

Chapter 6

TOWARDS A DEVELOPMENT STRATEGY

This report has identified many development challenges facing Bihar as it struggles to deal with the burden of very high poverty rates, low levels of literacy, poor health indicators, and a high population growth rate. This needs to be seen in the context of its overall pattern of weak economic growth and adverse environment. Bihar's low growth rate is a major constraint in both its ability to generate resources to finance critical social and infrastructure services, and in the generation of economic opportunities for poor households. While poverty has been falling in Bihar, it continues to lag seriously behind other states in India. Without making concerted efforts to strengthen economic performance, Bihar runs the risk of slipping into a “poverty trap” of low investment, low growth, and deficient economic opportunity for households to improve their standards of living and emerge from poverty.

Despite these challenges, and the state's physical and financial constraints, there are many pragmatic and affordable policy reforms that can move the development agenda forward. For this, it is critical to place people and human development first, and thereby make economic and social development the primary objective of government policy. This requires re-examination of the role of government to identify ways in which it can better serve the needs of the people in: delivering core health and education services; building a strong investment climate to generate jobs and improve economic opportunity; establishing better infrastructure to connect people with markets; and withstanding the devastating impact of annual monsoon floods. Ultimately, the development strategy must aim to help lift standards of living, improve human well-being, and thereby eliminate poverty.

Elements of a Two-Pillar Strategy

The basic development strategy that is presented

here rests on two key pillars: (a) enhancing Bihar's growth performance by establishing a healthy investment climate to encourage entrepreneurship, investment, and the spread of improved technologies, particularly in the rural sector; and (b) supporting human resource development through improved quality and access to social services, particularly for the poor and socially disadvantaged communities.

The first pillar: Improving Bihar's growth performance and investment climate

A critical element of the development strategy suggested here is to strengthen Bihar's investment climate to attract productive resources and strengthen growth performance. Bihar faces many constraints to growth that are well documented—the devastating monsoon floods, low human development indicators, weak infrastructure, and inadequate mineral resources. A part of the medium-term growth challenge lies in strengthening human resources, which the second strategic pillar directly addresses. However, a great deal more is needed to boost economic growth performance, particularly in agriculture which remains central to Bihar's growth and poverty reduction agenda. The primary reason for low investment levels in Bihar (private projects under implementation in Bihar are by far the lowest in India) appears to be the state's very poor investment climate. This is due in part to physical constraints requiring time and resources, but also to institutional and public policy constraints where there is wide scope for improvement.

For improving Bihar's investment climate, the government should prioritise two strategic changes focusing on: (a) public provision of basic infrastructure services in the state, and (b) road infrastructure and water control. As nearly four-fifths of the state's population is engaged in agriculture and the rural economy, agriculture and related activities will

remain the backbone of Bihar's economy in the near term. The first priority — improving rural infrastructure, and strengthening agricultural extension with targeted R&D — can help boost the performance of agriculture, agro-industry, and related services (transport, storage, marketing, etc.), thereby helping reverse Bihar's weak agricultural growth performance and reducing volatility in rural incomes. This strategic shift towards core public infrastructure requires re-examining the basic role of the government, exploring alternative delivery mechanisms, and identifying areas where public presence may be low in priority or even counter-productive. The power sector is one such service where public subsidies have been costly, the service is poor, with scope for alternative approaches, including targeted privatization and community-based rural power cooperatives.

The second priority for strengthening the investment climate is improving law and order, and in so doing reversing the perception of persistent law and order problems. Although official statistics may suggest otherwise, negative investor perceptions of law and order problems are real, particularly that of organized crime targeting professionals. This additional sense of risk appears to be a serious constraint to investment and greater entrepreneurship and deserves the highest political attention.

The second pillar: Strengthening delivery of social services

The need for improved access to services is particularly acute in rural communities, where the quality and availability of services is the weakest and development indicators are the worst. Improving social service delivery requires three core relationships: first, the relationship between policy makers and service recipients (in rural areas these are primarily poor people) to make policies responsive to people's needs; second, the relationship between policy makers and service providers to ensure high standards of quality; and third, between end clients and service providers, to strengthen accountability mechanisms which help ensure that social services are actually provided, well targeted, and responsive to community needs.

Strengthening of the policy maker-provider-client relationship rests on a coherent policy framework, synchronising a vision for service delivery with appropriate resource planning, program implementation guidelines, and adequate administrative

capacity and supervision. This report has argued that to improve this relationship and to strengthen the accountability of service providers to their clients, it is necessary to enhance community involvement in their design and implementation. A promising example in Bihar is the District Primary Education Program, through which community groups are organized (Village Education Committees) to gain community involvement and provide a feedback mechanism to service providers and policy makers (see Box 5.2).

Another approach that enhances social service delivery is to expand the role of local governments. Since the local elections in 2001, Bihar has initiated the process of decentralization and strengthened panchayati raj institutions (PRIs), including measures to selectively shift the authority over resources down to the PRI level. However, using the PRIs to strengthen service provision and develop greater accountability to the local community is a long-term process. It will depend on the clarity of the policy framework, access to information, and local capacity building. An important agenda in Bihar is to build PRI capacity, and strengthen accountability mechanisms, moving in tandem with the downward delegation of responsibilities.

There is also considerable evidence from Bihar that innovative partnerships for the delivery of social services can be highly effective and can complement or substitute public services, particularly where public delivery mechanisms are weak. The experience of the non-profit registered society Janani in franchising rural medical providers and supporting a network of qualified doctors through its Surya Clinics is a case in point (see Box 5.5). Another example is the highly successful effort in Muzaffarpur District between the district government, local communities, NGOs and thousands of volunteers, to implement the National Literacy Mission targeting adult literacy. Muzaffarpur has been recognized as the top performer in the country, demonstrating the potential for highly successful development outcomes in Bihar when communities, the government, and the incentive structure are aligned. Exploring additional avenues for such collaboration, for example building on Bihar's extensive network of women's SHGs, is one method to better leverage public resources for securing effective service delivery and empowering local communities.

In addition to the improving delivery of core social

services, programs that improve the income and nutritional levels of the poor are critical to poverty reduction. These are mainly financed through central schemes, but the Bihar experience suggests that a large share of the resources allocated is not released due to administrative constraints. Moreover, a high proportion of resources used are poorly targeted, failing to reach the intended beneficiaries (e.g. wage employment schemes and PDS/TPDS supplements). This sharply reduces their effectiveness and points to the critical need to revisit and strengthen administrative mechanisms. Bihar's administrative difficulties need restructuring action to achieve: the right skill mix, make it meritocratic, delegate decision-making authority down to the field, and establish an incentive system which rewards successful program implementation and allows scope for innovative partnerships and approaches to succeed.

Implementing the Two-Pillar Strategy

To underpin this development strategy efforts to reform public finance and public administration will be essential. Implementing this twin strategy of strengthening core social services and improving the investment climate, including greater investment in core infrastructure, will require resources. As the report documents, Bihar faces severe fiscal stress. Although efforts have been made to shore up revenue collection, the tax base is weak, the debt burden is large, and rising interest, salary, and pension payments are squeezing out much-needed productive expenditure. Indeed, these cost pressures are likely to worsen in the future as public liabilities mount. In the near term, finding the resources to support this growth strategy will require using Bihar's existing resources more efficiently. The scope for doing this appears considerable. There is evidence of significant waste in public spending due to mis-targeting of social program expenditures, underutilization of centrally allocated resources, with potential scope for reallocating staff and budgets across government departments to secure a better spending mix. Efforts to identify savings and improve expenditure targeting will require revisiting the expenditure management process, careful prioritizing, and instilling incentives in government for better resource management — promoting both cost savings and better resource mobilization from state and national sources.

Bihar's poor utilization of centrally allocated program resources is symptomatic of deeper problems

in expenditure management and public administration. Admittedly there are physical constraints due to the lack of computerization and seasonal work stoppages induced by the monsoon. However the main causes appear to be weaknesses in the system of public administration. Underutilization of project funds results from antiquated procedural systems and Bihar's own "Rules of Executive Business" which lead to serious procedural delays. These include excessive centralization of decision-making, absence of downward delegation of authority required for day-to-day project management; paralysis of decision-making apparently due to fear of perceived impropriety and an incentive structure that does not reward proactive management.

Bihar's large administrative reform agenda is fundamental to both efficient use of public resources and also for improving many dimensions of government performance, most importantly the quality and effectiveness of core public service delivery — both infrastructure services that underpin the first development pillar, and social services that underpin the second pillar. A prioritized and practical strategy for tackling this agenda is recommended here, stressing that its success requires ownership by the political leadership and bureaucracy. A starting point is the reform of Bihar's antiquated procedural rules, which impede the downward delegation of decision-making authority and disrupt the flow of funds. With the reform of rules, secretaries and senior field officers need to have their efforts focused on policy and program implementation, requiring greater departmental autonomy over budgets, promotions, scheme approvals, etc. Filling secretariat and technical head vacancies, transparent rules for vigilance inquiries, and better two-way communication between field and secretariat staff are also needed. Finally, improving management of the government's legal caseload, which has become an extraordinary burden on senior officials, is a further priority. It is recommended that a well-defined system for managing the government caseload be instituted, a review of court management and administration be aimed at prompt disposal of cases, and consideration be given to alternative dispute resolution mechanisms.

The Road Ahead

While this report has attempted to analyze some of Bihar's main development constraints and formu-

late some basic policy recommendations, the coverage is by no means complete. Clearly, the issues raised here require considerable discussion and debate, which would benefit greatly from wider government engagement, as also with people directly affected by public policies and services—including the business community, civic groups, and communities. As part of a broad initiative to strengthen the development dialogue and place development first, consideration could be given to launching this process through high-powered committees, combining expertise from elsewhere with local knowledge, and inviting public debate. Analytical and strategic efforts can be focused in five areas: (a) improving Bihar's investment climate; (b) public administration and procedural reform; (c) strengthening design and delivery of core social services; (d) budget management and

fiscal reform; and (e) priorities in public law and order. Government efforts to explore opportunities for financial and technical assistance from national and international donor agencies seem promising.

Finally, this report has attempted to highlight the many success stories from Bihar that are far less known than its problems. The successes provide ample evidence that under the right circumstances development efforts in Bihar can not only be highly effective, but can also provide lessons for India and abroad. The COMFED dairy cooperative, Muzaffarpur's National Literacy Campaign, or the Paliganj Participatory Irrigation Management experience are examples of excellence. The challenge facing Bihar today is to build on these successes, draw lessons from them, and use them to push Bihar's development forward. ■