

Date:28/05/2009 URL:

<http://www.thehindu.com/2009/05/28/stories/2009052855230800.htm>

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UPA's challenge: rural governance reform

Mihir Shah

Respect for Verdict 2009 obligates comprehensive rural governance reform. Complex outcomes demand participatory processes and imaginative solutions.

A hitherto dismissive Indian media have gone characteristically overboard in ascribing Verdict 2009 to initiatives such as the National Rural Employment Guarantee Act. The verdict affords a more nuanced reading. While greater sensitivity to the needs of the people was an important contributor to the United Progressive Alliance's victory, the result appears a complex conglomerate of various State-level verdicts, reflecting diverse factors, many purely accidental.

A serious problem created by facile electoral analyses is that they give rise to even worse prescriptions for the new government. The commonest of these, much like a Bollywood formula for a hit film, is a juicy mix — reforms plus handouts — a little-bit-of-the-Right and a little-bit-of-the-Left, kind of please-all concoction. This formula has two dangerous presumptions — one, reforms are identical to disinvestment and privatisation, and two, India's poor deserve condescending dollops of sympathy and money.

This formula reduces inclusive growth to inclusion through handouts. But if a sop like the farm loan waiver were to become policy, it could irretrievably compromise the integrity of India's banking system, whose robustness has been a lifeline for the rural poor, especially since the nationalisation of banks in 1969. Similarly, in the absence of a far-reaching governance reform, NREGA is nothing but a handout. And it will do little to dent rural poverty. On the other hand, if it fulfils its promise of overthrowing the contractor raj, it could provide the big push for a new vision of sustainable development that grows organically from the soil, both literally and metaphorically.

For the most critical needs of the people, shockingly unmet even 60 years after independence, reforms cannot be equated with privatisation. Market fundamentalism and an indiscriminate advocacy of privatisation so dominate our deeply uniformed discourse today that certain basic tenets of economic theory and the experience of most capitalist countries bear reiteration. This is not some form of subversive, closet socialism. These are truths about the functioning of capitalism drawn from work that has won many Nobel Prizes in Economics.

Markets fail when there are no profits to be made for capitalists or when the private rate of return on investment is significantly lower than the social rate of return. This is why thousands of Africans continue to die from sleeping sickness, even though the cure has been

known since the early 1990s. There are no profits to be made from producing a drug that people who need it cannot afford to buy. Similar reasons explain why the proportion of malnourished children in India refuses to fall below 45-50 per cent even after two decades of economic reform. Or why we have the largest proportion of pregnant anaemic women in the world.

Yes, reforms in India correctly entail privatisation of sectors such as airports, airlines, hotels, and cars but throughout the world, public goods like health, education and environment have been provided for or protected by governments. Ever since the Great Depression of the 1930s, capitalist democracies have seen major investments by the state in the fundamental rights of its citizenry. The difference is that in the U.S., Europe, South-East and East Asia, the state has invariably delivered. In India it has failed — both in the magnitude of its effort and in its quality. Thus, the suffering of our people is not just a tale of market failure. It is also a failure of governance. Which is where reforms for the poor must focus.

P.S. Vijay Shankar and I argue, in a study just completed for the UNRISD (United Nations Research Institute for Social Development, Geneva), that government expenditure on health and education in India, as a proportion of national income, is among the lowest in the world. Our health sector is already overwhelmingly private. And it has failed miserably in delivering to the most vulnerable sections, especially in rural areas. How can reform here be achieved by more privatisation?

Our challenge is to improve the functioning of the public sector in rural development, something that does not figure on the agenda of India's political Right or Left. Perhaps a fundamental reason for this neglect of rural India is what may be termed the "urban telos" implicit in almost all development thinking, across the political spectrum. Ever since the Second Five-Year Plan, it has been assumed that the salvation of people lies in urbanisation and industrialisation. The short-lived Green Revolution was both unsustainable and confined to a few areas and crops. Those who need government support in rural areas have received only second-rate treatment. The condition of schools and hospitals in large tracts of village India is eloquent testimony to this neglect. Most of them still operate out of a single dilapidated room with a handful of teachers and doctors, if at all. When we are anyway expecting rural areas to be eventually emptied out, why bother to make a very big difference to their quality of life?

This is perhaps where the handouts mentality stems from. One look at the ecological nightmare our cities have already become should be enough to convince us that a fresh view has to be taken of the possibility of any further movement from country to city. Let us work towards making our villages dynamic centres of growth and first-rate habitats. That will give us breathing space to improve our cities as well. We need a development vision based on an understanding of the deep complementarities between agriculture and industry, town and country.

But villages cannot be dynamised until we reform the public sector, which includes health, nutrition, education, banking, watershed, irrigation, NREGA and the Forest Rights Act, embracing almost every element of rural life. Both NREGA and the Forest Rights Act are potentially revolutionary initiatives but have remained transformative only on paper, much like the land reform legislation of the 1950s. They have opened up a space that demands unprecedented boldness of action, badly lacking on the ground so far. On the Forest Rights Act, which calls for a full democratisation of our forest bureaucracy, and is the key to

addressing naxalism, nothing at all has moved. On NREGA, what we expect our gram panchayats to deliver has absolutely no correlation with what we have provided them in terms of human resource. How have we enabled them to dismantle the contractor raj? Where is the comprehensive cadre of functionaries fully accountable to them, which is the alternative implementation mechanism they require? One of the last, most welcome Cabinet decisions of the outgoing UPA government was to raise the administrative allocation under NREGA to 6 per cent of its total outlay. But what to say of where this money will go? Why do we not stipulate that specific proportions be spent on professional support cost and on building capacities of those running NREGA? Without such specifications, it is difficult to see NREGA become the multiplier-accelerator propelling investment it needs to metamorphose into.

Detailed blueprints of reforms for rural India are now available. The UNRISD study contains suggestions for both the magnitude of investment and structural changes required for quality education and health. The Parthasarathy Committee provided a wealth of insight into watershed reforms. On NREGA, there is the upcoming report of the National Consortium of Civil Society Organisations. Reports of the Commissioners of the Supreme Court are a gold mine of suggestions for restructuring mid-day meals and the Integrated Child Development Services. Distinguished scholars and practitioners have recently drafted a comprehensive agenda for panchayat reforms.

Freshness of ideas from a new generation of politicians led by Rahul Gandhi was a theme song of the Congress campaign. The people have provided them a golden opportunity to venture long-term fundamental change. History will judge whether they could muster enough courage to transcend the ossification of both the Right and the Left. They must not ridicule the voters by offering more handouts. Trickling down of growth in which people are not partners is both an affront to their dignity and a tragic neglect of their enormous potential.

Livelihoods, education and health are not polio drops to be mechanically administered to the people. They represent complex outcomes that demand participatory processes and imaginative solutions. Merely throwing money at the people through direct cash transfers is not only insulting, it does not work. What ensures translation of outlays into outcomes is the software we put into place. This includes deployment of high quality human resource and systems that ensure accountability and stakeholder participation.

Democracy is the best insurance against abuse of power. But democracy does not begin or end with citizens voting in the Lok Sabha elections. It will be real for people only when they become partners in shaping the destiny of the nation, as a dynamic hub of compassionate and sustainable growth.

(The writer has lived and worked in tribal central India over the last two decades.)

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