

Best of Harvard in India

Series on Accountability and Governance

Transparency, Awareness, and Action –

Understanding the Landscape of Accountability in India

Round Table Proceedings

July 10, 2012



Harvard University South Asia Initiative Letter from the Director

August, 2012

The Harvard University South Asia Initiative (SAI), in collaboration with the Harvard Business School India Research Centre (HBS IRC), has created a “Best of Harvard in India” series of round tables on “Accountability and Governance.”

The first roundtable, titled “**Transparency, Awareness, and Action – Understanding the Landscape of Accountability in India,**” was held July 10, 2012 in New Delhi.

This event looked at accountability where citizens or civil society organizations participate directly or indirectly to exact transparency and responsibility from entities (World Bank, 2005). Evidence the world over suggests that accountability can contribute to improved governance and increased development, effectiveness through better social delivery, and empowerment. However, in post-independence India, accountability is considered by many to be under siege where members of both private and public spheres are unsure of the role they can play in improving accountability.

This event, chaired by myself, included: **Jay Desai**, Founder & Chief Executive Officer Universal Consulting India Pvt. Ltd, **Homi Khusrokhhan**, Senior Adviser, Private Equity, Tata Capital Ltd., and **S.Y. Quraishi**, Former Chief Election Commissioner of India.

The South Asia Initiative seeks to engage students and faculty through interdisciplinary programs that advance and deepen the teaching and research on global issues relevant to South Asia. We strive to create a reciprocal relationship between Harvard and the region. More information on SAI can be found at <http://southasiainitiative.harvard.edu/>.

The Harvard Business School India Research Center (HBS IRC) works to enhance intellectual capital creation by working with academics and business leaders in India. Its “Best of Harvard” (BHI) series provides a platform for dialogue between HBS faculty, alumni, executive education participants and Indian thought leaders from academia, government and businesses. The HBS IRC has hosted over 90 such events over the past three years; more information on the Center's activities can be found at <http://www.hbs.edu/global/research/southasia/center/>.

The document below provides an overview of the exciting discussions we had as part of this Round Table Discussion. Please join us as we continue the conversation with our upcoming round table discussions.

Tarun Khanna
Jorge Paulo Lemann Professor at the Harvard Business School
Director, South Asia Initiative

Transparency, Awareness, and Action – Understanding the Landscape of Accountability in India

Good governance can be defined as the institutional mechanisms and behavior of institutions in a country, as well as the sociopolitical patterns of behavior that are acceptable given the prevalent cultural norms.

Accountability is the heartbeat of good governance. The three pillars of any country – government, business and society – each play an important role in ensuring accountability in the system. While the role of the government may be set up by fiat, business and civil society have to strive to define the rules to ensure accountability within themselves and within the other pillars, including the government.

Accountability as a Social Construct

Jay P. Desai, summarizing some of the points from his latest book, *Accountability: Angst, Awareness, Action*, stressed the importance of accountability in driving good governance. Analysis of the macroeconomic indicators 100 countries suggests that per capita income declines with poor governance index. Under conditions of poor governance, some factions can try to get richer at the expense of others and under extreme circumstances, state capture of resources may happen.

Considering the correlation between good governance and the economic and social performance of a country, it is clear that India lags behind most of the world in these measures.

Accountability is the mechanism for holding institutions accountable for their actions, while the media, public, and society can be the agents that enable this accountability to be monitored. However, socio-cultural characteristics of a country can make extraction of accountability from officials challenging.

The four foundations of accountability are: (1) appropriate representation; (2) participatory conduct, or how involved citizens are between elections; (3) legitimate conduct, whether or not legislators display conduct befitting their positions; and (4) liability enforcement, or the ability to enforce punishment of those who refuse to maintain accountability or are corrupt.

There are three types of accountability: internal, horizontal, and external. Internal accountability refers to mechanisms within a system or organization. Horizontal accountability refers to a watchdog organization overseeing other departments and auditing its actions (the Central Bureau of Investigation, Central Vigilance Commission being prime examples in India). External accountability refers to groups (such as citizens, civil society and the media) holding the government accountable. It is in the latter form of accountability, Desai argued, where the hope for a better future lies.

Accountability is a hallmark of economic growth. That much is well-known. However, designing the proper structures and implementing mechanisms to promote accountability is an extremely challenging task.

The Virtuous Cycle of Governing Business

Homi Khusrokhhan drew on his private sector experiences as the Managing Director of Tata Chemicals, Tata Tea and Glaxo India. He described a recent survey conducted by one of the Big Four firms, which highlighted a gaping accountability deficit. Some 68% of respondents held that tighter regulation is called for, 71% said that penalties are too low, 21% felt that management override was the greatest contributor to failures in governance. He stressed the need to create long-term accountability, or accountability that does not wane when the tide of political and popular interest recedes.

To achieve this, he introduced a concept that he referred to as the Three Ps: persistence, process, and punishment. Sustained outcomes can only result from persistence and perseverance, especially after a crisis. He suggested a simple four-step process for managing change (i) creation of a wide-spread awareness of the need for change, (ii) involvement of people in the change being made (iii) multiple champions, and (iv) maintenance of credibility throughout the process. Punishment may involve exemplary penalties for defaulters. He underscored the importance of leadership in setting the right “tone at the top” for the entire organization: ethics and a code of conduct need to be mandated by the organization’s leadership. Khusrokhhan finally stressed the importance of transparency, saying that, “people who are capable of holding a mirror up to you (human barometers), are the most precious in any company.”

Creating the Gold Standard for Government Performance

Dr. S. Y. Quraishi, India’s former Chief Election Commissioner and a career government civil servant, offered his opinion that there are too many mechanisms designed to ensure accountability in India, which has had the effect of creating fear and inaction in the government. He cited the landmark Right to Information Act (2005) as one of the major contributors to this problem. The others include the Central Vigilance Commission, Central Bureau of Investigation, Media and even public activists.

Quraishi discussed his experience running Indian elections, reputed internationally to be among the world’s best-run electoral processes, with civil servants working in a transparent and accountable fashion. The Election Commission touches 750 million voters, a number greater than the combined population of the countries of Europe, North and South America. The Election Commission employs 11 million people, uses 1.4 million polling stations and delivers zero-error results. The Election Commission offers a rare example of excellent accountability within the Indian Government system. IAS officers from various departments join Commission employees to coordinate the world’s largest elections efficiently and without fraud.

The experience of the Election Commission offers an interesting example of how existing regulation may be sufficient and it is rather the leadership, practice and execution of activity that determines accountability.

The Question of Transparency

The quest for transparency is universal. The US is going through its own debates on campaign contributions, with multiple ideas around how to improve the system. The election process is expensive and the cost for candidates to campaign is increasing rapidly. Larry Lessig suggests the concept of a “Democracy Voucher” to manage campaign money.

Some progress is taking place in the Indian system, despite the fact that accountability remains a serious problem in the country and that progress is slow. For example, it has come to light that approximately 40% of members of parliament in India (MPs) have criminal charges pending against them. At the same time, there are several watchdog bodies within the government that seem wholly ineffective. Measures like the Right to Information Act and the filing of affidavits by electoral candidates have exposed corruption and wrongdoing in the system.

While the panelists spoke of the concern around excess transparency, which is causing officials to stall on decisions, there is still greater need for transparency from all fronts, both government and business. Civil society and the private sector must also be held accountable. Corruption and an absence of accountability plague these spheres. Civil society and the private sector must also be accountable to the greater society.

The need for transparency can sometimes force the onus of making the public delivery system work well upon individuals least capable of making those decisions. This is the paradox of participatory democracy.

The bureaucracy starts as a meritocracy, given the stringent selection system employed to select candidates. One of the participants suggested that after the selection process, this value system appears to be abolished. While there may be penalties for a bad decision, given increasing transparency, there is certainly no penalty for delays on decisions. The attendee argued that the growth of the country could be enhanced simply by inculcating a policy of zero tolerance on delays on decision making.

Professor Amartya Sen has argued that if the public sector enterprises do not stand for profits, then what should they stand for? One of the participants shared that this system of accountability to performance, and not process, is being created within the public sector enterprises and the government departments. However, accountable governance begins with accountable politicians.

Responding to the query of achieving government performance in a scenario where many matters require the approval of multiple ministries, the attendee cited the example of global corporations like General Electric, where decision making happens across geographies and industry sectors in highly matrixed organizations. Should the performance metrics include team targets, performance and coordination could improve.

Both politicians and bureaucrats contribute to the accountability deficit. Politicians, dictated by political expediencies, keep changing targets, making work difficult for bureaucrats. At the same time, bureaucrats often abuse privileges and suffer from inertia. Politicians are not interested in using instruments of accountability because they fight elections on promises of new programs and procedures, rather than on the delivery of tangible results. As one participant expressed, politicians should instead be accountable for results. Perhaps the Indian Constitution should be reformed such that if politicians don't deliver results, they are automatically penalized. This may incentivize better performance from elected officials.

Making the Case for a Strong Judiciary and Regulator

The role of the judiciary is a crucial one in enforcing accountability and governance. Several of the participants argued that severe delays within the justice system in India, pending litigations involving government officials or the police, create an environment where there are no measures to ensure accountability.

The role of the regulator is evolving. One of the participants suggested that there is a difference between what is legally wrong and what comes under question as a result of poor judgment or poor process.

Crafting Candid Solutions

Tarun Khanna, Jorge Paulo Lemann Professor at the Harvard Business School and Director of SAI led a discussion session on suggestions from the attendees about quick solutions. Some of the suggestions included:

Civil Society

1. External Accountability
 - a. More media campaigns such as the Tata Tea *Jaago Re* campaign
 - b. Business to provide pro bono legal and financial help for civil service organizations
 - c. Technical education and monetary support to civil society organizations
2. Internal Accountability
 - a. Businesses and organizations could create a platform for individual employees and young professionals or students to volunteer for civil society organizations

Business

1. Zero tolerance for financial misdoings, and appropriate and speedy punishments
2. Greater transparency needs for private sector
3. Mandate that campaign contributions are reflected on the balance sheet

Government

1. Judiciary
 - a. Empower judiciary to decrease the number of pending cases
 - b. Cases against government officials or police should have daily hearings

- c. Limit the number of appeals a case can have
 - d. Allocate greater budget, as percentage of GDP, to build capacity in the judiciary
2. Bureaucracy
- a. Ensure good people get rewarded
 - b. Create the right environment for discipline and competence
 - c. Encourage willingness to take business decisions, and accompanied risks
 - d. Link pay to performance, not process
 - e. Have zero tolerance for decision making delays
 - f. Identify and execute workable solutions to specific issues, which have already been suggested in the various reports of the government committees
3. Politics
- a. Identify 'winnability factors' to create a level playing field for good candidates
 - b. Decrease state funding for elections
 - c. Have two rounds in the election process, allowing only the best to go to the second round
 - d. Create a system which encourages "good people" to get into politics through internships for youngsters
 - e. Amend the constitution for political accountability

Key Questions

- How do changes like RTI influence accountability of the Indian government?
- How can civil society, the government, and the private sector act to hold each other accountable?
- Is there such a thing as too much accountability? Can regulations ensure and enforce accountability?
- Is accountability necessarily a top-down phenomenon? How much is the responsibility of bureaucrats, and how much is that of politicians and elected officials?
- How can good, moral people be incentivized to join professions like politics, to make the political system more accountable?

Attendees

Chair

Tarun Khanna, *Jorge Paulo Lemann Professor at the Harvard Business School and Director, South Asia Initiative*

Panelists

Jay Desai, *Founder & Chief Executive Officer Universal Consulting India Pvt. Ltd*

Homi Khusrokhhan, *Senior Adviser, Private Equity, Tata Capital Ltd*

S.Y Quraishi, *Former Chief Election Commissioner of India*

Attendees

Mallika Ahluwalia, *National Rural Development Corporation*

Meenakshi Arora, *Supreme Court Attorney*

Namrata Arora, *Associate Director, SAI India*

Nidhi Baid, *National Human Rights Commission (NHRC)*

Aditya Balasubramanian, *Harvard College Student*

Pramod Bhasin, *Genpact*

Krishan Chopra, *Harper Collins*

Amrita Chowdhury, *Associate Director, Harvard Business School Education Programs*

Srikant Datar, *Harvard Business School Faculty*

John Floretta, *Poverty Action Lab*

Shubhashis Gangopadhyay, *Shiv Nadar University and India Development Foundation*

Sunder Hemrajani, *Times Innovative Media*

Meena Hewett, *Associate Director, SAI*

Naina Lal Kidwai, *HSBC*

Rashid Kidwai, *Digital Partners*

Litcy Kurisinkal, *Harvard Kennedy School Student*

Rajiv Luthra, *Luthra & Luthra*

Udit Misra, *Forbes India*

Sudha Pillai, *IAS Officer, Planning Commission Member, PSU*

Anjali Raina, *Executive Director, Harvard Business School India Research Center*

Samir Sathe, *Universal Consulting Pvt. Ltd.*

Parth Shah, *Center for Civil Society*

Ankit Singhvi, *Sunborne Energy*

Shabnam Sinha, *World Bank*

Shyel Trehan, *Law Chambers India*

Parjapati Trivedi, *Government of India – Cabinet Secretary*

Sameer Walia, *The Smart Cube*