Organisation Design for Service Delivery in the Public Sector

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This paper is divided into 3 sections. *Section 1* introduces the public sector in parliamentary democracies. It makes the point that the 'wheel' of administrative reform has turned full circle in the last century. It reviews the market-led model of public management currently in favour in many developed countries and discusses the suitability (or otherwise) of this model for the developing countries. *Section 2* gives an overview of the environmental factors affecting public administration in India and narrows down to a description of the Revenue Department in the Government of Andhra Pradesh. *Section 3* describes and applies an analytical framework to the Revenue Department and discusses options for redesigning that department for more effective service delivery.

Section 1: The background: issues in public management

This paper is about organisation design—or re-design, as the case may be—in the public sector[1] to bring about changes in the arrangements for service delivery in order to achieve strategic objectives[2]. It will attempt to present a methodology for such an exercise rather than a step-by-step guide to how organisations in the public sector may be optimally designed for service delivery. It will do so on the basis of a study of one department and using an analytical framework developed for the purpose.

Public administration distinguishes between 'staff' and 'line' functions. At the centre of government are the agencies that deal in pure 'public goods', such as policy advice, budget-making and the raising of revenue, that government alone can perform[3], along with their support functions such as personnel. These central agencies, such as the Cabinet Office and the Treasury (the Cabinet Secretariat and Finance Ministry, respectively, in Government of India) are the 'buckles' that link the administrative with the political.

The 'line' ministries/departments deal in sectoral functions, including making and implementing policy for the sector. These departments are usually headed by ministers and may, as in the state governments of India, have field organisations (under a 'head of department') that are responsible for execution of policy under the guidance of the ministry.

This paper is about these 'line' ministries/departments. Each of them has some distinct functions viz. policymaking, regulatory, internal support services and direct services to citizens. A large majority of government departments fall within this category. If policy-making for the sector and the internal support services (sometimes also called 'corporate services') are excluded, the <u>two main outputs</u> of line ministries/departments that are of direct relevance to the lives of people are <u>regulatory services</u> and <u>service provision to the citizens</u>.

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[1] Here 'public sector' refers to government departments as well as autonomous bodies, statutory agencies and executive authorities appointed by and/or reporting to government, but <u>excludes</u> the 'public sector' as usually understood in India, viz. public sector undertakings or commercial entities owned and managed by the state.

[2] Strategic objectives are generally long-term and focus on ensuring organisational effectiveness in relation to a changing environment.

[3] Tax collection was privatised in ancient China, Greece, Rome and, more recently, Thailand which until 1875 did not have a governmental organisation for tax collection (Schiavo-Campo & Sundaram, 2002). Even in Moghul India, the collection of land revenue was through agents or intermediaries. In modern municipalities collection of parking and toll fees is through contractors. These qualifications will not stand in the way of tax collection being a sovereign function of the state and, in that sense, a pure public good.

The key question that we examine in this paper is *the extent to which 'market' can be the appropriate mode of governance for service delivery.* This would mean raising the following specific questions. Does the private sector have any inherent advantage over the public in service provision? Are there circumstances in which service provision by these line departments can or should be privatised? What criteria should be applied to decision-making in this regard?

Except exclusive departments or agencies that have been created for the purpose of delivering one homogeneous service or serving one homogeneous group of clients e.g. weaker sections housing or backward classes welfare, the large majority of line departments in Indian states are of the type wherein the regulatory and service delivery outputs are mixed. The outputs are, in fact, so mixed up that they cannot easily be separated. The regulations administered by the typical department are often the 'other side of the coin' of the services it provides to the citizen. They define the legal or administrative framework within which service delivery operates. An example is the transport department administering the rules and regulations under the Motor Vehicles Act by checking vehicles for overloading or pollution. It also provides services such as issue of fitness certificates to vehicle owners and driving licences to citizens who apply for them. Sometimes a regulation has to be enforced in order for a service to be delivered.

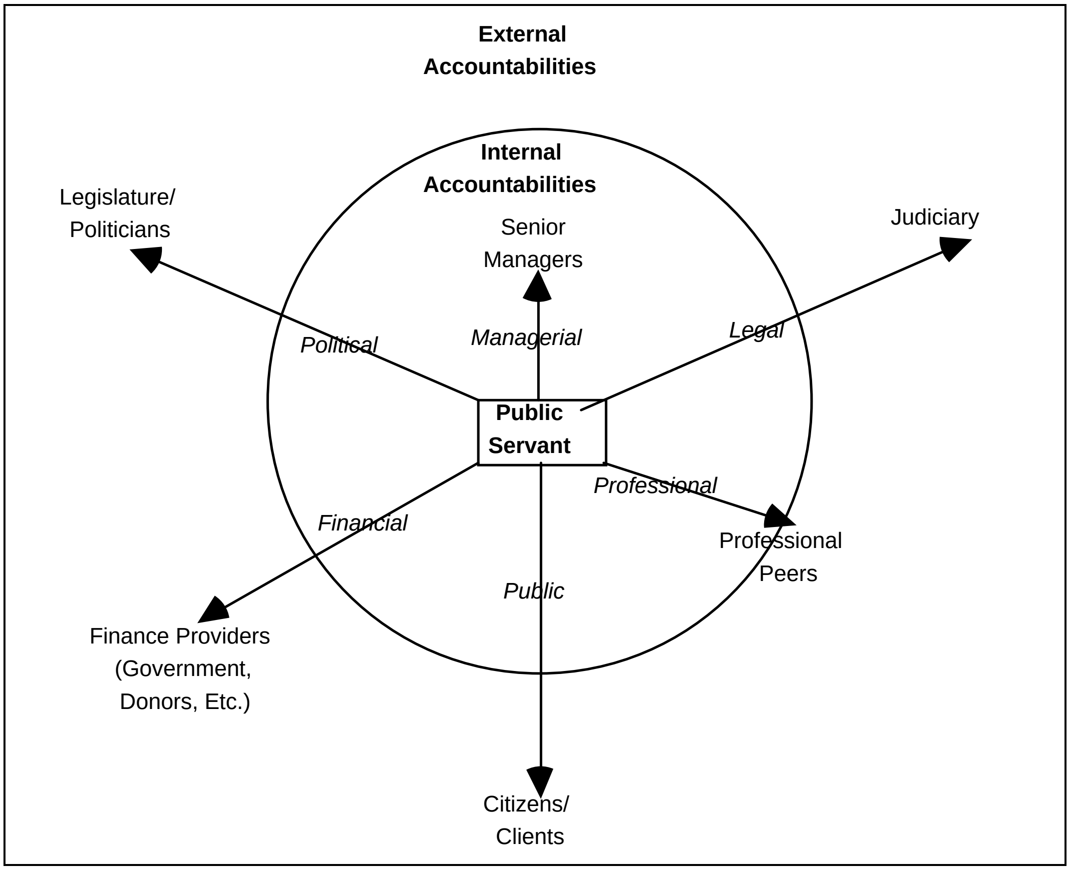
Herein lies the essential difference between the private and public sectors. In the public sector, rules and regulations have to be followed. Often these have the force of law but, in practice, executive instructions or even guidelines (such as for implementation of schemes) have the same effect as rules on civil service functioning[4]. Thus the system emphasises accountability[5] and transparency, as much as it does the delivery of service to the user. To be sure, the manager of a private sector service delivery agency is accountable to others e.g. vertically to his superior, and less directly to the Board of Directors or the shareholders of the company, but his accountability is neither as wide nor as multi-dimensional as that of his counterpart in the public sector. On the other hand, his immediate goal is usually 'customer satisfaction' with the objective, generally, of either improving the rate of return on investment, increasing the profit to a certain level or augmenting the market share of his company. In other words, *process matters a lot in public sector; in the private sector, what matters most of all is the 'bottom-line'.*

In the public sector the typical flows of accountability run somewhat as in Figure 1:

[4] Customer differentiation (or 'segmentation'), which is often the objective of private sector marketing, is the exception rather than rule in public sector.

[5] The standard works define accountability as the legal obligation to be responsive to the legitimate interests of those affected by decisions, programs and interventions (Waldo; Wilson). But it also implies the authority of state actors to compel compliance and to exercise power (Considine, 2002). That is, accountability = answerability + enforceability (Draft WDR 2004).

Figure 1: Accountabilities in the Public Sector



<u>Source</u>: Heeks (1998)

The diagram illustrates the five types of accountability viz. managerial, financial, public, judicial and professional.

Administration in the public sector, unlike management in the private sector, is bound up with, and part of, a larger system called the political executive. Not only is administration part of the political executive—making the civil servant answerable to the politician for policy implementation—but the executive is in turn subject to a number of 'checks and balances' that are the building blocks of democratic polity.

We can thus identify *three rather fundamental differences* between the public and private sectors. The powers and mandate of the public sector viz. the typical government flow from the constitution or other legislative enactments that are part of the 'framework for action' of the government. Government deals with matters of the eminent domain. Its actions flow from its '*imperium*'. In the prosaic language of economists, government has monopoly in the use of *coercion*. By legislative sanction, for instance, it can incarcerate people. These observations, typically, do not apply to the activities of the private sector. Secondly, as noted, by the very reason of its mandate, the executive part of government has *obligations* in all directions—to the legislature, the judiciary, the Comptroller-and-Auditor-General of India or other constitutional authorities and, of course, the people who elected the government—all of whom together define the full scope of accountability of the executive.[6] By contrast, accountability in private sector is not so wide or multi-dimensional. Thirdly, government has multiple, even conflicting, *objectives* that often create piquant situations for the judiciary which sometimes (e.g. in public interest litigations) has to adjudicate between different parts of government (such as two ministries), and not only between government and the citizen. In the private sector, such conflicting objectives are rare; not only does an organisation in the private sector have its objectives more narrowly and specifically defined; they are, for the same reason, 'bought into' by employees down the line more easily than in the public sector.

It is in this background that we need to consider the organisational options for service delivery in the public sector.

Changing role of the state and public administration:

The question we shall now address is: how did the sweeping changes in public administration of the last two decades actually come about?

Questions of the role and powers of the state are far from being new: they were actually central concerns of philosophers such as Aristotle in ancient Greece, Kautilya in ancient India, Confucius in ancient China and Machiavelli in medieval Italy. However, the conception of the activist, bureaucratic state, despite its earlier parallels, is essentially a twentieth-century phenomenon. The characteristics of this bureaucratic state were set out most clearly by Max Weber, the German sociologist in 1920, with strong echoes of earlier writings (of around 1890) by the American Woodrow Wilson. The chief ones are:

- there should be clear separation between politics and administration, and therefore distinct roles for political leaders (normally elected) and state officials (normally appointed)
- administration should be predictable, based on clear, unambiguous, written rules
- administrators should be recruited on the basis of merit and function as trained professionals
- organisations must reflect a functional division of labour, and a hierarchical arrangement of tasks and people.

Further refinement of the traditional model of public administration came in the form of private sector based ideas of 'scientific management' popularised by Taylor and others, which introduced efficient operational methods based on standardisation of tasks, 'one best way' of fitting workers to tasks, and systematic control of tasks, processes and workers (Hughes, 1998). These principles were easily adapted to bureaucratic structures. A final addition was the application of the insights of social psychology, in a 'human relations' approach which is often contrasted with the scientific management approach, but which, in practice, sought to achieve greater efficiency of performance by motivating rather than controlling workers.

The most important assumption underlying this activist state model was that state intervention was needed to make good the deficiencies and failures of the private market.

[6] In practice, public servants have to balance demands of accountability from other sources not listed here e.g. legislative committees, ministers outside their portfolio—in A.P., there are 'district ministers' each of whom is assigned a particular district for supervision of government's development and welfare activities-- different organisations representing parts of the citizenry, or other agencies with whom they co-produce public goods.

It is easy to see that such a model fitted ideally with the needs of the 'welfare state' that evolved during the first half of the twentieth century[7]. It did not matter whether the state was democratic, communist or fascist: they all relied on vertical bureaucracies to 'deliver the goods'.

All this changed in the later decades of the century. Suddenly, bureaucracy appeared to have become a bad word. What caused the cracks in its edifice? The critique of the traditional model is based in a comparison of the 'ideal' model of bureaucracy with what happens in real systems of public administration. The following differences can be identified:

- in many systems there is no clear separation between policy and administration;
- decision-making processes do not, in any case, conform to the rules of technical and economic rationality but are often shaped by conflicts and negotiations;
- hierarchy and centralisation have led to bureaucratic pathologies such as delay, inflexibility and an arrogant disregard for the interests of citizens; and
- bureaucracies are therefore characterised by a 'top down' implementation process which frequently produces inappropriate policies and inadequate results.

In short, far from effectively correcting market failures, the state became plagued by 'government failures' which transformed it into the 'unresponsive but invasive' state, the 'soft' state, the 'over-extended' state, or the 'private-interest' state.

Through the 1980's and up until the mid-1990's, the prevailing political trend was therefore one of dismantling the government and re-anointing the market in its role of primacy in the economy. This trend started with the Thatcher-Reagan era in the early 1980's and was strengthened by the collapse of the 'socialist' governments across the world towards the end of the decade. It was during this same period that the New Public Management (NPM)—representing a substantial departure from the 'Old Public Administration'--was built on the foundations of the 'new' orthodoxy of the market. The claim of this model is to transform the traditional public administration into a new species of public management, characterised by

- a separation of strategic policy from operational management
- a concern with results rather than process and procedure
- an orientation to the needs of citizens rather than the interests of organisations or bureaucrats
- a withdrawal from direct service provision in favour of a steering or enabling role
- a changed, entrepreneurial management culture.

The preferred methods of NPM included contracting out of service delivery to various agencies on a basis of competition, operation of quasi-markets, and separation of the purchaser and the provider of services.

The 'Washington consensus'[8], as the new approach is sometimes called, was adopted by the World Bank and other multilateral lending agencies as their leading strategy of development. This was in a background of many projects failing on account of 'government failure' in a number of developing countries leading to the Bank's realisation that, to ensure project success, *governance reform* needed to be given a higher priority than even development projects. The 'Washington consensus'—based on a ringing endorsement of democracy, the market and civil society-- reached its apotheosis during 1993-97.

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[7] Apart from the influence of 'social contract' notions that emphasised the obligations of government to the citizen, the Great Depression and the two World Wars placed a premium on state intervention in many areas of public life.
[8] The phrase was first used by John Williamson of the Institute for International Development.

After the collapse of the East Asian economies in and about 1997, cracks began appearing in the consensus (Knight et al, 2002). Tony Blair's government in UK began veering towards the 'Third Way', emphasising partnership between government and the people, which has been picked up by some European governments.

From Australia it was noted that "the language of contestability and competition has been replaced in many liberal democracies throughout the world with public-private partnerships, co-operation and relationships. Improving service delivery through contracting-out and privatisation has been replaced with new governance structures associated with 'joined-up' government, holistic government and the coordination of service delivery. The new language of public management……*recognises the limits of markets in the public sector, and restores the authority of government to act in the public interest*" (Ryan, 2001. Emphasis added).

The 1997 crash had given a severe jolt to public confidence in markets. Anxieties about regulating capital flows found their way into World Bank development reports, leading to an about-turn on the matter of regulation (the World Bank Development Report, 1999/2000). Subsequent reports such as *Attacking Poverty* (World Bank, 2000) have given a higher profile to social matters and have been based on consultations with poor people. Indeed there is now a 'new Washington consensus' (Edwards, 1999), heralding the emergence of the 'civil society' as a third player in the economy. The ascent of the civil society parallels the decline of the state, the rise of the market and the growing dissatisfaction with the failings of <u>both</u> the state and the market. The new consensus stresses 'good governance' as critical to the emergence of a new world order in which empowered citizens would themselves 'write the script' for their own growth. And 'good governance', it is increasingly being realised, does not mean blindly copying western institutions. Starting with the ascendancy of the activist model of the state in early 20th century, and through its various travails, the wheel has turned full circle indeed.

Passing fad or not, the propositions of 'good governance' raise many questions to which answers would need to be found if the vision of a good society is to translate into reality. What can the experience of the last two decades teach us, especially those living in the less developed countries, regarding the provision of services to people by various agencies both public and private? What is the desirable role of each of these sets of agencies, public and private, in the provision of the services vitally needed by the people, especially the poor and the weak among them? How do the recent advances in theory help us to understand and manage the 'real world' trends, to set up goals for the society to reach and to devise policies and design strategies to achieve those goals? On the empirical side, what can the experience of NPM teach us?

Experience of NPM in OECD countries: a critique

The experience of the last two decades in OECD countries shows that the private sector is not comfortable negotiating complex and multi-dimensional 'routes' of accountability. In these countries, during the last two decades, under the so-called NPM, government has been extensively 'contracted out', to the extent that the state is sometimes called the 'contractarian state'. Service providers here face a dilemma. In the traditional world of civil servants, a clearly defined office and an unbroken chain of command made it possible to reconcile the demands for accountability on a basis of priority and need. Here, on the other hand, *accountability has become an issue with multiple levels and layers of meaning*. Courts, parliaments and citizen groups still press ministers and civil servants to take responsibility for public programmes, even where the programmes are delivered by contractors (Considine, 2002).

Indeed, one may venture that the concept of accountability, in the situation described above in OECD countries, has been stretched to the breaking point. This has led to other ironies. For example, in USA, courts follow the practice of ruling on the legitimacy of ‘state action’ before deciding whether a citizen’s claim against a public servant for doing certain acts in the name of the state can be allowed or not. Thanks to the extraordinary extent to which governments in USA have contracted out their functions to private for-profit and not-for-profit agencies, the courts have had to rule in many cases that there is no ‘state action’, thus in effect removing one major pillar of support to the accountability system in that country (Gilmour & Jensen, 1998). Thus reviews of NPM’s performance in OECD countries have concurred that *while government’s functions can be contracted out, accountability cannot*; and that NPM’s failure to address the problem of accountability has cut at the roots of representative democracy, rule of law and the ethics of public service.

In the *U.K.* and *New Zealand*, two countries where NPM was implemented with the most enthusiasm, its results have been ambiguous: “as a tool for greater efficiency, NPM seems to generate, at best, about 3% savings year-on-year on running costs. Given that running costs are small relative to programme costs, this is a distinctly modest saving” (Scott & Taylor, 2000, cited in World Bank, GPSR net, 2000).

The literature on privatisation and market-type mechanisms such as contracting makes it clear that there is no hard evidence of real efficiency gains (several authors 1988-1998).
Minogue (2002) reviews NPM’s negative outcomes *in the U.K.* thus: “the literature on privatisation and contracting mechanisms make it clear that there is no hard evidence of efficiency gains; the literature on civil service restructuring points to serious erosion of morale and accountability; while the applications to local government are judged to have increased ‘democratic deficit’ and emasculated local autonomy”.

The post-9/11 retreat *in U.S.* from the dominant strategy of administrative reform of the 1990’s--decentralisation and privatisation--suggests that the waning of attention in that country is associated with a ‘slow recognition of the costs of reform’ (Scott Robinson, 2003).

Thus NPM’s limited impact, its high transactions costs, its adverse effects on constitutional governance, ethical values and substantive democracy—not to mention the emergence of ‘participatory governance’ as the new ideology--have all meant that there is no real consensus on NPM’s suitability even to the OECD countries.

Perhaps the most disturbing critique of all is the view, based on research by OECD (1996), that ‘despite differences between different countries, there is a growing convergence in terms of a concern that fundamental values associated with public services organisations are being undermined by the reform’ (Lawton, 1998). The tensions involved may be illustrated as in Figure 2 below:

Figure 2: What the reforms really imply

Traditional practice	*Replaced by*	*Implications*
Clear standards of competence	Flexible contractual relationships	Legal protection to citizens must be guaranteed as in traditional public administration
Democratic control	Control by efficiency & effectiveness	Control instruments must be transparent

Decision-making in political arena	Decision-making in the managerial area	Politics must not be excluded
Discretion by civil servants	Extended discretion in managerial field	Guarantees of equity for claims to state services

(*Source*: Adapted from Schedler, 1997)

It is thus clear that the so-called NPM should, far from claiming to have answers, instead be prepared to raise questions or at least reflect on "the essential dynamics of those policy domains within the public sector where problems of legitimacy, consensus, information, and interdependence are prevalent and hard to solve" (Lynn, 1998).

Experience of NPM in the less developed countries: a warning

In the less developed countries the advent of NPM has not meant that hierarchical bureaucracies have been replaced substantially by chains of inter-linked contracts. Certainly there have been very significant reforms, especially in the water and health sectors, that have drawn from the NPM menu. But most government functions are still performed by vertically integrated bureaucracies functioning more or less as Weber imagined.

Batley (1999)'s comprehensive 5-year review of the 'changing role of governments in adjusting economies' in South Asia, Sub-Saharan Africa and South America finds that the effects of NPM reforms have, at best, been mixed, with some improvements in efficiency and mixed effects on equity. On the downside, he notes that the transaction costs of radical reforms to 'autonomise' service delivery agencies tend to outweigh the efficiency gains of unbundling, and that reforms that seek to separate purchasers from providers have tended to reduce accountability.

Polidano (1999) refers to the patchy record of privatisation and downsizing undertaken in some countries. In these countries, measures like 'autonomisation' and 'corporatisation' have been undertaken for the wrong reasons--not with a view to improving efficiency but for convenience, as a way of escaping closure or freeing a particular public function from the constraints of civil service red tape. Polidano concludes that evidence of the impact of NPM is "perplexingly equivocal". He emphasises the importance of contingency factors, arguing that few generalisations are possible concerning NPM.

Why is NPM not generalisable? One, perhaps the most important, reason is that the introduction of NPM methods does not dispense with the need for 'old public disciplines', including a public service ethos. It is not possible, for instance, to make decentralised authority and performance contracts work in the absence of the efficient functioning of the budget system under which both the line and central agencies are usually constrained by mutual obligations. Further, staff must accept certain clear standards of behaviour, policy must be authoritative and there must be no conflicting directions from government or the ministers. These preconditions cannot be brought about by decrees overnight.

Secondly, many providers along with their purchasers have remained in the public sector[9], thus reducing chances of judicial intervention to resolve disputes, while the 'contracts' are intrinsically flimsy and require the backing of a watchful public which is usually absent in these countries.

[9] Some 72% of executive agencies providing (or purchasing) service in U.K. during the heady years of NPM were actually public sector entities who had won in the competition.

As per Minogue (2002), the NPM notion of accountability "fits uneasily" to developing country governance since its reliance on a competitive model of public service delivery assumes the existence of market and civil society institutions that, in many developing countries, are conspicuous by their absence. In his view what is needed in developing countries is "*not a reduction but an enhancement of the role and effectiveness of the central state*; not a fragmentation of government systems through separate agencies and new public-private hybrids, but *the construction of central institutions*" (Emphasis added). As Hirschman (1999) observes: "what is the point of the state being accountable if little is being achieved, of the state being transparent, if there is nothing to show?"

<u>Is the NPM model transferable across cultures?</u>

A model of public service that can be adopted and made operational across the globe without reference to a country's cultural heritage, existing institutions and their path dependencies is unthinkable. The introduction of modernising reforms (mainly privatisation and decentralisation initiatives, and increased contractualism) in *France*, then facing a major fiscal and economic crisis, met with strong resistance both at the elite level and at the lower, heavily unionised levels of the public sector. The resistance of these entrenched interests, and the centrality of the state in French political and administrative culture, stymied the intentions of reforming politicians. The reforms exacerbated the bureaucratic problems creating 'a two-speed civil service, a modernising periphery and a traditional centre' (Clark, 1998). Moreover, French users of public services saw little result from a decade of reform initiatives because the procedural nature of the system, rooted in administrative law, was largely undisturbed.

A quite different problem of cultural transfer is illustrated by the example of *China*, where the concept of merit-based bureaucracy runs into specific 'Chinese characteristics'.
The recent efforts at civil service reform demonstrate an uneasy tension between movement towards a professionalised bureaucracy, and the continuance of a political cadre system (Zhou, 1995; Tong et al, 1999).

Without flexible adaptation to local conditions, reforms will not become rooted, and will create empty, façade changes, which will be ineffectual, and do little more than create new bureaucratic layers. Nunberg (1995), writing for the World Bank, therefore dismisses the appropriateness to developing countries of such NPM reforms as executive agencies and performance management systems.

Section 2: Administration in India

Given the conceptual and cultural dilemmas associated with the adoption of some of the paradigms of administrative reform in western countries in the last couple of decades, we shall now move on to a consideration of the Indian situation.

What is the 'core competence' of public administration in India? What are our strengths on which we can build? Efficient logistics-driven delivery of services to people is surely one of our strengths. The colonial rulers had developed a system of governance suitable for a large country with a heterogeneous multi-ethnic population. The British went for the pure administrative model—a vertically constituted system of government which nevertheless experimented with ways of communicating with citizens to ascertain their views and preferences before bringing in major policy changes[10]. Nevertheless, it was in essence all about regulation and rule-based administration. There was no attempt at service delivery.

After independence, the country adopted a democratic constitution and things became complex. The inherited, paternalistic form of government—with government in the driving seat of service provision—does not work well with representative democracy.

India, despite common features, is different from Western democracies

A 'world vision' enables us to see the 'mega trends' better and to relate these to our own situation. At the same time, we need to be wary of assuming that all that has been found to be good for other countries is necessarily good for our own country. To know what is good for our society or what will 'work best' in our situation, it is important to be informed by a knowledge of the country's history and its institutions.

Being a former British colony with a tradition of 'common law' administration, and having constitutionally adopted the Cabinet type of government, India has much in common with the U.K. There are also important differences, such as that the U.K. follows a more unitary system of government while the federal system of government in India divides the powers between the centre and the states and envisages a clearly defined role in government being played by the states (or provincial or regional governments). The federal constitution of India has to be made to work the way it is conceived/designed i.e. with far greater devolution of powers and resources. In practice, the opposite has happened.

But states have already shown what they can do by way of competition among themselves. For the first time, administrative reform or 'governance' is emerging as a focus of competition. The Right to Information Act--which implements the legislative idea in both letter and spirit—is still some distance away, but as states open up and realise the benefits, information will also open up. Many states are already negotiating with multilateral lending agencies for development loans as well as with consortiums abroad for foreign direct investment.

In suitable cases i.e. where direct service to citizen and regulatory service are clearly distinguishable, one can make use of the concepts of 'imperium' and 'dominium'[11]. Regulatory functions are areas where the state has to function from 'imperium', while direct services to citizens must flow from 'dominium'. The first will be primarily civil service

[10] An example is the introduction of the Indian Penal Code, 18.., which was preceded by elaborate discussions with groups of citizens all over the country.

[11] Government may either pursue its objectives through the command of law and the imposition of relevant sanctions (i.e. through 'imperium') or it may use its wealth, its power to disburse benefits, to buy or induce compliance with its purposes (i.e. 'dominium') (Daintith, 1994).

driven. The second, except to the extent it capitalises on the strengths of the governmental apparatus[12], must go with the most competent agency available in the chosen location. Thus a combination of multiple agencies must be carefully chosen for better benchmarking and effective ‘yardstick’ competition between them. Elsewhere, such as in the infrastructure sector (including power) and the municipal services sector, the record of privatisation has not been a very successful one.

In recent years, there has been much discussion of the weak institutions of governance in the developing countries. However, there is no consensus in the economics of institutions on how institutional changes can be brought about or how new institutions can be made to work. In a vibrant democracy with a good public ethos and a strong tradition of service provision either by the public sector (e.g. Germany, France) or by the market (e.g. the U.S., the U.K.), it is relatively easier to predict the consequences of a given change in the institutional arrangements for service provision. It is vastly more difficult in less developed counties with a different culture or where the ruling institutions are externally imposed (and not home grown) and not fully assimilated.

In India, political institutions are not mature enough. Accountability within organisations and outside i.e. both vertical and horizontal, is low; transparency vis-à-vis stakeholders is not an attribute of either government or business organisations; there is a fear of decentralisation/delegation even among responsible and well-intentioned members of the intelligentsia; corruption and rent-seeking are rampant; judiciary is weak; civil society institutions are not firmly rooted; patron-client relationships pervade society and are exacerbated by deeply-embedded feudal attitudes and relationships; information is scarce; and inequalities, both social and economic, are ever widening. Some of these features can be referred to as ‘colonial legacy’, others not.

Administrative reform is being attempted in India in such a context. This is not to deny that some administrative reform measures and organisational innovations have succeeded here and there. For example, dairy cooperatives have succeeded in Gujarat, *Pani Panchayats* in Maharashtra, the right-to-information movement in Rajasthan, participatory planning in Kerala, forest protection committees in West Bengal, water users’ associations in Andhra Pradesh etc. In many of these cases—not in all—the new institutions are an outgrowth from the old and the traditional, or based in a collectively accepted political ideology or otherwise rooted in history and culture.

In general, government-imposed institutions have not done as well as institutions which had found a hospitable environment in some half-forgotten tradition or culture. Institutions which grow out of old roots have a greater chance of getting established than those which are imposed based only on their intellectual credentials (Rangachari & Mukherji, 2000). Given this background, institutional misalignment, a major problem of organisational design, has to be carefully diagnosed and corrected.

It is increasingly accepted in the literature that countries differ in their ability to assimilate western-style political institutions. Many of them, such as those in Africa, are culturally constrained in doing so. (Draft WDR 2004)

Former colonial countries like India have also to face the ‘transactions costs of organisational change’ caused by ‘path dependencies’. Colonial regimes fostered professional ethos among civil servants that stressed the importance of maintaining law and order while maximising the efficiency of labour and resource extraction. This ethos was reflected in colonial civil servants’ relations with the citizenry. Thus the notion of ‘customer orientation’ in the delivery

[12] For example, PDS (public distribution system)-type logistical operations with centralised monitoring and control still work well in India.

of services was alien. It therefore stands to reason that in post-colonial societies, the path dependencies of state-society relations restrict the emergence of a public service ethos based on demand-driven principles of modern public management (Girishankar, 1995).

The ‘theoretical model’ introduced in the first part of Section 3 relates the governance structure to the ‘type of goods’ produced by the organisation. In countries like India, it is perhaps necessary to consider also the political environment, the weaknesses of institutions, the ‘porousness’ of the system and its vulnerability to pressures from outside. For example, let us consider the ‘market vs. hierarchy’ case. The standard argument is that competition will help improve the standards of service and that, therefore, market-like mechanisms should be devised for supply of even those goods that are plagued by ‘market failure’.

Underlying this contradictory position is a distrust of hierarchy and unquestioning faith in the market. However, it is our everyday experience that despite good faith, markets are not allowed to function by vested interests, whenever the stakes are high and monitoring is or can be rendered ineffective.

It is possible, therefore, to argue that what we really need in the Indian situation is some kind of a ‘Taylorian’ organisational arrangement to protect many processes within the organisation from political interference. In other words, we opt for a low-permeability, hierarchical environment but with transparent processes that would prevent the system from getting overly politicised.

The suggestion to prefer a low-permeability organisational environment is made even though such an organisation tends to prioritise uniformity and conservatism. This is because of the resistance, both implicit and explicit, engendered by attempts at reform especially in the short run. In such situations a ‘gradualist’ approach to reform is called for.

The suggestion to make processes ‘transparent’ is made with a view to ensuring that the lines of accountability between citizens-politicians-public managers are not compromised. This implies that the ‘voice’ mechanism ought to be strengthened wherever possible, while self-help groups and other grassroots-level organisations can be used for service delivery where possible, especially in services which can be effectively monitored only locally.

Experience of other countries shows that public-private ownership (or private sector involvement in some form) is effective in delivery of urban services. However, India’s record of such urban infrastructure reforms has been characterised by late starts or aborted projects. Years into reform, few such projects have been grounded.

Short political horizons and people’s lack of ‘voice’ have encouraged opaqueness in the functioning of government. A study of the processes in weaker sections housing by CGG showed that selection of beneficiaries lacked transparency for such reasons. The recommendation was to publicise the guidelines and the actual selection process followed so that officials were made to tread the narrow path.

The Revenue Department of Andhra Pradesh[13]

The revenue department is the vital executive arm of the state. It is enjoined on the department to perform a multitude of functions concerning the people, starting from their birth to death. The revenue department has a legacy and the pride of being the oldest department in the administrative set-up. It continues to be the backbone of administration and has contributed a lot to orderly social development and growth in the state.

The primary function of the department is to safeguard the rights of the people to their holdings in land through maintenance and up-dating of land records. The work relating to land acquisition, land lease, alienation of government land etc. is also looked after by the revenue department. Measures for bringing into effect land reforms and social equality are also undertaken by the department through assignment and distribution of surplus lands. The department used to collect land revenue (including various cesses on it) and thus contributed to the resources of the government. However land revenue has now been abolished and the department's aura as a revenue-collecting agency has diminished. (Some would say the name 'revenue department' is itself a misnomer now).

The origin of the revenue department dates back to the colonial rule in India. In order for the administration to be effective, the colonial rulers formed districts with Collectors to head them. The Board of Revenue of the Madras Presidency—the composite state of peninsular India from which Andhra Pradesh was formed in the 1950's—was originally set up in the year 1786 to advise Collectors in administrative matters. This Board was abolished, in Andhra Pradesh, in 1976.

The functions of the erstwhile Board of Revenue are now being looked after by a number of departments (or sub-departments) under the Chief Commissioner of Land Administration. He is in charge of the district revenue administration and general administration, levy and collection of land revenue, cesses and other related levies. He also looks after land-related issues such as land acquisition, alienation, assignment of lands and house site *pattas*, maintenance of survey and land records as well as records of rights and distribution of land *pattas*. Further, he supervises land and agrarian reforms such as agricultural land ceilings, urban land ceilings, tenancy rights, assignment of surplus land for agricultural purposes and collection of non-agricultural land assessment.

At the district level, Collectors, Joint Collectors and District Revenue Officers are assisted by the Revenue Divisional Officers (who are in charge of 'divisions', numbering usually three or four, within a district), Mandal Revenue Officers (who are in charge of clusters of villages within each division), Revenue Inspectors and Village Secretaries.

The village administration is the backbone of district administration. The hereditary system of village officers was abolished two decades ago. Subsequently, Village Administrative Officers were appointed to deal with the functions previously performed by the village officers. The system of Village Administrative Officers has again been abolished recently with the transfer of village administration to the Gram Panchayats. The Village Secretary, who is also the Secretary of the Gram Panchayat, has taken over the functions of the erstwhile Village Administrative Officer and, for this purpose, he reports to the Mandal Revenue Officer.

[13] The Revenue Department is now expanded to include Commercial Taxes, Excise and Prohibition, Registration & Stamps and Endowments. Here we consider only the 'old' Revenue Department which is concerned with land and land-related administration, and with general administration at the district level.

As head of the revenue administration at the district level, the Collector used to be one. Owing, however, to the rapid accretion of new developmental responsibilities, the Collector needed to be relieved of some of his revenue-related responsibilities by others such as the Joint Collectors, the District Revenue Officers, Special Grade Deputy Collectors and others. The District Collectors' Powers (Delegation) Act 1961 and a later government order, G.O. Ms.No.77 Revenue dated 22 January 1968, as amended from time to time, spell out the functions of the Collector, as also those of the Joint Collector and the District Revenue Officer.

In addition to the Revenue Department, in order to ensure efficient implementation of the district developmental activities, the following departments have been brought under the purview of the Collector who is also head of these departments: Agriculture, Irrigation, Co-operation, Panchayati Raj, Industries and Education. The district heads of other departments have also been instructed by government to carry out such directions as may be issued by the Collector from time to time in regard to the implementation of the schemes included in the District Plan. The Collector is the Chairman of the Standing Committees of the Zilla Parishad. He is also Chairman of some 100 official committees connected with the implementation and supervision of various developmental schemes in the district.

Originally, 'revenue laws'—some 134 Acts were in force in the late 1970's--played a vital role in the governance of the country. These laws, spread over a period of nearly two centuries, have an impact on every aspect of the common man's life, especially in the rural areas. The collection of land revenue, which was considered one of the main functions of the Revenue Department, has been discontinued with the abolition of land revenue in the state. Though the amount of land revenue collected represented a small share of the total revenues of the state, payment of revenue has an importance going beyond budgetary considerations. Payment of land revenue served as strong evidence of ownership rights (in the land) in the person paying it. It was also considered that the ground of the levy was the ownership of the '*melvaram*' right held in the land by the sovereign. It could be argued that, by the abolition of land revenue, the prorogatory right of government over land is lost[14].

A list of the functions performed in the Revenue Department is provided in Annexure I. A separate list of the services rendered by the department may be found in Annexure II.

According to the officials of the department, there has been a *functional shift* in the orientation, emphasis and workload of the department as evidenced by the following:

- the importance of pure 'revenue' work has come down considerably
- there is now computerisation up to the *mandal* level, with citizen interface
- land revenue is no longer collected, since it has been formally abolished in the state
- from a predominantly regulatory role, the department has turned to citizen-oriented services
- the work of land reforms under the various enactments (including the abolition of *Inams*, *Jagirs* and Estates) has been almost completed
- apart from the fact that judicial functions have been separated from the executive, most of the executive magisterial powers of the Collector have been delegated to police commissioners

[14] The revenue settlements effected by the colonial government during the second half of the nineteenth century, such as the *Zamindari* and *Ryotwari* settlements, were intended to confer legitimacy on the sovereign's right to tax. Thus property rights in land *followed* the liability to tax and therefore *depended* on it, instead of the other way round. As for the sovereign's ownership of all land in the realm, this may be a viable concept in a monarchy or a colonial government. But it is a moot point whether the Indian constitution confers such rights on the government.

- administration has penetrated deeper and closer to the masses
- the department is more deeply involved in various welfare and developmental programmes
- village level revenue administration has undergone drastic changes

At the Workshop organised by the Centre for Good Governance on 25th June 2003 in connection with the Strategic Review of the Revenue Department, there was frank and free exchange of views on the perceived 'change of direction' of the department. Minister for Revenue gave a lead to the discussion. Senior officials, including Principal Secretaries of the Revenue Department and the Chief Commissioner, Land Administration participated actively. So did field-level officials including some Collectors, Joint Collectors, Revenue Divisional Officers and Mandal Revenue Officers. They commented on 'the matrix of functions' of the department with enthusiasm and intelligence. On the mission, vision and objectives they made useful contributions. Some of the suggested versions of the Mission Statement of the department were:

"To provide service to people in all walks of life on all matters touching their lives directly or indirectly"
"It is the government itself at the local level; it is the door that gets knocked first, because it plays a coordinating and facilitating role vis-à-vis other departments"
"It provides essential public goods and services and facilitates micro-enterprises and economic support activities"

An important finding that emerged from our study of the Revenue Department is that despite being a large department with drastic changes in its role, importance and functions, it has adapted itself over time to the new reality. Such an adjustment was, to some extent, inevitable. The department's long history of contact with and access to the people made it the obvious ally in government's new-found quest viz. of getting closer to the people[15]. Also, a government hard-pressed for administrative resources and looking for quick results had to depend on existing organisations with a proven track record. Further, this happened to be the one department in government which had some 'clout' with the people in rural areas and could therefore be depended upon to implement welfare, social security and development activities that required access to and by the people.

An attempt was made, based on interactions with officials of the department, to redefine the <u>current</u> role and functions of the revenue department in terms of its basic mandate and mission. The result is seen in Figure 3 below:

[15] Almost every state government in India is trying to get closer to the people e.g. through the *Janmabhoomi* programme in A.P. or the 'mass contact programme' in Tamil Nadu. In each of these examples, the Revenue Department is playing the role of spearhead.

Figure3- **Overarching aims and objectives of the Revenue Department**

To help secure a just society where the poor and the weak are protected and where the rights and obligations of the state and the citizen are ethically balanced.

Act as bridge between state and citizen by assuring property rights in land to the individual and tax revenue to the state

- Manage government land by keeping it free of encroachment and available for public and civic uses as well as for assigning to weaker sections
- Acquire private land for public purposes on fair compensation
- Reconcile conflicts on land; define and maintain land boundaries
- Maintain land records and keep them updated; ensure integrity between graphic & textual records of land ownership; issue title certificates and house site pattas; perform settlement functions; act as authentic source of land use information.
- Implement land reforms

Provide relief to the needy in times of distress and food security to the poor at all times, perform statutory & regulatory services, and act as 'first port of call' for citizens in need at levels below district.

- Provide logistic support to public distribution system, keep check on fair price shops and enforce the Essential commodities Act.
- Conduct elections and censuses; assist in protocol work and personnel selections; and raise resources by mobilising small savings and collecting the dues of other departments
- Perform regulatory activities through field level enquiries and inspections under numerous Acts and Rules; act as focal point for grievance redressal in government
- Issue income, caste and other certificates of eligibility for loans to needy applicants

Provide support to other agencies in maintenance of order and implementation of welfare and development programmes

- Support Panchayati Raj, agriculture, irrigation, police and other departments by collecting and maintaining general and special purpose databases
- Ensure selection of right beneficiaries for welfare and social security schemes
- Assist in implementation of development schemes through collection of data and field inspections; assist specifically in implementing family welfare, youth and women empowerment and promotion of self-help groups

Figure 3 tries to follow, but does not exactly correspond to, the broad division of functions of the department into 3 categories viz. core revenue, regulatory and welfare/development services. An internal survey by the department attempted to estimate the time spent by each major functionary in the department on the various functions at his or her level. Annexure III gives the results. It shows that welfare and development services account for almost 50% of the time spent at work by the Mandal Revenue Officer, the key field-level functionary of the Revenue Department.

Most of these services go in the name of support services to the Collector as well as to other departments in the field such as police, *Panchayati Raj*, irrigation and agriculture that have close links to people in the rural areas. It will also be noted that though land-related services are not included in the 50% portion of the time allocated to welfare/development services, many of the tasks performed on land do also relate to individual applications e.g. applications for *pattadar* pass books, for house site *pattas*, for carrying out mutations in title records or for fixing boundary stones. These direct services, along with the welfare/development category of services, should account for almost 60% of the total time spent at work by the Mandal Revenue Officers. The remaining 40% can broadly be categorised as time spent on regulatory services—the 'other side of the coin' to actual service delivery to the citizen.

To sum up, our study of the revenue department leads to the following propositions:

-- its core services are still important in rural areas though, as a proportion of the total preoccupation of revenue personnel, it has become less significant

-- the department has the old 'logistic' advantages and so it should continue to provide the welfare and development related services, for which the resources of the department must be strengthened as shown in section 3 below

-- general administration functions are increasing in importance. There is a need to recognise these formally. Here the department is linked up in many horizontal relationships that have become increasingly complex. To negotiate them meaningfully, the personnel need to have their powers and resources correspondingly re-assessed and augmented.

Can any conclusions be drawn by applying theoretical models or analytical frameworks to this real-life situation, regarding the preferred organisational arrangements for service delivery?

Section 3: Designing Organisation for Effective Service Delivery

A theoretical model[16]

We may now review briefly the contribution made by those schools of thought that have left a significant impact on the fields of organisational theory, public sector reform and modern corporate strategy. These are the New Institutional Economics (including Agency Theory, and Transaction Cost Analysis), Managerial Economics and Organisation Theory.

Agency Theory and Transaction Cost Analysis assume that all organisations—economic, political and social—consist of a series of explicit (legal) and implicit (informal) contractual arrangements between factors of production which are cast in the roles of principal and agent. For the purpose of this analysis, the supervisor in an organisation is a principal while a staff member receiving instructions from the supervisor would be an agent; a person placing an order with a supplier would be a principal while the supplier becomes the agent; the landlord would be the principal and the lessee the agent.

Managerial economics and organisation theory offer insights into process design and organisation of work.

By combining the 3 schools of thought it is easy to identify 4 types of institutional arrangements that are really the 4 possible combinations of 'specificity' (low-high) and 'contestability' (low-high). The following simple matrix presents the 4 combinations:

		Contestability	
		High	***Low***
Specificity	***High***	*Type I*	*Type II*
	Low	*Type III*	*Type IV*

The term *specificity* refers to the degree to which the output can be specified i.e. defined/measured and therefore observed/monitored. Examples would be the number of reports published, the number of passengers carried by a transport system, the returns processed or the quantity of garbage collected. The term *contestability* refers to the presence or absence of 'barriers to entry' for alternative producers or providers of the service. In Indian cities, legal representation is a highly contestable output because of the large number of lawyers available. Software consultancy is another highly contestable output. Border control and processing of income tax returns, on the other hand, have low contestability by the nature of the service: they are sovereign functions and, in that sense, pure public goods.

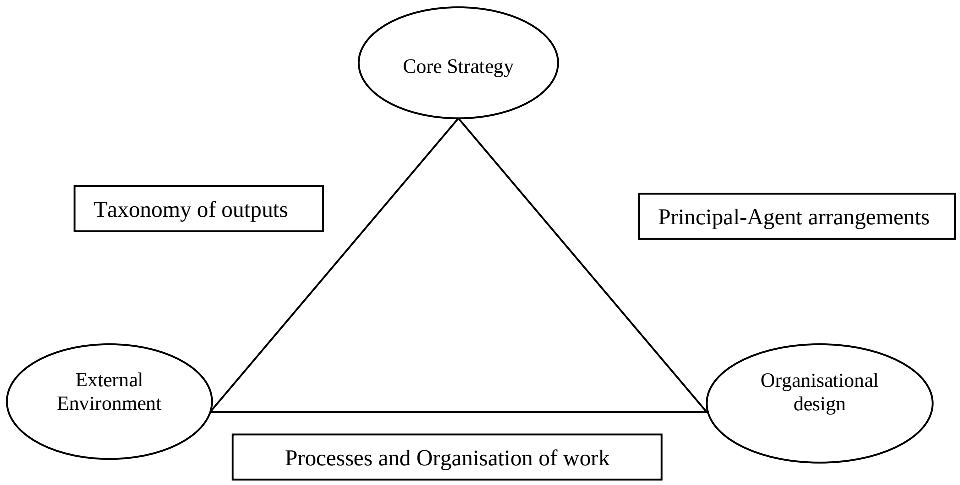
What organisational arrangements best serve each of these 4 'stylized' categories of outputs? The extreme cases, *Type I* and *Type IV* have clear answers. Where both specificity and contestability are low, e.g. budgeting, policy-making or defence, i.e. in the case of *Type IV* goods, public provision is the only possible answer. At the other end, *Type I* goods, which can be clearly 'specified' and for which there are no entry barriers (i.e. they are highly contestable), are best provided by the market.

The problem arises in respect of the *intermediate* outputs that have one of the two attributes viz. specificity or contestability missing. In the case of Type II goods where contestability is low but outputs are monitorable e.g. processing of tax returns or issue of licences or permits, theory says it is best to have a system of audit (since outputs are specific), while accepting provision of the service within a hierarchical organisation (rather than by the market).

[16] This sub-section mainly follows Girishanker & De Silva (1998) and Piccioto (1995).

In the case of *Type III* goods where there is contestability but specificity is absent, e.g. legal representation or consultancy, the correct strategy would be to take advantage of the contestability by having more players in the field but adopt professional standards so that specificity is increased i.e. monitoring is facilitated.

Figure 4: Strategic Alignment of Public Sector Organisations



Source: Girishankar & De Silva (1998)

The three corners of the triangle represent (1) the core strategy, which refers to the purpose or mission of a particular organisation; (2) the internal organisational design, which refers to the processes and organisation of work that enable fulfilment of the organisation’s mission; and (3) the external environment, which includes the stakeholders who could be direct consumers, interest groups or representatives of other parts of the government.

The organisation can be said to be *strategically aligned* when the relationships among the 3 corners of the triangle--i.e. between the core strategy and external environment, the core strategy and internal organisation design, and organisational design and external environment—are at an equilibrium. This will ensure that the functions, activities, processes and systems within the organisation flow from the organisation’s mission, vision and goals.

An appropriate core strategy requires a clear definition of the output or service. This, along with the ability of the bureaucrats/technocrats to gauge citizens’ preferences accurately, helps align the core strategy with the external environment.

Next managers should align the organisation design of their particular agencies with its core strategy by selecting appropriate institutional arrangements between principal and agent. Elimination of inappropriate institutional arrangements will bring the internal structure and systems into alignment with the organisation’s mission.

Finally, the permeability of processes and organisations of work to external environments should be appropriate to the particular good or service provided by the department.

There are variants in the literature which present the same or similar concepts in terms of

(a) a *specificity-contestability* matrix (which looks at the extent to which the activity can be monitored and the degree of entry barrier to the activity) which we have just seen;
(b) a *subtractability-excludability* matrix (where 'subtractability' refers to the extent to which one individual's consumption of a good interferes with another's consumption of the same good, while 'excludability' refers to the extent to which it is possible to exclude a user through the price mechanism); and
(c) an *exit-voice* matrix (which looks at the degree of competition and the extent of user participation in service provision).

They all yield similar, though slightly different, classifications of outputs under *Types* I to IV. One specific insight, due to the 'exit-voice' approach, is worth mentioning in this brief review.

The mirror image of the *exit-voice* matrix is the '*hierarchy-market*' matrix. *Organisation design can thus be defined as the appropriate exit-voice-loyalty building mechanism.* The principle is that where the market represents the appropriate mode of governing an activity (e.g. in the case of 'toll goods' where *excludability* is high but *subtractability* is low, of which public utilities are a good example), '*exit*' mechanism should be given the pride of place. Correspondingly, in the case of 'common pool' goods (e.g. common pastures, irrigation water) which enjoy *subtractability* but lack *excludability*, market operation is hindered, while hierarchy cannot also deter 'free riding' because of monitoring difficulties. The best solution in such cases is to increase the 'voice' option through effective participatory institutions. Loyalty (and its ally, hierarchy) intervenes when exit and voice cohabit, but exit needs restraint to give full scope to the recuperative benefits of voice. Thus for pure public goods (e.g. a more rigorous tax policy or a traffic signalling scheme) full benefits occur where loyalty is encouraged by effective policing (hierarchy) and/or users are involved and motivated (participation).

In the case of 'toll goods' projects (such as for piped water) numerous organisational options are possible that combine market and hierarchy some which are shown in Figure 4 below. An important precondition is a judicious assessment of institutional potentials and constraints.

A point to note in this model is that 'exit' is an *economic* response mechanism and thus would be more appropriate for the large infrastructure sector in which citizens have little direct interest. 'Voice', on the other hand, is a *political* response mechanism—therefore a tool better suited for municipal and rural service delivery, which affects citizens directly.

<u>Replacing the model with an analytical framework</u>

This is a purely economic model which focuses on 'principal-agent' relationships or the structure of incentives within the organisation. Incentives are undoubtedly important since they determine the economic rewards and therefore represent the opportunity sets facing the individuals in the organisation. But public administration literature stresses repeatedly the high motivation of officials in public services of foreign countries where they receive far lower compensation than their counterparts in the private sector. An example is that of law graduates in the U.S. who prefer to enter clerkships in courts rather than the more remunerative jobs in law firms, mainly on account of the prestige and opportunity for service to society offered by the former. In our own country, examples of highly motivated individuals, fresh out of college, preferring to join the public services in preference to the business sector are numerous. The above model thus seems to take a rather narrow view of the incentives within the organisation. It also ignores other relevant factors such as the legal-administrative framework within which public services operate, the infrastructure capacity, and the institutional capacity of the organisation. It tries to use certain proxies for variables such as vested interests, information processing, informal institutions, mental constructs and path dependencies that cannot be 'operationalised'.

A model that does not 'endogenise' politics has little chance of explaining the complexity of organisations in the public sector, especially in India.

The model's classification of outputs into 4 Types is oversimplified. Also, it starts with a predilection for the market, claiming that every service must be produced in a market or a quasi-market. It has no clear answers on how the so-called Type II and Type III outputs should be dealt with or to the fact that most of the attempts to organise service provision in India, especially municipal services such as water and sewerage, through public-private partnerships have ended in failure or premature abandonment (see Annexure IV).

It would therefore be useful to replace this theoretical model with an analytical framework that covers the various contingencies and situations that are typical of a developing country like ours. Such an analytical framework must be capable of being used like a 'decision tree' that can be used by the policymaker for taking the 'make or buy' decision for service provision. And, if a decision has been taken to 'buy', for deciding further on the appropriate mode of service provision, for here many options are available.

Based on the earlier discussion of the theoretical model, our position would be that the decision on the optimal governance arrangements for service delivery must depend not only on economic considerations but social and political ones. Secondly, the economic focus should also not be uni-dimensional viz. based on the 'output type'. It should factor in organisational economies, 'scale' and 'scope' economies and, most importantly, the transaction costs of the proposed option. Keeping these in view, the analytical framework would first deal with the 'make or buy' issue: i.e. whether the service must be produced in-house, or outsourced? Secondly, it would address the question: which of the several options for inducting other agencies into provision of the service should be adopted?

An analytical framework which can be used as a 'decision-tree' for these purposes is presented below as Figure 4. On the left hand side, it deals with the 'make or buy' decision. It first deals with the goals and tasks of the particular service and tries to match them with the capacities of the public sector as well as other agencies. It then looks at the technology for provision of the service, the capital needed and the risks involved and again, from these points of view, seeks to evaluate the options. Finally, it looks at the techno-economic case for continuing with the service in the public sector or otherwise. A major issue considered here is the transaction costs. This is a much-needed corrective since a review of the empirical literature on reforms in public management in OECD countries shows that most of the assessments do not take into account the transaction costs of the reform-induced changes.

The scene of action shifts to the right-hand side of Figure 4 once a policy choice has been made to 'intervene' in a given situation. Here it will be noted that the presence of one or more of four economic criteria viz. externalities, distributional concerns, agency problems and unobservable output quality—but not all of them at the same time[17]—gives rise to three options. At this point we turn to page 2 of Figure 4 which shows how these options can be further differentiated in terms of whether the public sector takes the responsibility of funding or not.

Applying the framework

We shall now apply the analytical framework described above to the revenue department and see if it is helpful in taking the decision, when considering a given service, whether it should be produced entirely in-house or whether it can be either partly or wholly sourced from outside.

[17] If they all occur together, public sector provision of the service is the only option.

Let us consider one of the 'core' services that relate to land. Take the example of maintenance and updating of the land records including the 'record of rights' or the ownership record. Briefly, this service arises because ownership of land often changes hands either by succession, court order or voluntary transfer i.e. conveyance. In all these cases, there is a procedure for carrying out the necessary 'mutation' in the records of the revenue department, particularly in the case where ownership changes hands due to conveyance by sale. The 'conveyance' is recorded by the registration department which has to forward information regarding the change of ownership to the revenue department. Upon receipt of the information the Mandal Revenue Officer is expected to make a 'spot enquiry', confirm that the relevant change in ownership has indeed taken place as advised and then carry out the consequent mutations in the records.

In the normal course, this service is being done manually which is one of the reasons for the widely reported delay in updating ownership records. Let us assume that government is not satisfied with the quality of service rendered at present and so decides to use our analytical framework to make decisions whether (a) to 'make' or 'buy' this service; and (b) if the decision is to 'buy' it, what would be the best among the available set of options?

The first three sets of questions in Figure 4 regarding goals, tasks and political sensitivity of the service issue will elicit that the objective is to drastically improve the service. It will also elicit that ICT solutions being involved, the private sector has a demonstrable capacity to provide the service. There will be political sensitivity involved in failure to deliver the service as expected, but this could be taken care of through a public-private partnership of the e-*Seva* type (which is acknowledged to be a successful model). The 'economic' set of questions will probably confirm these answers, since organisation and 'scale and scope' economies are not present to any significant extent while competition is real and quite effective, since there is a good market for ICT products and services.

Proceeding to the right-hand side, the important issue is that of cost. Installation of an ICT system that would cover the thousands of villages in the state and the hundreds of thousands of records of individual land parcels—both textual and graphical—would be enormously expensive. On the other hand, user fees—at a nominal cost per record—would cover the cost adequately. A public-private partnership would involve the sharing of fixed and operating costs on some reasonable basis, the assured tenure of the private operator for a reasonable number of years and the eventual demise of the entire system to the ownership of government. Thus there would be part financing by government but substantial operation by private management subject to government regulation, which is the solution given by the analytical framework.

It must be noted that real life policymaking is seldom achieved with such simplicity or ease. Likely issues of real life include up-skilling of public sector staff, transfer of control over the operating staff to the private sector operator and so on. Indeed, a thoroughgoing business process study would have to be undertaken once the decision is taken in principle to involve the public sector in provision of the service and, based on the study, major changes would need to be brought about in the working of the department. Such 'business process engineering' usually brings to light many related opportunities for improving service.

As noted earlier, the department has two types of outputs viz. regulatory and direct service provision. An example of direct service provision is the issue of a caste or income certificate on application by a citizen. An example of regulatory services is inspection of fair price shops. The two types of services require different sets of organisational arrangements. For regulatory services, existing arrangements viz. provision by the department seem to be the best suited—with the modification suggested below. These functions are of the 'enforcement' type and require authority. Revenue officials are recognised as being empowered to inspect fair price shops, conduct '*azmoish*' of crops or evict encroachments. They have therefore the comparative advantage in performing these functions.

However, in the case of direct customer services such as the issue of caste or income certificates, it is obvious that e-governance tools can enhance the efficiency of these services in the revenue department. To this extent, depending on the outcome of the analysis performed on the lines indicated earlier, the answer might be to source the e-governance tools from the private sector or through a public-private partnership.

A point to note here is the importance of customer access to officials as a major factor in improvement of service delivery. In this context, the concept of public servants exercising power derived from '*les majeste*' is a colonial relic as well as being an anachronism unacceptable to the people in today's environment[18]. Here the responsibility lies with members of the encadred civil services who should, ideally, set an example for others lower down in the hierarchy viz. the 'street level' bureaucrats and thus help inculcate the right attitudes in them. Apart from such leadership by example and behavioural training, another way to overcome such institutional misalignments—in this case misalignment of the core strategy with the external environment—is to re-engineer the business processes involved[19].

When business processes are re-engineered after a thorough-going analysis, such opportunities for improving customer service delivery will become apparent. What is needed is to recognise that there is a problem of citizen access—especially access by the poor—to services. Innovations will follow.

In the meantime, what does the above model suggest for (a) regulatory and (b) citizen-centred services? Most of the regulatory services will benefit from the business process reengineering and the application of ICT to the day-to-day 'routines' of decision-making. Even in areas where markets are known to fail, the opening up of administration to innovations made possible by advances in technology will come up with effective answers.

An example is the provision of 'value-added' services in land administration. Government in the revenue department has so far not been able to implement satisfactorily a system of recording title to land and issuing title certificates despite several legislative initiatives. The state can decide to guarantee title to land at low or no cost to small landowners/cultivators. Similar innovations in customer service are clearly possible once databases of related departments are interlinked. Streamlining of 'front office' services to the customer, as in the Maharashtra example of the registration department, are possible in every department.

Transparency, a measure of contestability to increase options for service provision and increasing the voice of the citizen through effective means of participation (not mere 'tokenism') are the best ways to improve the quality of service in the 'old' or conventional departments where work outputs are often regulation-intensive.

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[18] An example will illustrate this. In the 'old' departments dating back to colonial times it is customary to see the head of the office (such as the Mandal Revenue Officer or the Sub-Registrar) always preceded by a liveried attendant whose function seems to be mainly to 'reflect' the power and status of his superior, and then 'deflect' it back to him, so that the message goes down to the client-citizens who are usually overawed by officialdom. (The client-citizens are usually seen by officials more as supplicants than as individuals with rights).

[19] In Maharashtra reforms in the registration & stamps department have addressed this problem effectively. By bringing the registering officer down from his elevated 'dais' in a room (with the liveried attendant standing just outside) within the building and seating him in the front office, at the same desk along with the data entry operator and the customer, the reforms have dealt a body blow for the causes of process transparency and accessibility of the officialdom to the public. It is of such changes that the stuff of reforms should be made, for enduring results.

The revenue department, by its very nature, seems to offer a rather limited range of possibilities in regard to the mode of provision of the services typically handled by it. However, in many other departments such as health and education—that have multiple outputs with both 'exit' and 'voice' problems in real life--the power of the analytical framework can be more effectively applied in the choice of agencies such as NGOs, self-help groups or other 'not-for-profit' organisations for service provision on a variety of terms and conditions.

Conclusion

This paper started with a conceptual discussion of the role of the public sector with special reference to the developing countries. It showed that 'fashions' in administrative reform or public management tend to be volatile. There is a currently ongoing effort everywhere to restore some values to public service and not assume the superiority of the market as an instrument of service delivery. However, provision by the market is an option that has merit in specific situations. What is needed is a framework that would enable the policymaker to take decisions whether to 'make or buy' a given service and, if the decision is to involve an outside agency, on what terms and conditions this should be done. Such a framework was introduced and applied to the specific case of the revenue department and, in the example taken, it gave the result that a public-private partnership initiative should prove the effective answer. However, that decision cannot be the final objective of organisation design. For a more complete solution to such issues, a proper study of the business processes involved would be needed.

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