

**What are the priorities for
strengthening institutions?**

Challenges of Governance in Bihar

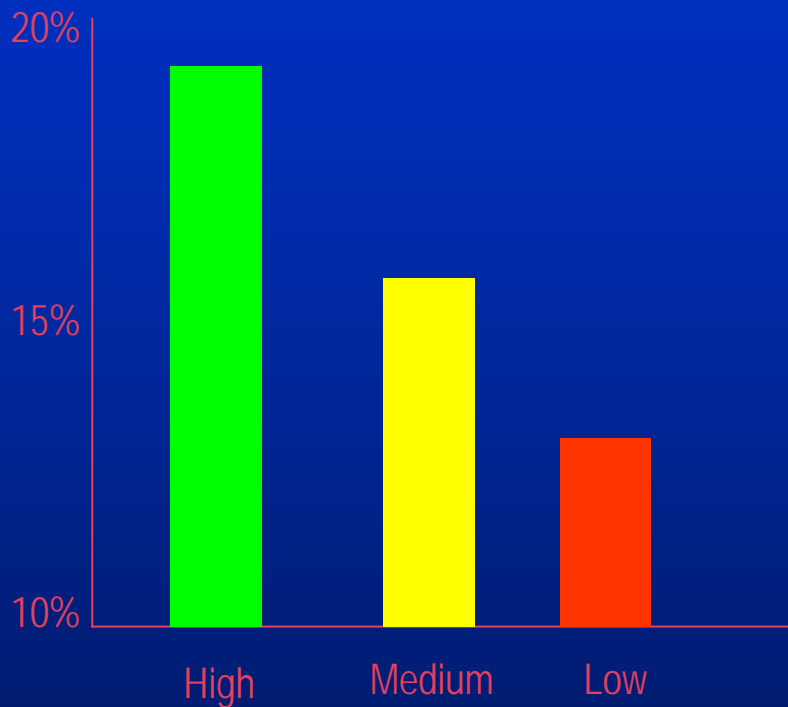
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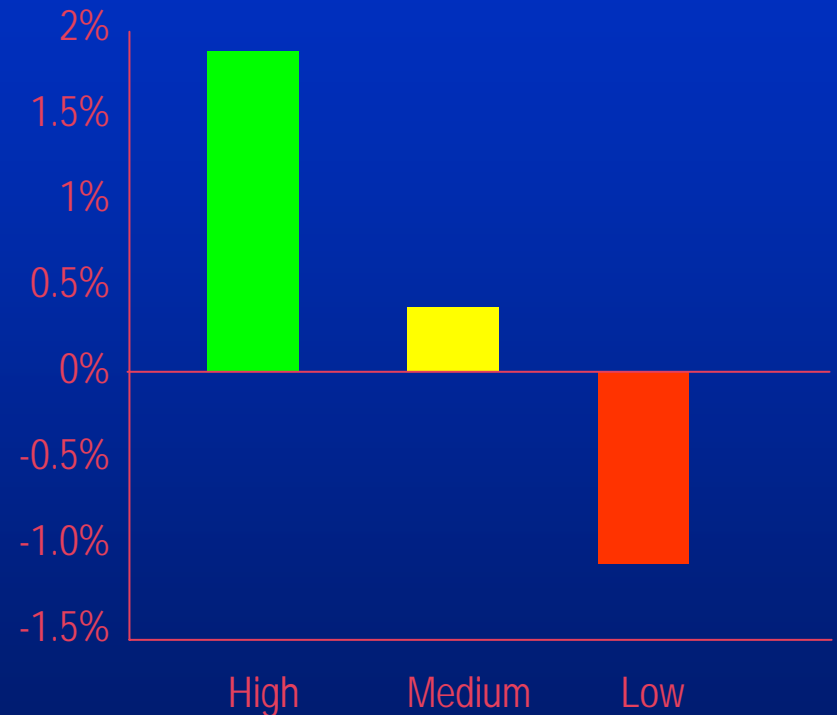
The World Bank

Good Governance is crucial for investment and growth

% Investment share in GDP



Income per capita Growth Rate



Governance Quality

Governance Quality measured by perception of 4000 firms in 67 countries on: (i) protection of property rights; (ii) judicial reliability; (iii) control of theft and crime; (iv) predictability of rules; (v) control of corruption. World Development Report Survey 1997

Institutions for Good Governance

Institutional Checks & Balances

- Independent and effective judiciary
- Legislative oversight
- Independent prosecution, enforcement

Political Accountability

- Political competition (free and fair elections)
- Transparency of party and electoral financing
- Asset declaration, conflict of interest rules

Civil Society Participation

- Freedom of information
- Public hearings of draft laws
- Role of media/NGOs

Good Governance



Competitive Private Sector

- Regulatory simplification for entry
- Competitive restructuring of monopolies
- Transparency in corporate governance

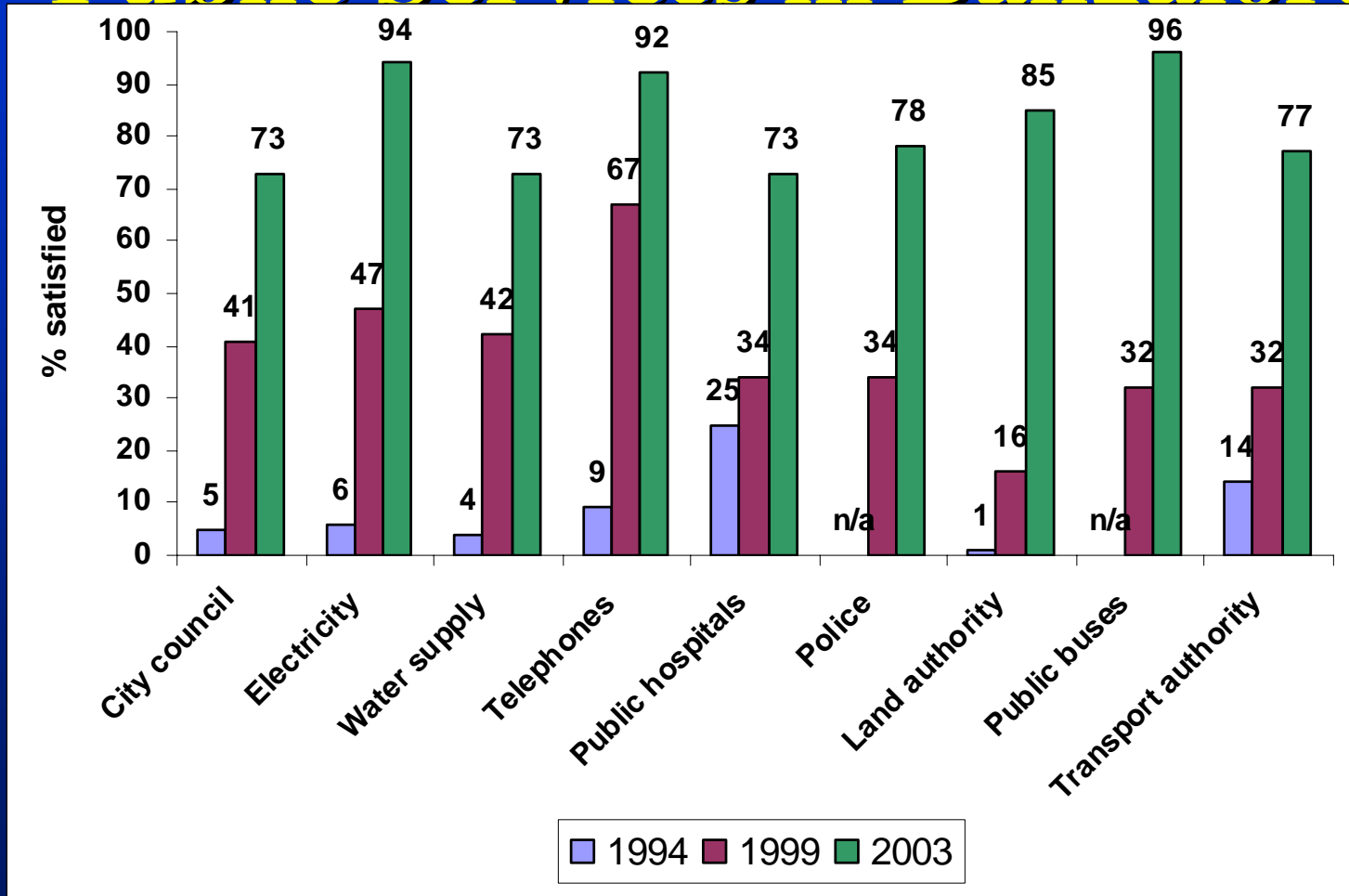
Public Sector Management

- Meritocratic civil service with adequate pay
- Public finance accountability
- Frontline service delivery

Governance Reforms: Indian States

- **Improved service delivery:**
 - Making teachers accountable to local institutions has helped reduce absenteeism (MP)
 - Administrative and fiscal decentralization supported improved service delivery (Surat, Gujarat)
 - Curbing teacher absenteeism (School Management Committees in AP, VECs in UP)
 - Boosting participation of water user groups (AP, Karnataka watershed)
- **Improved investment Climate**
 - AP's Single Window Clearance system
 - 94% of large-medium, 82% small industries received approvals within prescribed time limits
- **Legislation and disconnection-regularization drives to curb power theft (AP Power)**
- **Civil service downsizing (UP Irrigation)**

Improvements in Satisfaction: Public Services in Bangalore

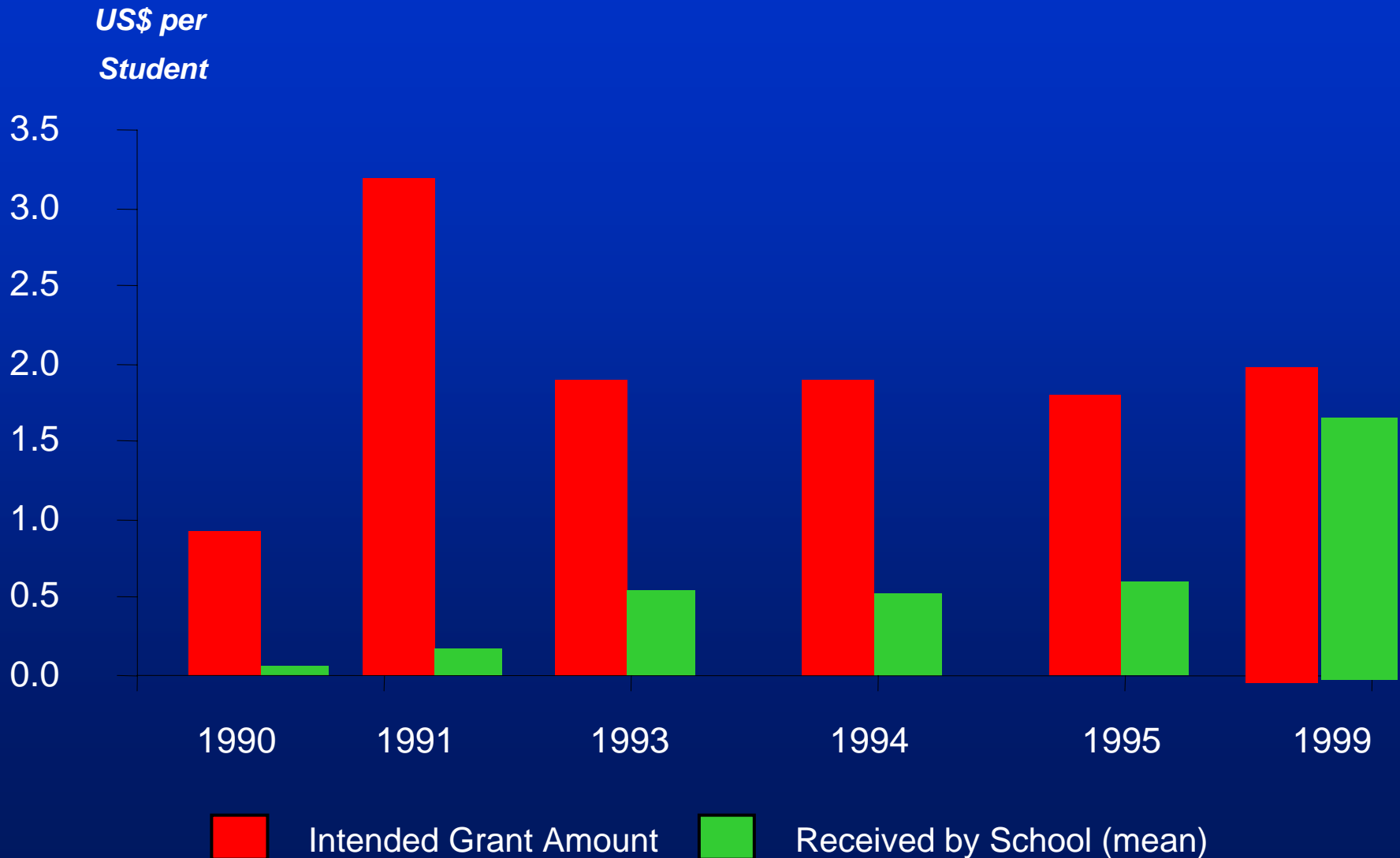


Examples of governance reforms launched across countries



The Power of Transparency and Monitoring

Primary Education in Uganda



The Bihar Factor

- **Core public goods – rule of law, basic infrastructure and social services – are not being provided.**
- **Fundamental problems of state capacity, accountability, corruption.**
- **State is mirroring deep-rooted societal problems (caste divisions and patronage)**
- **Lack of development orientation of state bureaucracy and political leadership**

Some priorities for reform

- **Core public goods:**
 - Rule of law
 - Basic infrastructure: roads, electricity
 - Delivery of basic social services
- **Reorient role of state:**
 - Development as main priority – on a war-footing
 - Restore government credibility: tangible quick wins
 - Administrative reform: utilization of resources, project implementation, delivery of services
 - Strengthen transparency and public oversight at local levels

Questions for Panelists

- **What do you see as the three most important governance and institutional problems constraining development in Bihar?**
- **How crucial is the role of a committed political leadership as a precondition for progress in Bihar? Is governance and political leadership the problem or is it a reflection of deep-seated social problems?**
- **What are the three most important priorities for institutional strengthening?**