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PSUPrabhat Malik
Pub. Ad. Answers

- Q. "Memorandum of Understanding scheme" between government & public enterprise has forced public undertakings to improve the overall performance."
- Comment - (20)

A. Public Sector Undertakings ^(PSU) had not lived up to the expectations in terms of performance & ~~to~~ had become a fiscal drag on Indian economy.

As part of the post 1991 reforms, PSU were sought to be reformed under the philosophy of New Public Management. MOU's emerged as an important instrument to enhance operational & financial autonomy of PSU's while retaining their accountability to state.

^{NPM} MOU's involved the state & PSU management coming to a broad agreement over the objectives of PSU in quantifiable terms. Subject to the achievement of these goals, PSU's were given enhanced autonomy for operational & financial needs.

eg. mandating steel output targets & cost targets for SAIL

State

Improvement in Performance because

- 1) Defined objectives allowed for systematic planning & execution
- 2) Reduced government interference avoided the pitfalls of political favours etc.
- 3) Focus on target setting led to improvement in performance being linked to results rather than inputs etc.

- 4) It allowed for PSU's to take a longer term view enhancing its competitiveness.
- 5) Enhanced autonomy reduced the cost of operations by reducing delays.

Thus from a dismal state we see that by 2012, ~~235 out of 2~~ 160 out of 230 PSU's were profitable.

MoU scheme does suffer from certain issues like :-

MoU
scheme

- 1) Focus is on outputs & not outcomes in many cases.
- 2) Bureaucrats are still being appointed in management.
- 3) In the highly competitive environment of liberalisation, privatisation, PSU are forced to subject to scrutiny of Parliament & CAG as well as fulfill certain social objectives of states like reducing regional disparity.

MoU scheme has thus provided a base towards enhancing efficiency & effectiveness of PSU but further efforts are still required.

~ 13:30

6.5 Provide Statistical data about No. of PSUs signed MoU & their performance.

Intro - Reference govt. ^{PSU} ~~restructuring~~ ^{restructuring} ~~changes~~ ^{changes}

1st - MoU - NPM post 1991, defn.

2nd - Impact - Perf ↑

- Cost ↓
- interference ↓
- goal clear
- HR quality ↑
- long term result orientation planning

3rd Control - Theory & form delegation Authority w.r.t. resp.

3rd Perf. star

4th Risks - Productivity & Profitability less

4th Rec. → boards better staffed

→ labour laws

Import. building step.

role of
PSU

Q. Is it correct to say state that "one of the major reasons for the failure of many public sector undertakings was due to departures from the original concept of autonomy"?

A. Public Sector Undertakings (PSU) were not able to replicate the success of enterprises of developed world as envisaged at independence.

PSU differed from private enterprises in many respects like primary objectives, degree of autonomy, level of scrutiny etc.

Autonomy was compromised in PSU's by

- a) Civil servants under the state managing the PSU's business
- b) PSU decisions regarding production, selling up new factory etc. were influenced by ministers
- c) Scrutiny by executive, legislature, CAG
- d) Inability to hire & fire workers like private counterparts.

This lack of autonomy would have affected the competitiveness of PSU by degrading its efficiency & economy.

To counter this, ^{political & social goals} they had advantages like

- a) Monopoly in respective sector
- b) Cheap credit availability
- c) Governmental support

In addition to the above factors it was expected that

- 1) Bureaucracy would be competent & effective
- 2) Political influence would be used to

inculcate social objectives without compromising effectiveness.

These assumptions didn't hold true & this bureaucracy's ~~political~~ competence was questioned & political class used the PSUs to serve their political ends compromising effectiveness. Eg. opening factories far from raw material & markets.

The situation was compounded by the failure of state to introduce necessary ^{to ensure autonomy, accountability for results} reforms in PSUs in 1970's once capacity building in terms of infrastructure & human resources had taken place. Instead PSU became the end itself & under the guise of socialisation, competitiveness suffered.

lack of
Thus autonomy emerged as one of the major reasons for PSU failure but only because the ~~strategy~~ of implementation regarding PSU didn't go as planned & necessary reforms didn't take place.

~15 min

Original Concept
of autonomy &
why did
we forego
pol. purposes
report?

Case. — NPM, pct
/ → FDI, deregulation
MOU, force rationalization

Fin. Management

Q. 'The Budget is more than the economic barometer of the nation'. Comment. (20)

A The budgeting system is a method of administration which uses the instrument of budget to ensure control, evaluation & coordination.

future

Budget of a country performs many functions

Pols ^{in policies} a) Present financial situation of country's ^{social & economic} finances is detailed ^{debt, GDP}

Statistical b) Past performance is evaluated

Example i) whether estimates were accurate
ii) Results achievement in terms of expected outputs
iii) lessons learnt

Govt c) Roadmap for future

i) Estimates of revenue & expenditure for the coming year
ii) Details of programs to be executed
iii) Details of goals & objectives

Govt ^{goals} Thus the budget ensures management of financial performance of the country.

Over the past few decades, budgets have evolved over the above stated functions of control through newer forms like ~~performance budgeting & gender budgeting~~ etc.

- a) Gender budgeting - ensuring equity in spending w.r.t. women. Similar purpose ~~by~~ by Tribal Sub Plans
- b) Performance budgeting / Outcome budgeting
linking inputs to outcomes
- c) Zero Based budgeting
Constant evaluation of government schemes for a rationalist public policy making.

Budgets have thus evolved from a simple ~~statement~~ ^{horoscope} of government ~~not~~ ^{planning} ~~year plans~~ to tools of monitoring, accountability, ensuring equity & in the broader context, effective ~~government~~ administration.

~ 12 mins

Mention about different budget of political economic administration social statistics & so on

Q. Examine the role of the Finance Ministry of the Union Govt. in designing & implementing monetary & fiscal policies. (30)

A. ^{Kautilya} ^{Imp. of Finance} Finances are the lifeblood of any organisation & effective monetary & fiscal policies are required for state to perform satisfactorily.

Owing to the specialised nature of work, specialised staff agencies such as Finance Ministry in India, are accorded the responsibility for financial administration.

Fiscal Policy

It is the policy relating to the revenue & expenditure functions of the state.

Finance Ministry has the primary responsibility for its design & implementation.

a) Design — Through a combination of top down & bottom up approach, budget is formulated by the ^{Finance} Ministry after receiving estimates & consultation with other ministries. This is reflected in the budget.

Its main role here is to

- i) Ensure that expenditure stays within desired limits
- ii) Coordinate & tone down demands of various ministries who tend to overestimate (bureaucratic aggrandizing tendency)
- iii) Ensure the spending scheme is in line with the government policy

iv) Ensuring adequate revenue sources to finance the expenditure

b) Implementation

Finance ministry regularly monitors the department/ministry spendings to ensure that funds are utilized according to plan and are not wasted or over-spent.

Issues

- Monitoring is weak as seen by March Rush, funds stuck in pipelines
- Weak accounting system (cash-based) hampers its effectiveness
- Bottom up budgeting affects execution capacity to spearhead new initiatives

Suggestions

- Top down budgeting (ARC-2)
- Modified Cash Management System strict implementation to counter March Rush
- Improving financial monitoring capacity (ARC-2),

Monetary Policy

It is related to regulating the supply of money in the economy.

Pre 1990 : virtually by FM
 post-1990 : RBI gov. appoint. consultative mechanism

The responsibility of monetary policy lies with the RBI & not the Finance ministry. It however does have a role to play as :-

Implem. → PSB's
 SEBI

- Coordination with RBI to ensure fiscal & monetary policy are in sync.

- for the state
- 2) Its borrowing scheme has an effect on the money supply in the country
 - 3) Proposals relating to foreign investment too effect monetary policy
eg relaxing FDI norms (eg high inflation)
 - 4) Ineffective fiscal policy may lead to monetary policy acting contrary to state wishes. eg. high repo rates.

Monetary policy thus envisions a cooperative role between RBI & Finance Ministry

Finance Ministry occupies the central role with regard to fiscal policy & thus also becoming relevant to monetary policy.

~ 20 min

Prob of FM in
Monetary Policy
needs more
clarity

Intro —

1st → specialised work, staff agency work

Fiscal → design → ~~main~~ main role
 Implementation → monitoring line dept.

Issue → bottom up & top down
 → incrementalism → ZBB periodically
 → result orientation → Pepsu OB
 → March rush : MCMS
 → monitoring → system

Monetary
~~Monetary~~ — RBI

role → design

Implement → PSB

Suggest → better coordn. mech. FSDC
 → PSB reforms

Concl. → leadership role : Crisis & stability adapt to conditions

Philosophical framework

Q. The shift from the Nehruvian to the liberalisation model of development has necessitated reinventing government. Comment (20)

A. Why Nehruvian government. Organisations need to respond to changes in environment for continued relevance be it business or government.

~~India adopted a pro people approach~~

India geared itself for fast paced development post-independence in line with the Nehruvian strategy of

- State led socialist development
 - Public enterprises achieving commanding heights
 - Private sector in a limited role.
- Self-sufficiency, self-reliance, best possible use of limited resources

This necessitated & spawned a large expansion in bureaucratic machinery, with the state permeating every aspect of life.

The structure was centralised, hierarchic, ~~and~~ to elitist bureaucracy - central owing to the colonial origins & little change was brought to it.

The failure of this model led to the 1991 reforms under the broad banner of liberalisation, privatisation & globalisation.

The essence was a shift towards "market" & greater freedom to people & business.
Feature - market, competition,

This led to an ideological shift in governance philosophy, shown by the approaches

- NPM - PSU were given autonomy & reorganised, bureaucracy was aimed to be made more focussed on efficiency, economy, effectiveness.

b) Public choice - deregulation of sectors, introduction of competition via FDI, FII, opening of market, disinvestment in

PSU's
Citizen-centric, responsive, transparent, participative

Government thus shifted towards a small but strong, regulatory, ^{indecision} decentralised, citizen-centric role & the state was to be made leaner & effective

The process has had its impediments like bureaucratic resistance to change, lack of effective political will as seen in ineffective Panchayat & municipalities.

~~The~~ A shift in this approach has been visible at the societal level in the elections which focussed on governance, institutional reforms. The change thus looks set to happen, efforts are needed to speed it up.

~15 min
Able to spot, points
participative, lean
decentralised, More less
with
7

Q. Values of Indian Administration must be rooted in the Preamble of the Indian Constitution'. Discuss (30)

A. India embarked on state led approach to speedy development post Independence. Indian administration by virtue of its collective experience, network, size & expertise has a ~~significant~~ ^{prime} responsibility to aid in this objective.

Since the time of human relations approach & studies in behaviouralism, it has been validated that

Research by Human Relation thinkers, ~~behaviouralists~~ ^{behaviouralists} have established the invalidity of politics-administration dichotomy, as well as the importance of value system in motivation & behavioural patterns of employees.

Indian Administration ~~by virtue of~~ ^{owing to} its central role in development process ~~requires~~ ^{requires} a ~~code~~ ^{code} native system & code of conduct to guide its working towards public interest.
 ^{impact on policy + direction in implementation}
 ^{public welfare & orientation} → ethics & code of conduct

The value system of anonymous, neutral, instrumental bureaucracy ~~of~~ ^{of} Weber has been criticised as unsuitable for Indian conditions owing to

- a) lack of congruence between bureaucracy & political class over essential goals
- b) significant role of bureaucracy in policy making. ~~owing to~~

The above system thus allows bureaucracy to hide behind the shield of anonymity & neutrality.

In place of this the concept of committed bureaucracy has been advocated, which is committed not to their political masters but to the public welfare & uses its influence to guide the government activities in this direction.

The guiding values for such a bureaucracy has been illustrated by thinkers like Nolan (UK) as well as Administrative Reform Commission (India) which have advocated for values like Honesty, Integrity, ~~Openness~~, Accountability, Objectivity etc.

Since the guiding objective is public welfare, the values ~~can~~ can be best found in our constitution which has ~~its~~ its sole objective as ~~the~~ public welfare.

The Preamble elegantly illustrates these values of

- a) Liberty -
- b) Justice - social, economic, political
- c) Socialist
- d) Secular
- e) Democratic
- f) Equality etc.

The constitution not only presents the value system but also provides necessary protection to the Administration to

ensure the freedom to practice these values under Article 311, 312, as well as the guiding action in Directive Principles.

Bureaucracy has over the years failed in living up to its responsibility & is now associated with corruption, inefficiency, politicisation & acting only for the rich & powerful.

It thus becomes imperative to alter the behavioural pattern through both the socialisation process in service in the form of training, rules etc. as well as the society at the broader level becoming more attuned to these values

~ 24 min

15

- Intro — 2nd para. (importance of admin.)
- 1st para — Pub. Ad evaluation — Admin. role in policy
(need for values) — value effect on behaviour
- 2nd — rejection of instrumental
- 3rd — Public welfare — defined & accepted as basic. values prescribes
- 4th Preamble — list the values
- 5th — safeguards, guidance
311 DPSP
- 6th failure
- 7th future — code of ethics
society

Administrative Behaviour

- Q. Examine the respective roles of facts & values in the decision-making process. Is it possible to make value-free decisions in government system? How can government decisions be made more rational? (30)

A.

Simon emphasized decision-making as the crux for a successful organisation & thus advocated focus on improving its rationality.

Decision making
imp. acc. to
Simon

Traditional thought in public administration espoused political ~~political~~ - administration dictatorship.

The implicit assumption was politicians setting the values to be achieved & administrators achieving them ~~and~~ taking into account ground realities (facts).

Neglected
decision making
learn
situation

Simon also advocated a similar line of thinking by advocating a fact-value distinction. He emphasised that administration ^{decisions} should be concerned with facts only to increase rationality.

Even in this distinction values of economy, efficiency and effectiveness were to be used as guiding goals for administrative decision making.

eg.

values of F&A for pol. system → Adm. focus on eco. rationality

Other thinkers like Dror have however stressed the need for extra-rational factors

Dror

in decision-making process. Similarly ^{experience etc} in development administration need was felt for administrative decision making.

Limitations
→ values come in

to be guided by values of equity, justice, concern for marginalised.

^{delegated legislative}
~~With~~ ^{implementation discretion}

With the current focus on public policy & acceptance of major role of senior administrators in this process, facts & values ~~have~~ are looked at as having complementary roles in decision-making. The decisions should be based on facts but not comprising essential values set by society, political class, constitution.

Values broader than ^{etc.}

This has also ended the debate on value free decisions in government systems. This is because decisions of non-programmed nature in government have a broad societal impact. Eg. including agriculture works within NREGA ambit has to be looked at ^{from multiple} point of view of social conditions ^{in addition to efficiency}.

^{complex situation}
^{etc.} Values are thus not many times ^{deeper} quantifiable & need to be considered as guiding path. Value free decisions are possible only in ~~non~~ programmed (competitive, technical) work to some extent.

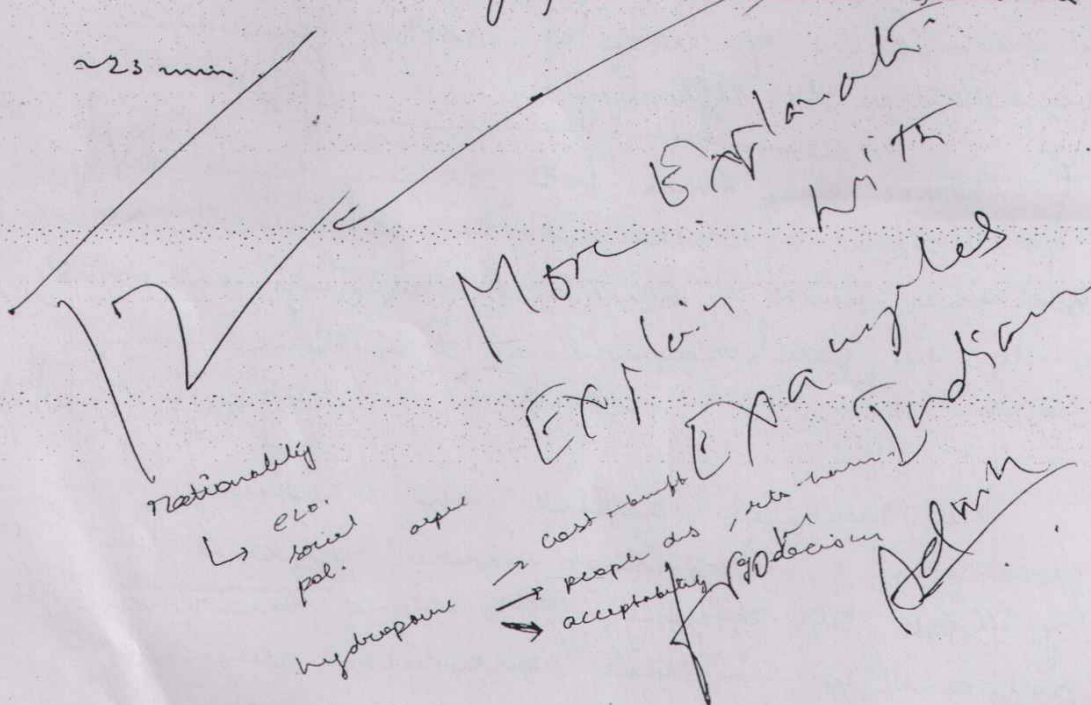
The crucial aspect in making government decisions more rational is by first identifying ~~the~~ what constitutes rationality in that particular context. Eg. premium over efficiency or equity. This is because many a times there come in conflict. eg. debate over subsidies.

The general guidelines towards increasing rationality involve increasing objectivity, better means-ends correlation, adequately accounting for all costs etc. These require

- a) Clearer specification of goals
- b) Increasing routinization of decisions
(non-programmed to programmed)
- c) better information processing & communication systems.
- d) Capacity building of decision makers.

Decision making process needs to be strengthened in each of the 3 phases of search, intelligence & choice & this requires clearer values & better facts availability for rational decision

~23 min



B. Non-Governmental Organisations play a catalytic role in enabling communities to define their own priorities ... " Comment (20)

what role why Impact - future (NGO)

A. Non-Governmental Organisations have to occupy a central place in the process of strengthening of democracy & making it people-centric

NGO
central place
b/w state & ppl.

A community led development process requires the community to organize & clearly put across their needs. The prevailing level of inequality, illiteracy hampers this process.

NGO play a catalysing role in removing these obstacles by :-

- 1) Awareness - via grassroots activities using volunteers, influential personalities. The aim is to make people realise the importance of their voice
- 2) Organising - NGO help people come together to discuss, debate & collaborate. This sets the stage for defining the agenda & demands
- 3) Resources - to train & educate people as well as provide ~~opportunities~~ facilities for collaborating

eg
NGOs are able to achieve this owing to

their autonomous nature with voluntary participation, allowing them the scope of total support & pressure for generating committed personnel &

developing a commitment to broader social goals.

The process has its risks ^{& challenges} in the form of:-

1) NGOs hijacking the agenda ^{for vested} ~~interests~~ ^{interests}. Eg. NGO funded by intelligence agencies for psychological warfare.

2) Administration hostility
eg. Greenpeace

Thus, the process demands that NGOs collaborate with the state to further the stated goals of citizen-centric administration of Indian government. This process allows for synergy & sufficient checks & balances.

eg. MKSS collaboration with state for better RTI implementation through Jan Sunwais

~ 12 min.

Concl. NGO instrument of civil society ~~development~~

More examples why
start with NGOs?