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15

Ensuring Good Governance and Effective Institutions

Can We Afford to Ignore Capacity Issues?

Subrat Das

ENSURING GOOD GOVERNANCE AND EFFECTIVE INSTITUTIONS

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Preface

The *Southern Voice on Post-MDG International Development Goals* was born in the spirit of collaboration, participation and broad academic inquiry. It is a network of 48 think tanks from Africa, Latin America and South Asia which has identified a unique space to contribute to the post-2015 dialogue. By providing quality data, evidence and analyses derived from research in the countries of the global South, these think tanks seek to inform the discussion on the post-2015 framework, goals and targets, and to help to shape the debate itself.

With these goals in mind, *Southern Voice* launched a call for papers among its members to inform the global debate based on the research they have already carried out, to strengthen national or regional policy discussions. The objective of the call was to maximise the impact of the knowledge that already exists in the global South, but which may have not reached the international arena.

In response to the call, we received numerous proposals which were reviewed by *Southern Voice* members. The research papers were also peer reviewed, and the revised drafts were later validated by the reviewer.

The resulting collection of ten papers highlights some of the most pressing concerns for the countries of the global South. In doing so they explore a variety of topics including social, governance, economic and environmental concerns. Each paper demonstrates the challenges of building an international agenda which responds to the specificities of each country, while also being internationally relevant. It is by acknowledging and analysing these challenges that the research from the global South supports the objective of a meaningful post-2015 agenda.

In connection with the ongoing debates on post-2015 international development goals, **Ensuring Good Governance and Effective Institutions: Can We Afford to Ignore Capacity Issues?** by *Mr Subrat Das*, Executive Director, Centre for Budget and Governance Accountability (CBGA), Delhi explores the significance of capacity of governance with reference to the experience of public policies and their implementation in India over the past decade.

I would like to gratefully acknowledge the contributions of *Ms Andrea Ordóñez*, Research Coordinator of the initiative and *Ms Mahenaw Ummul Wara* (Research Associate, Centre for Policy Dialogue (CPD) and Focal Point at the *Southern Voice* Secretariat) in managing and organising the smooth implementation of the research programme.

I would also like to thank *Dr Shekhar Shah*, NCAER for peer reviewing, and Michael Olender for copy editing the paper.

I would like to take this opportunity to recognise the support of Think Tank Initiative (TTI) towards *Southern Voice*, particularly that of *Dr Peter Taylor*, Programme Leader, TTI.

I hope the engaged readership will find the paper stimulating.

Dhaka, Bangladesh
June 2014

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Abstract

This paper presents an assessment of the formulation of the illustrative goal 'ensure good governance and effective institutions' put forward by the United Nations High Level Panel on the Post-2015 Development Agenda. It explores the significance of capacity of governance with reference to the experience of public policies and their implementation in India over the past decade.

The High Level Panel's emphasis on some of the commonly cited parameters of good governance and effective institutions, such as, space for people's participation, transparency and accountability, is indeed commendable. These parameters are important as some of the key determinants of the process that translates development policies and resources into the desired results or outcomes in a country. However, the paper argues that the process of implementation of development policies can get constrained significantly if the government apparatus in the country lacks the basic capacity to perform their roles even when there is a high degree of transparency, space for people's participation and accountability of government officials. Availability of adequate numbers of skilled personnel or staff in the government apparatus is perhaps the most important determinant of its capacity; and, if there is acute shortage of staff, even a transparent, inclusive and accountable government apparatus cannot fulfil its responsibilities well. The paper also highlights that the issue of governance capacity in a country is linked to the ability and willingness of the government to make long-term public expenditure commitments, which in turn is linked to resource mobilisation policies of the country.

The paper, in light of these arguments, implies that it is necessary to modify the formulation of the suggested goal 'ensure good governance and effective institutions' and its associated national targets to highlight the significance of governance capacity. It also suggests that the post-2015 development framework could incorporate policy directions to encourage developing and less developed countries to pursue fiscal policies that would create enabling environments for good governance and effective institutions.

Contents

Acronyms

BRICS	Brazil, Russia, India, China and South Africa
GDP	Gross Domestic Product
GDT	Gross Devolution and Transfers
G20	Group of Twenty
HLP	High-Level Panel (of Eminent Persons on the Post-2015 Development Agenda)
OECD	Organisation for Economic Co-operation and Development
UN	United Nations

Ensuring Good Governance and Effective Institutions
Can We Afford to Ignore Capacity Issues?[*]

Subrat Das

The Context

The 2013 report of the United Nations (UN) High-Level Panel of Eminent Persons on the Post-2015 Development Agenda (HLP), which presents the panel's recommendations for the next global development framework, acknowledges the criticality of improving governance. Whether the post-2015 development goals should be concerned with outcomes alone or both outcomes and core inputs, such as quality of governance and institutions, is a matter of ongoing debate. Since "ensure good governance and effective institutions" is one of the HLP's suggested illustrative goals and associated national targets include measures on legal identity, political freedoms, political participation, access to information, and anti-corruption (HLP 2013: 31), it is necessary to probe deeper into the formulation of the goal on governance and associated targets.

The HLP's formulation of "ensure good governance and effective institutions" is accompanied by five specific illustrative targets: provide free and universal legal identity (such as birth registrations), ensure freedom of speech, association, peaceful protest, and access to independent media and information, increase public participation in political processes and civic engagement at all levels, guarantee the public's right to information and access to government data, and reduce bribery and corruption and ensure the accountability of government officials.

The HLP's emphasis on some of the key parameters of good governance and effective institutions – space for people's participation, transparency and accountability – is indeed commendable. However, it seems to have ignored the significance of capacity of governance, which can be a serious challenge in any country struggling to deal with long-term public expenditure commitments because of problems in its fiscal policy, such as India.

The report of the HLP mentions the need for "strengthening the capacity of parliaments and all elected representatives," and also makes a fleeting reference to people's expectations of "institutions that are transparent, responsive, *capable* and accountable" (HLP 2013: 50; emphasis added). The issue of weakening capacity of the executive and government apparatus is not a focal point, which is an omission that could lead to serious governance failures in the future, at least in the case of a country like India.

Weakening Capacity of Government Apparatus

The experience of public policies and their implementation in India over the past decade indicates that the acute shortage of staff, especially skilled employees, across a range of administrative units at the sub-national level, which are vested with the responsibilities of planning and implementing government interventions for crucial social sectors, has resulted in poor quality of public expenditure in these sectors. This is one of the main reasons for the persistence of development deficits despite increases in the magnitudes of budget outlays.

[*] This paper has benefitted from valuable comments by *Dr Shekhar Shah* and *Mr Vishnu Padmanabhan* of the National Council of Applied Economic Research (NCAER), India on an earlier draft.

In the Indian context, it can be argued that the shortage of staff, particularly in the regular cadres of state government departments responsible for social sectors such as education, health, water and sanitation, rural development and agriculture, among others, is one of the main factors affecting the coverage as well as quality of government interventions in these crucial sectors across many states. The evidence generated by some think tanks and civil society organisations indicates that the problem of staff shortage has grown into a crisis for governance of the country. Several micro studies commissioned by government and independent organisations have pointed out that the shortage in quality human resources is one of the major challenges faced by the system of public service delivery in India. It is important to note that the gap is more acute for skilled/technical staff positions – programme managerial staff, finance and accounts staff, and skilled service providers – than the unskilled/support staff positions.

As of 2011-12, available evidence indicates that India has 1.6 government personnel for every 100 residents – this includes personnel in the central government of India, Indian Railways, state governments, urban and rural local governments, and public sector undertakings. This is a relatively low figure when compared to the much higher figure of 7.7 government personnel for every 100 residents in the United States (Swami 2012).[1] If the personnel working for the public sector undertakings, which are quasi-governmental entities and Indian Railways, which operates under the central government but has a reasonable degree of autonomy, are excluded, the number of government personnel for every 100 residents in India falls to less than 1.[2]

Among Indian states, the number of government personnel for every 100 residents is high in some border region and conflict-affected states, such as Sikkim (6.39), Mizoram (3.95), Nagaland (3.92), and Jammu and Kashmir (3.58), and low in most other states, such as Odisha (1.19), Chhattisgarh (1.17), Gujarat (0.82), Madhya Pradesh (0.82), Uttar Pradesh (0.80), and Bihar (0.45) (Swami 2012). It can be argued that policies relating to the recruitment of government personnel, which have prevailed in the country over the past decade and a half, have encouraged and enabled recruitment in government in border region and conflict-affected states to a greater extent than other states in order to contain discontent. The higher number of government personnel in these states is likely a reflection of a larger concentration of law and order personnel.

Regarding the shortage of government personnel at the sub-national level in India, the sectors that have been worst affected are mostly the social sectors, like education, health, water and sanitation, and rural development and agriculture, among others. It is important to note that the total number of government personnel available in these sectors at present includes a significant proportion of 'contractual staff' – those hired on a contract basis for a few months or at most a couple of years who are usually less qualified and paid much less than those recruited as regular or permanent cadre employees. For instance, in the higher education system of the government sector in India, comprised of universities and colleges, a staggering 40 per cent of 933,000 teachers are 'contractual' teachers. It has been reported that a large number of contractual teachers in higher education in the country do not have the desirable levels of qualification, such as post-graduate or doctoral degrees, are paid meagre salaries, and are hired on contracts for a duration of six to eight months (Varma 2013).

For instance, in the higher education system in the state of Odisha, the last time the state government recruited regular or permanent cadre teachers (or lecturers) in degree colleges was in the year 1989. Since then, all new teachers in degree colleges in the state have been hired as contractual staff. The proportion of contractual teachers in the total number of college teachers has progressively gone up over the years. Despite the reliance on contractual teachers, the problem of the shortage of teaching staff in colleges has aggravated over time.

The acute shortage of government personnel, particularly with requisite qualifications and skills, is not confined to higher education – it is prevalent in most of the social sectors in India. In early 2013, the New Delhi-based Public Health Foundation of India submitted a report to the central Ministry of

[1] Swami (2012) cites data compiled by the New Delhi-based Institute of Conflict Management.

[2] Author's estimation based on data cited in Swami (2012) and Venkataramakrishnan (2013).

Health and Family Welfare that indicated that shortages of skilled/technical professionals in healthcare sector are far greater than shortages of non-technical staff, with the overall shortage amounting to more than 6.4 million. Table 1 in this paper's Annex provides additional information on staff shortages in government departments in India. Civil society reports and government documents point to staff shortages in different sectors in relatively backward states, as demonstrated in Table 2 in the Annex. The extent of shortages refers to the numbers of posts sanctioned in different states, which are likely to be more than a decade old. If state governments were asked to prepare updated figures for the posts required in various sectors for effective service delivery and then report the numbers of personnel in place, shortages of personnel would be more acute in most sectors (Mitra *et al*. 2013). How does such weak capacity of government apparatus in the social sectors affect the delivery of public services in those sectors?

Consequences in the Domain of Public Service Delivery

The consequences of the problem of acute staff shortage in government apparatus at the sub-national level in terms of inadequate coverage and poor quality of government interventions in the social sectors in India are not difficult to visualise. The most widespread manifestation, however, is the poor resource absorption (or fund utilisation) capacity of states. A number of studies by the Centre for Budget and Governance Accountability on programmes in the social sectors in Indian states such as Uttar Pradesh and Chhattisgarh have revealed that shortages of staff have weakened the state government apparatus, which consequently have not been able to effectively utilise budget outlays provided for these programmes (CBGA and UNICEF India 2011a,b,c,d).

This phenomenon of underutilisation of available budgetary resources for programmes in the social sectors in most states has been cited by many policymakers and policy analysts as the key problem in India at the moment. More importantly, it has also been used by the central Ministry of Finance and the Planning Commission as the main rationale for discouraging any significant increases in budgetary provisions for these sectors.

Public expenditure in India is usually divided into two categories, plan expenditure and non-plan expenditure. Plan expenditure refers to government expenditure – both expenditure on capital heads, such as school buildings, hospital buildings, roads, and bridges, and expenditure on revenue heads, such as salaries of staff, wages of workers, textbooks, medicines, and so on – incurred on programmes/schemes laid out in the current Five Year Plan, such as the Mid-Day Meal Scheme, the National Rural Drinking Water Programme, and Integrated Child Development Services. Non-plan expenditure refers to government expenditure that is outside the purview of the current Five Year Plan, such as expenditure on defence services, interest payments, pensions and other retirement benefits for regular cadre government employees, and various government institutions in different sectors. Regarding non-plan expenditure in social sectors in states, a very large proportion is committed to the salaries of government personnel. Since such expenditure counts as entitlements, it is easier for government departments to disburse funds meant for entitlements when staff members are already in place. There are hardly any problems with the abilities of state governments to utilise their non-plan budget outlays in the social sectors. With regard to plan expenditure, however, several states have demonstrated underutilisation of plan budget outlays, especially in the social sectors.

The findings of the studies by the Centre for Budget and Governance Accountability throw light on a set of institutional and procedural constraints that need to be addressed in order to enable states to effectively utilise greater magnitudes of plan budget outlays in the social sectors. These studies analysed the implementation of major plan schemes in the social sectors, such as Sarva Shiksha Abhiyan (a scheme for universalising elementary education in the country), National Rural Health Mission, Integrated Child Development Services, and Total Sanitation Campaign, at the district level in selected states (see CBGA and UNICEF India 2011a,b,c,d).

These studies found that over the past few years two key problems have been observed across various states with regard to the utilisation of available budgetary resources in social sector programmes/schemes, particularly in the relatively backward states. First, many states' capacity to effectively spend on the plan schemes is low, which is evident from noticeably unspent budget outlays and low levels of actual spending as compared to the approved budgets for the schemes. Second, the quality of spending/fund utilisation by many states in the plan schemes is poor. Fund utilisation levels are skewed across the four quarters of a fiscal year. Typically, a large share of spending occurs in the last two quarters. Figures 1 and 2 in the Annex illustrate the skewed utilisation of funds across the four quarters of a fiscal year. Fund utilisation levels are also skewed across different components in a scheme. Spending on certain components increases quickly when it is easier to disburse funds as compared to other components that require greater efforts from implementing agencies. Figure 3 in the Annex illustrates skewed spending across different components of a scheme. Finally, fund utilisation levels are skewed across different regions within a state.

The studies also revealed that the main reasons for the states' underutilisation of plan outlays in social sector schemes can be traced to the institutional and procedural constraints in processes of implementation of plan schemes and the deficiencies in the planning processes being followed at the district level. They identified a number of factors responsible for the aforementioned problems in fund utilisation in plan schemes, which can be broadly divided into three causal factors.

The first causal factor is the deficient decentralised plans (or need assessment documents) being prepared in most of the schemes. Deficiencies are caused by staff shortages that hinder planning activities and the lack of emphasis on training and capacity building of staff and community leaders for decentralised planning. The second causal factor is the delay in the flow of funds to the grassroots level where services are being delivered. The delay in fund flow is related to the slowness in preparation, submission, and subsequent approval of decentralised plans, a result of shortages of skilled staff responsible for carrying out the decentralised planning work in the schemes. The third causal factor is the systemic weaknesses in state government apparatus, particularly in the relatively backward states. Shortages of trained regular staff who assume various important roles, such as management, finance and accounts, and frontline service provision, have weakened the capacity of state government apparatus to implement plan schemes. Thus, the problem of states' poor resource absorption (or fund utilisation) capacity is caused primarily by shortages of skilled/technical staff.

Also, staff shortages, particularly shortages of frontline service providers, could be aggravating the problem of corruption in India. It can be argued that there are primarily three forms of corruption in the country. First, institutional corruption by government officials involved in major decisions pertaining to public procurement (contracts given to private parties for construction of roads, flyovers, and so on), extractive industries (contracts given to private parties for mining and fossil fuel extraction), and other natural resources (for instance, the sale of land owned by the government to private parties). Second, oppressive corruption in the enforcement of laws and regulations (for example, the enforcement of traffic laws, building regulations, and regulations for carrying out commercial activities). Third, corruption in the delivery of public services (for instance, in the issuance of passports and driver's licenses and the provision of drinking water and sanitation facilities).

Different factors enable the aforementioned types of corruption. Institutional corruption is linked to the lack of transparency in government decision-making processes and weak accountability mechanisms. Oppressive corruption is possible due to vulnerabilities of different sections of the population, such as the lack of education, caste, religion, gender, age and migration. Corruption in public service delivery is inherently related to the demand in terms of scale and frequency for certain public services far exceeding the supply of these services. Since corruption in the delivery of public services is enabled by the inadequate supply of services, it is plausible that the shortage of government personnel can aggravate this problem.

Furthermore, capacity has numerous dimensions and consequences. Over the past decade, serious concerns have been raised about the low productivity of, absenteeism by, and poor 'value for money' provided by some government personnel, which have a range of consequences for the social sectors. For instance, *Annual Status of Education Report* surveys over the past few years have indicated that learning outcomes in terms of reading and arithmetic levels for children in government schools in India have been poorer compared to those for children in private schools and the gap appears to be widening over time (see, for instance, ASER Centre 2014).

Studies conducted by The World Bank less than a decade ago had pointed out absenteeism of teachers and medical personnel in the government sector as a major problem in the public delivery of essential services in India (as was the case in a number of other developing or less developed countries surveyed). The survey had inferred that on an average 25 per cent of teachers in India's government primary schools used to be absent from work on any given day, and a similar problem of absenteeism was reported for government medical personnel as well.

Strengthening the capacity of governance in terms of improvements in the availability of staff for relevant functions might not necessarily imply any improvement in the productivity of government personnel, but a number of policy alternatives have been put forward to address the problem of low productivity in the Indian context, and some measures have been vigorously pursued over the past few years. Krishna Narayan and Jos Mooij (2010) highlight three policy strategies that are being pursued or have been proposed to deal with teacher absenteeism in government primary schools in rural India – forming local-level institutions that can hold teachers accountable, relying on contractual teachers instead of regular cadre teachers, and introducing a voucher system to promote competition between government and private schools. Forming local-level institutions like school management committees and village health and sanitation committees to hold government staff responsible for frontline service provision accountable and relying heavily on contractual staff in almost all plan schemes have been strongly pursued in recent development planning in the country.

Moreover, even in the present formulation of 'Good Governance and Effective Institutions' put forward by the UN High Level Panel, some of the parameters like transparency, accountability and space for people's participation have been incorporated as well.

Thus, the issue or concern that has missed the attention of many policy analysts and also the High Level Panel is that of the erosion of basic capacity of governance due to certain problems in fiscal policy pursued in a country like India, and, hence the need to highlight this aspect of the overall problem at the current juncture. In this context, we need to ask what has caused the problem of staff shortage in the government apparatus at the subnational level in India.

Fiscal Policy Discouraging Long-Term Public Expenditure Commitments

The main cause of the problem of staff shortages in the regular cadres of state government departments in India seems to be rooted in the kind of fiscal consolidation strategies that state governments have followed over the past decade. In their attempts to eliminate the revenue deficits[3] in their budgets (and show a revenue surplus, in some cases), many states appear to have limited their long-term expenditure commitments, particularly in social sectors, by freezing recruitment of regular cadres in their departments. An analysis of the fiscal policies of states, especially those striving to eliminate revenue deficits in their budgets such as Odisha, Chhattisgarh and Bihar, among others, reveals similar trends of freezing recruitment in regular cadre posts for a long time.

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[3]In India, the central government and state governments are required to have two accounts stated in their budgets, the capital account and revenue account. A government's financial transactions that have an impact on its assets or liabilities – such as expenditure on construction of a factory, construction of a hospital building, repayment of the principal amount of a loan, selling off a public sector undertaking company – are reported in the capital account of the budget. Its transactions that have no impact on the assets or liabilities – such as payment of salaries and wages, expenditure on scholarships, receipts from taxes, user charges – are reported in the revenue account. When expenditure exceeds receipts in the revenue account in a fiscal year, there is a revenue deficit. Some economists argue that a government should not run a revenue deficit, as that would imply that it is financing revenue expenditure, which does not generate any flow of income in the future, by borrowing. However, such fiscal orthodoxy has been strongly challenged by other economists.

It can be argued that non-plan expenditure by state governments plays an important role in improving the overall capacity of a government apparatus. To a significant extent, non-plan expenditure shapes the strength of a state government apparatus in terms of the availability of regular qualified staff who can implement plan programmes/schemes. Over the past decade, non-plan expenditure in social sectors has been checked by many states due to the emphasis of prevailing fiscal policy on the reduction of deficits through the curtailment of public expenditure.

Sharing of resources between the central government and state governments has been one of the most important aspects of India's federal fiscal architecture. Since the early 1990s, fiscal policies adopted in India have strengthened the central government's position vis-à-vis the states in terms of control over fiscal resources. The trends in gross devolution and transfers (GDT) from the central government to states as percentages of the country's gross domestic product (GDP), as well as the trends in GDT as percentages of aggregate disbursements by state governments, show a decline over the last two and a half decades, as demonstrated in Table 3 in the Annex. Thus, the overall volume of fiscal resources transferred from the central government to the states has not kept pace with the growth in expenditure commitments by the states. Moreover, the composition of the overall volume of fiscal resources transferred from the central government to the states has changed in terms of the share of untied resources in total annual transfers falling in the last decade and a half. Figure 4 and Table 4 in the Annex present some trends that show this development.

India's policies in the domain of centre-state sharing of resources over the past decade and a half seem to have neglected the need for greater magnitudes of untied resources to be transferred to state governments. Transfers of resources tied to the conditionalities and guidelines of central government ministries have increased during this period. The transfer of such resources does not enable state governments to increase or even sustain their existing levels of long-term expenditure commitments, especially those regarding staff in the regular cadres of their departments.

For instance, the central Ministry of Human Resource Development has been running a scheme at the level of elementary education called Sarva Shiksha Abhiyan since 2001 for which resources are transferred to the states every year for implementation. These resources are tied to the expenditure norms and guidelines of the scheme. In this scheme, the states are required to hire only contractual teachers, who are paid meagre salaries of around Rs. 5,000 per month as compared to the salaries of regular teachers, which would be four times higher. They cannot hire regular or permanent cadre teachers with these resources. Had the states been given these resources every year as untied resources, they could have filled the vacancies in the positions of regular cadre teachers in schools.

The declining share of untied resources in total annual transfers from the central government to the states[4] and the absence of any significant increase in own tax revenue collection by the states[5] has constrained the abilities of state governments to make long-term expenditure commitments, such as those on regular cadre staff. As a result, most state governments cannot fill the vacancies in regular cadre staff positions in various sectors, even though the number of sanctioned positions of the regular cadre staff would most likely be smaller than the required number of personnel given that the population to be served is growing. When state governments are compelled to hire new staff, they are relying primarily upon contractual staff who are paid much less as compared to regular cadre staff but exhibit major problems in terms of competence and tenure of service.

Another development in India over the past two decades has further constrained the abilities of state governments (as well as the central government) to hire regular cadre staff – the pressure to increase salaries through salary scale revisions at regular intervals. The central government appoints a pay commission once every decade and then implements its recommended salary scale revisions. The Fourth Pay Commission's recommendations were implemented beginning in January 1986, the Fifth Pay Commission's recommendations were implemented beginning in January 1996,

[4]This development is further discussed in Das and Mitra (2013).

[5]In the Indian tax system, the central government collects two-thirds of the total tax revenue, while states collect one-third. Most of the buoyant taxes are in the central government's tax system.

and the Sixth Pay Commission's recommendations were implemented beginning in January 2006. It has been argued that the Fifth Pay Commission, deviating from the trend of previous pay commissions, recommended sharp increases in pay scales at higher levels of government staff in the central government. Usually, most state governments follow the central government's pay scale revisions with similar increases in their own pay scales for employees. Hence, following the Fifth Pay Commission's recommendations, the salary scales of regular cadre employees were increased sharply in the central governments and in most states as well. The consolidation of this development toward the end of the 1990s pushed many states toward the policy of freezing recruitment in regular cadre positions in various sectors. The intertwined trend of increasing salaries for regular cadre staff in the central and state governments, on the one hand, and growing shortage of the total number of regular cadre staff, on the other hand, has continued since the Sixth Pay Commission's recommendations were implemented.

It is worthwhile to note that the sharp increases in pay scales for higher levels of government staff recommended by the Fifth Pay Commission were implemented in the post-liberalisation era of the Indian economy, during which salaries for senior corporate executives in the private sector had started to increase rapidly. This development, the result of a number of factors after the opening up of the Indian economy in the early 1990s, is believed to have had an impact on the recommendations of the Fifth Pay Commission.

In the context of the evident reluctance and weakening abilities of state governments to make long-term expenditure commitments, it should also be noted that one of the root causes of the inadequate supply of services lies in the low magnitude of the tax-GDP ratio in India. Over the past decade, the country's tax-GDP ratio – the combined figure for taxes raised by the central government and states – has been around 17 per cent or less, which is much lower than the tax-GDP ratios of many of the other Group of Twenty (G20) countries and some of the other BRICS (Brazil, Russia, India, China and South Africa) countries. For instance, the tax-GDP ratio for the year 2010 was just 16.3 per cent for India, while it was a much higher 33.2 per cent for Brazil and 33.8 per cent for the OECD (Organisation for Economic Co-operation and Development) countries on an average (Khan and Das 2014). Thus, the overall magnitude of public resources available to the government in India has been inadequate in comparison to several other countries, mainly owing to the low magnitude of tax revenue collected in the country. India cannot address the inability of its state governments to make long-term expenditure commitments so long as its tax-GDP ratio continues to be low.

Policy Recommendations for the Post-2015 Development Framework

The problem of staff shortages in the social sectors has constrained the abilities of state governments in India to fully and effectively utilise budgetary resources being provided for programmes and schemes. Moreover, the problem of staff shortages, especially those pertaining to frontline service providers, can aggravate corruption in the delivery of some public services. India thus needs to address the issue of weakening capacity of the executive and government apparatuses if it wants to 'ensure good governance and effective institutions.' Addressing other issues such as space for people's participation, transparency and accountability are necessary, but evidently inadequate for the country.

It is certainly not the case that the erosion of the capacity of governance in terms of staff shortages in key sectors is the only serious problem with the delivery of public services in India. Problems relating to limited scope for community participation, lack of transparency, and weak mechanisms of accountability are equally serious problems in this regard. In the present formulation of the suggested goal 'ensure good governance and effective institutions' and the associated national targets put forward by the HLP, parameters like space for people's participation, transparency and accountability have been well incorporated, but the issue of the erosion of the capacity of governance due to problems with a country's fiscal policy has been omitted.

The situation regarding capacity of governance in India is likely similar to those in numerous other developing and less developed countries. Therefore, it is necessary to modify the formulation of the suggested goal 'ensure good governance and effective institutions' and its associated national targets to highlight the significance of governance capacity in terms of the personnel available within government apparatuses. Given that the weakening of governance capacity can be rooted in the fiscal policy, including the taxation policy, being adopted in a country, the post-2015 development framework could also incorporate policy directions to encourage developing and less developed countries to pursue fiscal policies that would create enabling environments for good governance and effective institutions.

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Annex Tables

Table 1: Shortages of Staff in Different States in Different Sectors in India

State	State Government Department	Extent of Shortage	Reference Year
Assam	Medical and Health	112 posts vacant in Assam Medical College and Hospital, Dibrugarh	2012
Karnataka (Udupi district)	Agriculture	Sanctioned posts = 75 In position staff = 32	2012
Andhra Pradesh (Greater Vishakhapatnam Municipal Corporation)	Health	Gajuwaka Unit: Sanctioned posts = 37 In position staff = 5 Maddilapalem Unit: Sanctioned posts = 62 In position staff = 10	2013
Odisha	Education (Textbook Bureau)	Sanctioned posts = 642 In position staff = 371	2013
Karnataka	Medical Education	Sanctioned posts = 2,881 In position staff = 2,083	2013
Karnataka	Agriculture	Sanctioned posts = 9,614 In position staff = 5,935	2012
Bihar	Higher Education (Engineering Colleges)	Shortage of 300 faculty posts	2011
Bihar	Education (Primary and Secondary)	Shortage of 260,000 teachers	2013
Delhi	Education	12,000 government teacher posts vacant	2012
Maharashtra	Health	Sanctioned posts = 1,468 In position staff = 586	2013
Jharkhand	Education	Sanctioned posts = 67,000 In position staff = 27,000	2013
Jharkhand	Health	Shortage of 7,000 doctors	2011
Uttar Pradesh	Education (Primary and Secondary)	Shortage of 300,000 teachers	2013
Rajasthan	Health	Sanctioned posts = 9,700 In position staff = 7,310	2013
Rajasthan	Education	Shortage of 70,000 teachers	2013
Tamil Nadu (Tiruppur District)	Agriculture	At the district level: Sanctioned posts = 39 In position staff = 8	2011
Punjab	Education	Sanctioned posts = 150,000 In position staff = 120,000	2012
Kerala	Health	Sanctioned posts = 80 In position staff = 47	2013
Kerala	Pollution Control Board	Sanctioned posts = 320 In position staff = 170	2012
West Bengal	Education (Primary and Secondary)	Shortage of 100,000 teachers	2013

Source: Mitra, Khan, and Das (2013).

Table 2: Shortages of Staff in Madhya Pradesh and Odisha in Selected Sectors: 2012

Madhya Pradesh	**Selected Sectors (State Government Departments)**	**Shortages of Staff in 2012 as against Sanctioned Strength (%)**
	Health: Gynaecologists	54.2
	Health: Paediatricians	43.6
	Health: Anaesthetists	48.1
	Water and sanitation: Rural drinking water	47.0
Odisha	**Selected Sectors (State Government Departments)**	**Shortages of Staff in 2012 as against Sanctioned Strength (%)**
	Education	25.7
	Finance	37.1
	Integrated Child Development Services: Anganwadi Workers and Anganwadi Helpers	8.6
	Integrated Child Development Services: Others (supervisory staff)	28.0

Source: Mitra *et al*. (2013).

Table 3: Gross Devolution and Transfers from Centre to States

Year	GDT from Centre to States* (in Crore Rs.)	GDT as Percentage of Gross Domestic Product	GDT as Percentage of Aggregate Disbursements of States
1988-89	30,333	7.1	45.2
1989-90	32,862	6.7	42.8
1990-91	40,859	7.2	44.9
1998-99	102,268	5.8	39.1
1999-00	95,652	4.9	31.1
2000-01	106,730	5.1	31.4
2001-02	119,213	5.2	32.3
2002-03	128,656	5.2	31.4
2003-04	143,783	5.2	28.0
2004-05	160,750	5.0	29.0
2005-06	178,871	4.8	31.8
2006-07	220,462	5.1	33.5
2007-08	267,276	5.4	35.5
2008-09	297,980	5.3	33.8
2009-10	324,090	5.0	31.9
2010-11	392,460	5.0	33.9
2011-12	438,430	4.9	30.6
2012-13	497,900	5.0	30.5
2013-14	595,630	5.2	n/a

Source: CBGA (2013).
Note: *Gross devolution and transfers (GDT) up to 2007-08 include States' shares of central taxes, grants from the centre, and gross loans from the centre.

Table 4: Declining Share of Untied Resources in Total Resources Transferred from Centre to States: Allocation of Grants to States by Finance Commissions for Non-Core Functions

(Finance Commission grants to states for core functions [of the Finance Commission as envisaged in the Constitution of India] are completely untied resources whereas Finance Commission grants to states for non-core functions [specific purposes incorporated in the Terms of Reference prepared by the central government] are tied to certain broad objectives)

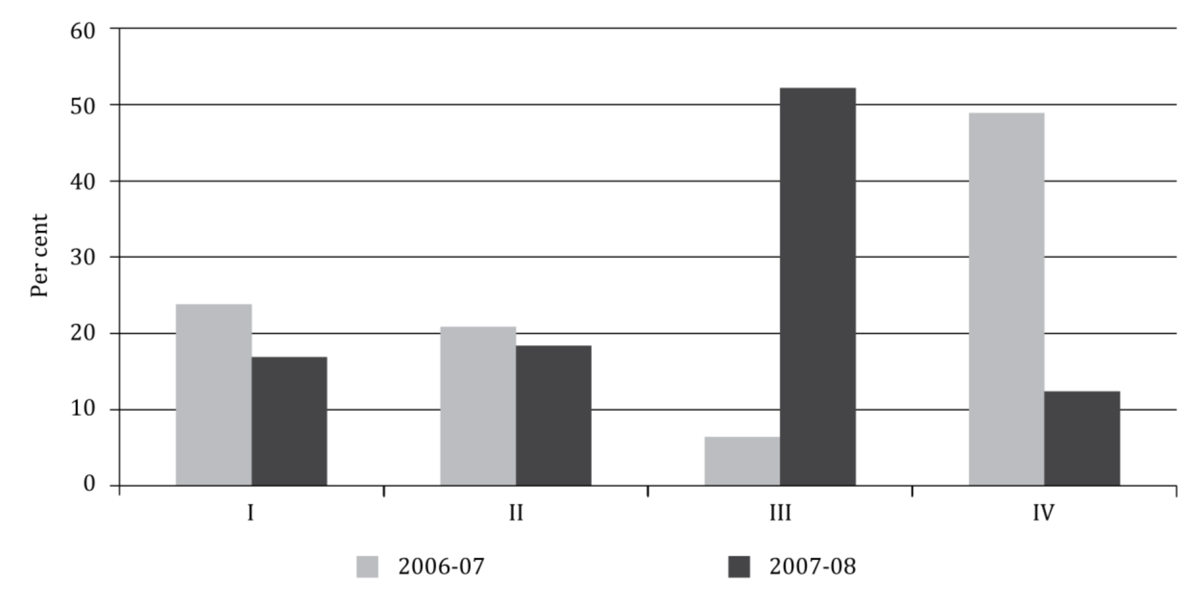
Finance Commission	Heads of Non-Core Function Allocation	Amount (Crore Rs.)	Total Non-Core Function Allocation (Crore Rs.)	Non-Core Function Allocation as Percentage of Total Grants (Finance Commission and Planning Commission) to States
10th (1995-96 to 1999-2000)	Upgradation	1,362.50	2,608.50	-
	Special problems	1,246.00		
11th (2000-01 to 2004-05)	Upgradation	3,843.63	4,972.60	2.1
	Special problems	1,129.00		
12th (2005-06 to 2009-10)	Health	5,887.08	44,783.70	7.8
	Maintenance of education	10,171.65		
	Maintenance of roads and bridges	15,000.00		
	Maintenance of buildings	5,000.00		
	Conservation of forest	1,000.00		
	Heritage conservation	625.00		
	State-specific needs	7,100.00		
13th (2010-11 to 2014-15)	Fiscal performance incentive	1,500.00	102,889.00	13.4*
	Elementary education	24,068.00		
	Improvement in performance of specific union governance initiatives	9,446.00		
	Environment-related	10,000.00		
	Maintenance of roads and bridges	19,930.00		
	State-specific needs	27,945.00		
	Renewable energy	5,000.00		
	Reducing infant mortality rate	5,000.00		

Source: Mitra *et al*. (2013).
Note: *Percentage calculated against grants between 2010-11 and 2013-14.

Annex Figures

Figure 1: Skewed Utilisation of Funds across the Four Quarters of a Financial Year: An Illustration from Sarva Shiksha Abhiyan

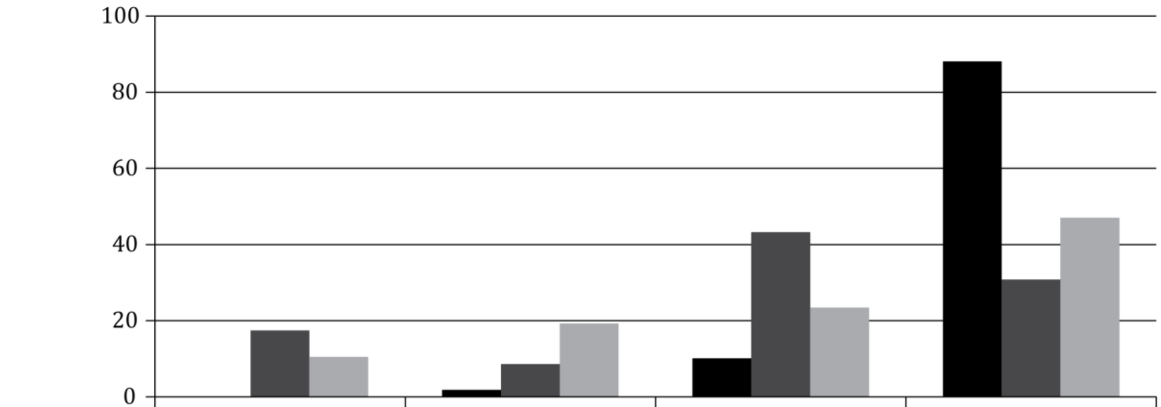
(Quarter-wise proportions of expenditure under Sarva Shiksha Abhiyan in Dongargaon block, Rajnandagon district, Chhattisgarh for the years 2006-07 and 2007-08)



Source: CBGA and UNICEF India (2011c), data compiled by CBGA from Block Shiksha Adhikari (BSA) Office, Dongargaon block, Rajnandgaon district, Chhattisgarh, in 2008.

Figure 2: Skewed Utilisation of Funds across the Four Quarters of a Financial Year: An Illustration from National Rural Health Mission

(Quarter-wise proportions of expenditure under National Rural Health Mission in Chhattisgarh, India for the years 2005-06, 2006-07 and 2007-08)

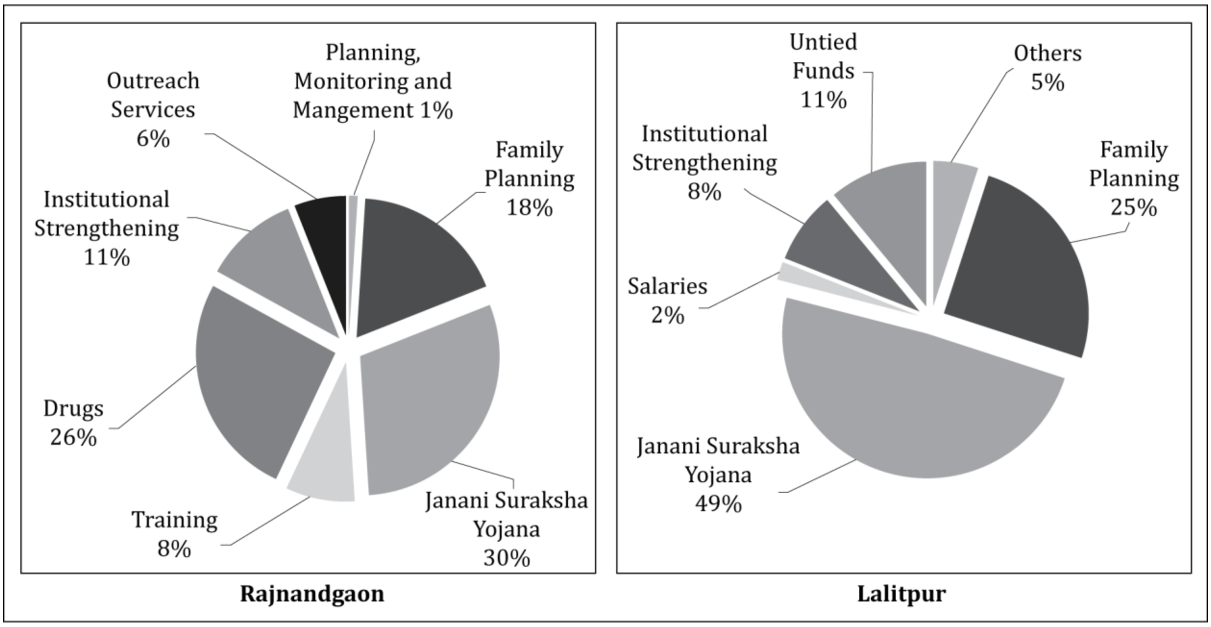


	QI June	QII Sept	QIII Dec	QIV March
2005-06	0.0	1.8	10.1	88.1
2006-07	17.4	8.6	43.2	30.8
2007-08	10.5	19.2	23.4	47.0

Source: CBGA and UNICEF India (2011b), data compiled by CBGA from Chhattisgarh in 2008.

Figure 3: Skewed Spending across Components in a Programme/Scheme: An Illustration from National Rural Health Mission

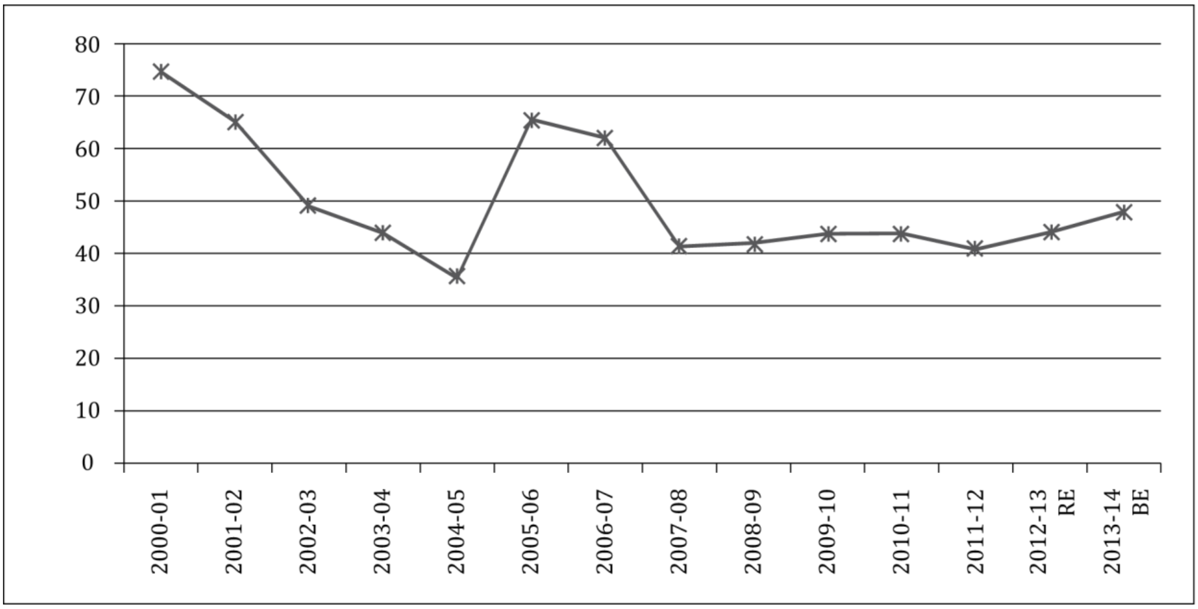
(Proportions of expenditure on different components of National Rural Health Mission in Rajnandagaon district, Chhattisgarh, and Lalitpur district, Uttar Pradesh, in 2007-08 – depicting the higher expenditures on components like, Janani Surksha Yojana and Family Planning, where fund disbursement is easier as compared to some of the other components such as Institutional Strengthening and Outreach Services)



Source: CBGA and UNICEF India (2011b).

Figure 4: Declining Share of Untied Resources in Total Resources Transferred from Centre to States: Ratio of Non-Plan Grants to Plan Grants Provided by Centre to States (as Percentage)

(Plan grants to states typically are tied to broad/specific objectives and conditions of the central government whereas non-plan grants to states usually are untied)



Source: Mitra *et al.* (2013).

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