite is true for all the states put together. Thus, roughly 1/3rd of revenue is transferred from the union to the state governments. Eleventh, Twelfth and Thirteenth Finance Commissions had recommended respectively 29.5, 30.5 and 32.0 per cent of net tax proceeds of the union as transfer to the state governments while Tenth Finance Commission had suggested 29.0 per cent of gross tax proceeds. Of gross revenue proceeds of the union (including non-tax receipts), overall indicative limits were 37.5, 38.0 and 39.5 per cent. Looking from one angle, it all looks good, progressive but from another angle, it is not so good because dependency of the states is on increase. In the background, all transfers are lateral, the union is only a mechanism.

Indian Constitution on Legislative and Expenditure Domains

Scholars more often than not point out intervention of the union government in the state domain and detest the tendency as an encroachment on matters included in the state list of the Seventh Schedule. What they tend to forget is that the Seventh Schedule has to be read with Article 246 which is about subject-matter of laws to be made

by Parliament and the Legislatures. So, the Parliament cannot ordinarily make law in the domain of State (Legislature). The Constitution has very clearly provided in Article 282:

The Union (or a State) may make any grants for any public purpose, notwithstanding that the purpose is not one with respect to which Parliament (or the Legislature of the State, as the case may be) may make laws. (parentheses added)

The activities of Planning Commission and Centrally Sponsored Schemes get support from this Article, which is in addition to those dealt with by the Finance Commission. Planning Commission also used provisions made in Article 292 about borrowing by the states in giving loans (as part of plan assistance). There are other Articles in the Constitution of India which suggest state executive to comply with the laws made by Parliament and the executive power of the Union to give directions to States (Article 256) or which suggest the executive power of the States not to conflict with that of the Union (Article 257). There were commission and committees that dealt with issues of so-called Centre-State relations.

Intergovernmental Transfers of Resources

Resources are transferred these days from union level to unit levels across the spectrum⁶. There are two major ways to do it: through revenue-sharing and a variety of grants. In most cases, both are adopted.

Revenue sharing is carried in a variety of ways. First, it is tax by tax basis or a by pool of certain/all taxes. Where there exists a comprehensive commodity tax on value added basis, they have generally gone for a pooled basis. India since 2000 has gone for pooling of most of taxes, direct and indirect. We adopt a mix of several criteria with judgemental weights to decide the share of individual states. Some of the criteria like population are neutral, others like income distance/income-inverse are equity-oriented, and still others like tax efforts are incentive-based.

Grants are provided in a variety of ways but generally categorized as block and specific (categorical). Block grant can be spent by a recipient state anyway it likes but categorical grants for a particular, often narrowly defined, purpose. However, in western literature, even block grant is for broadly defined purpose like education. According to the General Accounting Office, from 1980 to 2001, the number of federal block grant programs went from 450 to 700. But in India, plan assistance and non-plan revenue grants are block grants. Literature also discusses conditional and non-conditional as well as matching and non-matching grants. Each one creates a different type of incentive in the recipient's behaviour and impacts the pattern of expenditure of the recipient state. We might not take it up for want of space.

If we take example of Thirteenth Finance Commission, there were recommended five kind of grants made to unit states by the union: (i) grants-in-aid-in revenue to offset non-plan revenue deficit, (ii) grant to help meet goal of universalisation of elementary education, (iii) grant as performance incentive, (iv) grant for maintenance of roads including roads in PMGSY, (vi) grant for environment protection. It is understandable that each one seeks a different goal. They might distort the priorities of the states.

Generally, resources are passed on from the union government to the unit governments and from a unit government to its local governments. However, the way constitutional provision has been interpreted in India by the Finance Commissions, resources do flow from union government to local governments via state governments

Channels of Transfers

There are a variety of channels to transfer resources from government of the union state to governments of the unit states. In some countries, a Ministry (Finance, Home Affairs, Local Governments or Rural development); in some other countries, Legislature; in some countries, inter-government forum; and in some other countries,

an independent commission carries out the exercise of transfer of resources, specifying the form, the manner, the amount and the purpose. Australia, South Africa and India have opted for an independent commission. In India, Finance Commission, which springs up every fifth year, does this job. Constituted under Article 280, it distributes resources between the union and states and uses Article 275 for grants from the union to states.

However, in India, a permanent extra-constitutional body with the name Planning Commission was instituted only a few days after promulgation of the Constitution which had only mentioned economic and social as a subject matter in the concurrent list of the Seventh Schedule. Prime Minister being its Chairman, the Planning Commission assumed a lot of importance in economic sphere and the Finance Commission choose to shrink its sphere to non-plan revenue gaps. Union Ministries too have some discretion in using funds, appropriated by them, in various states through schemes and programmes. Thus, in India, we have three channels: Finance Commission, Planning Commission and discretionary grants from union ministries.

Though Fourteenth Finance Commission has submitted its report, its recommendations are not out and TORs to the Commission were given during earlier regime and Planning Commission is not in place, it is difficult to guess out how fiscal scene is going to change for the next five years (2015-2020) while the present plan has two more years (2015-16 and 2016-17). Union Budget (2014-15) had taken into consideration the plan-budget financial exercise. It is expected that a mid-term development perspective is kept in view.

With change in intervention policy matrix and emphasis on cooperative federalism as well as change in political environment, we expect better availability of resources to the unit state governments (and in turn to local

government) and yet not increasing their dependence on the union kitty.

Resources in the final analysis pass from one part of the country to another, one section of the people to another, from one generation to another and from one set of activities to another. But the present mechanism of federal transfers creates an impression as if resources are flowing from one level of government to another level. There is a need for better delineation of resource bases so that dependency of units reduces but the access to resources does not. In whatever remains, the unit states get a matter of right, not be as charity. Grants may not become zero but they should not so conditional that the priorities of the unit states do not get compromised. It can happen only when unit states are treated as responsible states and the basis of federation is fraternal, not paternal.

Endnotes

1. There were many such territories in the US between 1789 and 1959, which slowly got the status of unit

state. A very similar case exists in India where many areas with union territory status were granted statehood.

2. For example, the Constitution of Queensland asserts in its Preamble that 'the people of Queensland, free and equal citizen of Australia, adopt the principle of sovereignty of the people,...'
3. There was constituted a Constituent Assembly of the State of Jammu and Kashmir to recommend to the President on the operation of Article 370 and the President did so on 17th November 1952 with some modification in the **Explanation** in clause (1) of the Article.
4. Federation of Saint Christopher and Nevis, with two islands and a population of 50000, has only a unicameral parliament, called National Assembly. The island of Nevis has Nevis Island Assembly.
5. In Gulf countries, all revenues are non-tax revenues. There may be a lot of transfers through loans

which can come back and therefore it may not be exactly treated as expenditure.

6. In history one finds that tax collection was highly localized in Russia and China and revenues were passed up to the union government.

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[Several authorities, websites, and constitutions were consulted for confirmation of the contents.] □

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According to a survey, 92 per cent respondents had no idea about the credit scores and the impact of non payment of their credit dues. Thus, credit awareness in India has a long way to go. □

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With the opening of 11.50 Crore Bank Accounts , Pradhan Mantri Jan Dhan Yojana enters Guinness Book of World Records



The Pradhan Mantri Jan Dhan Yojana (PMJDY), which was announced on 15th August 2014 as the biggest financial inclusion initiative in the world, has achieved a record number of 11.50 crore accounts opened as on 17th, January 2015 as against the original target of 7.5 crore uncovered households in the country by 26th January, 2015 . This data is as per the survey of 21.02 Crore households in the country in which, a coverage of 99.74 per cent households has been achieved. The survey was conducted in about 2.27 Lakh Sub Service Areas (SSAs) in rural areas and wards in urban areas in a record time of 4 months. Out of the total accounts opened, 60 per cent are in rural areas and 40 per cent are in urban areas. Share of female account holders is about 51 per cent.

The Guinness Book of World Records has also recognized the achievements made under PMJDY and has given a certificate stating “Most bank accounts opened in one week as part of the Financial Inclusion Campaign is 18,096,130 and was achieved by the Department of Financial Services, Government of India , from 23rd to 29th August, 2014.”

RuPay cards have been issued to more than 10 crore beneficiaries who will get a benefit of personal accidental insurance of Rs. 1 Lac under this scheme. In addition to that, there is a life insurance cover of Rs.30, 000 for eligible beneficiaries. A deposit of Rs. 9,188 crore has been mobilized in the accounts opened under PMJDY.

The Union Finance Minister said that the PMJDY is a game changer for the economy as it has provided the platform for Direct Benefits Transfer (DBT) which, in turn, will help in plugging leakages in subsidies and thereby provide savings to the exchequer. Under the PAHAL scheme which is the Direct Benefits Transfer in LPG subsidy, he said that an amount of Rs. 1,757 crore has been transferred to the beneficiary accounts through the banking network since 15th November, 2014. So far ,19 schemes out of 35 DBT schemes have been rolled-out across the country, including MGNREGS in 300 districts. The Finance Minister informed that the State Governments have also been requested to transfer cash/benefits directly in the bank accounts of beneficiaries thereby cutting layers in the delivery process.

To provide universal access to banking facilities for all households across the country through a bank branch or a fixed point Business Correspondent (BC) called Bank Mitra, 1.23 Lacs Bank Mitra have been set-up in the country. Steps are also being taken to ensure that the Bank Mitra are provided with devices capable of online interoperable transactions using RuPay cards and Aadhaar- enabled payment system. Use of RuPay cards at other access points will help in reduction in cash transactions and making them digital , which will move the economy towards a less cash society.

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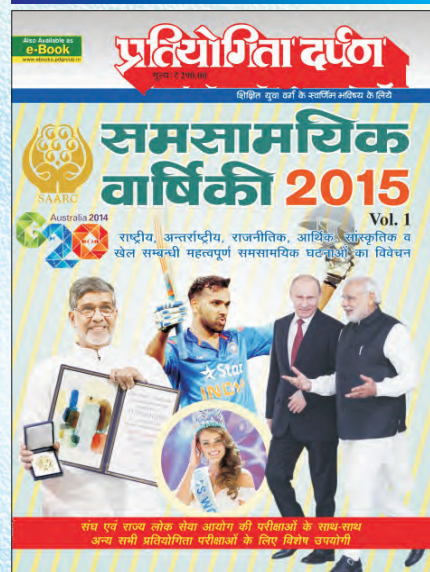
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