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BPR Vithal Memorial Lecture

Towards Strengthening India's Cooperative Federalism: Initiatives for Multi-level Governance Reforms

**Vijay Kelkar
Chairman,
13th Finance Commission**

**Centre for Economic and Social Studies
Hyderabad India**

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1. I want to thank Dr. Revathi, Director, Centre for Economic and Social Studies for giving me the honour to deliver the prestigious BPR Vithal Memorial Lecture. I also want to thank her for her understanding of my inability to deliver this lecture in person today and allowing me to speak to you via video conferencing and for this arrangement I seek indulgence by all of you assembled here.
2. I started my career in India with the two year 1970-71 when I joined as a faculty member of the Administrative Staff College of India. Dr. Balwant Reddy, my colleague and who later became the Principal of the College was a great friend of Shri BPR Vithal and he used to talk about him in very glowing terms. And that meant a lot as Dr. Reddy had extremely high standards for praising anybody. So, I became very eager to meet Shri Vithal. That happened in Delhi when I joined the Planning Commission. He was rather soft spoken but very persuasive about the policy actions required to meet the development challenges faced by Andhra Pradesh. I got however the real introduction to the genius and scholarship of Shri Vithal when I joined the Finance Commission. In my first meeting with Shri Sumit Bose, then the Secretary of the 13th Finance Commission, realised that my understanding of state level finances was not very strong. In this surmise, he was absolutely right as I had never served at any State Government. Sumit very diplomatically suggested that I should read the book by Shri Vithal on India's Finance Commissions and the debates of the constitution assembly where they deliberated the Articles 280 and 281 of the Constitution which relates to the creation of the Finance Commission. It was very wise advice as, in my view, these are almost like the foundational books for anyone who wants to understand India's model of fiscal federalism.

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3. India's adoption of co-operative federalism has kept our beloved country together and we should ensure that what our founding fathers gave us is further strengthened by taking into account the contemporary challenges that our economy and society face. It is in this spirit; I have chosen to speak today on "**Towards Strengthening India's Cooperative Federalism: Initiatives for Multi-level Governance Reforms**". It is my strongest possible hope that at least some of my thoughts would have resonated with Shri BPR Vithal whose memory we all commemorate today.
4. As my friend Sam Pitroda once remarked, 'in India one doesn't need to be a genius to point out problems'. There are indeed many challenges facing us in India. Today, I propose to mainly discuss two of them which are perhaps most important for the future of India. The two challenges have to do with the issues surrounding cooperative federalism and urban governance. I am very much hopeful that at least some of my thoughts are aligned with what BPR advocated in his various writings.
5. Historical evolution of federal nation states has broadly seen two types of federal arrangements. These have been 'coming together' and 'holding together'. Our constitutional founding fathers advisedly chose a union of States with centripetal bias as the arrangement. This was largely prompted by consideration of survival of a diverse and an under-developed, fledgling democracy as an integral unit and today precisely for the same reason, and I would argue that India must wholeheartedly continue with a cooperative federal structure. However, I would emphasise that given our complexities, India's cooperative federalism will always have an idiosyncratic character.
6. While at the dawn of independence all of India was quite undeveloped, the States (or different regions then) varied quite a bit in their attainment levels. Natural growth and development is a non-homothetic process and hence left to themselves the evolutionary paths of the States or the regions would undoubtedly have been hugely divergent. Given that unequal initial conditions would normally yield starkly divergent paths leading to unfair overall outcome. This would be unacceptable especially in a situation where the government of the day comes about as a result of universal suffrage and participatory democracy.

7. People sometimes talk of Competitive federalism as being a more natural construct; the argument being that, given that the different levels of government in a sense have overlapping geographical and other jurisdictions and they are competing for the same resources, there is bound to be scope only for competition rather than cooperation. In my view this is foolhardy, given our stage of development and the degree of inequalities that prevail, unadulterated competition will lead to a chaotic downhill race. Just a couple of statistics will bring home my point. One, that the ratio of per capita incomes between the best and the worst performing States is anywhere between 6:1 and 10:1; further that only 15 districts in the country account for 50% of India's GDP. Such harsh levels of inequality do not provide appropriate initial conditions for competitive forces to be unleashed. The Centre must provide some succour to the lagging States with a cooperation of the better off ones at least for some time to come. Thus, for me, the overarching frame has to be provided by Cooperative Federalism with some bespoke competitive federal elements being allowed in for some specific purpose and arenas.
8. This position is also strengthened by the political economy process that has unravelled in India. From a pretty much one-party rule in the early years, post-independence at the Centre and the States (sometimes termed as the period of Congress Raj) we moved on to a period of the emergence of Regional parties, leaders and agendas. Indeed, there was prominence of some of the regional leaders even on the national platform. Add to this a rise of ever changing and hence unstable coalitions and the preconditions for chaotic and messy progression dotted with assertive identity and partisan politics was complete. The attrition that is an inevitable accompaniment of this process is hardly suitable for all levels and arms of the State to pull in the same direction. This was detrimental to the development and progress of the Indian nation. This again, clearly spells the need for cooperative federal structure for India. This would bring in minimum credibility and trust in its wake and which is so very essential for growth and progress of India as a whole. However, our current approach towards cooperative federalism does not go deep enough in this age of rapid urbanisation and democratic decentralisation. And this means our

cooperative federalism model needs to be further strengthened by recognizing the multi-level governance structure that is envisaged in the 73rd and 74th Constitutional Amendments establishing self-governance in rural and urban areas.

9. Towards this, I will be arguing for a tri-cameral approach via democratic decentralisation and roping in the third tier. Such Decentralisation, read with the subsidiarity principle, will truly allow a multi-level play of consequence and help tackle the complex problems facing India. Now, decentralisation comprises delegation, decongestion and devolution. The first two mentioned are akin to agency transfers and mainly dictated by considerations of pragmatism and efficient management but the third aspect namely, that of devolution is rather more substantial. It is the very soul of the tenet of decentralisation and zeroes in on and completes the characterization of decentralisation as was thought of in letter and spirit when the 74th Constitutional Amendment. Unfortunately, the expectations have been belied with most States suffering from and allowing the legacy overhang to dominate. The local bodies are still considered as the creatures of the States as they once were, prior to the constitution amendment. Their validity as the legitimate, third tier of the government, is still not a reality and indeed is not recognized as such. Bringing in the third tier of government within the fold of the overall architecture of fiscal federalism may actually help secure a more solid relation between the three levels of government and allow for the prospect of cooperation between all three with all of them willing to accommodate others.

10. This will allow a multi-level perspective and play for thinking about India's federal structure. The reason why I prefer to use the word play rather than planning is because the connotation and concept of planning has undergone much change. The planning in its various forms had started looking more like a wish list with little regard to realism. It was seen as a response to the statutory requirement, frozen in time, without a rolling character and hence without a possibility of mid-course correction or tweaks. The conformity of ex-ante plan and ex-post outcomes was hardly a matter of concern. Indeed, it had started becoming more and more mechanical allocation exercise and sometimes mere physical land use planning without trying to operationalise the aspirations of the people which

is so essential for an effectively functioning participatory democracy. Minimalism, Strategic stance and realism (given the available) resource envelope along with autonomy of expenditure and other decisions would form the hallmark of the newfound meaning of multi-level planning.

11. All of the above will not happen by diktat, and the mind-set change will be crucial. Ironically, the current fractured polity may be much more willing to open a window for empowering the third tier of government. The States would be willing to accumulate extra autonomy residing below them and the union too would be responsive to three level governance as it will achieve more rapid pace of economic progress. Even so, it will call for a concerted effort in strengthening the organisational and institutional framework and also bringing in few newer organisations with innovative institutions. I will now turn to addressing these important initiatives.

12. **Finance Commissions:** All through the post-independence era in India, Finance Commissions (FCs) have put in a stellar performance. Not only have the FC awards been by and large accepted by the Central government, they have found a general acceptance amongst different stakeholders including the States. As perhaps the only constitutional authority that manages the flow of funds across all tiers of governments, the FCs have spectacularly helped in keeping all levels of governments reasonably satisfied through their formulaic dispensations. As they have grappled with the difficult issues of vertical and horizontal imbalances, they have been seen to be fair and a-party-political in their recommendations. Even their occasional administrative arm twisting of States to reform have been found to be politically convenient for the States. The FCs have also been proactively trying to quasi-devolve to the third tier as also encourage and enable the States to devolve lower. Though the latter effort has not been particularly successful. The singular performance of the FCs over the years to successfully and happily bring together all the levels of governments qualifies the FCs as one of the foremost pillars supporting and strengthening the architecture of cooperative federalism in India.

13. One reform needs to be added to the makeup of FCs. In order to model and forecast/ estimate increasingly complex processes, we need a Centre of Excellence. It would perform the role of what is variously termed as e.g., the **Fiscal Responsibility Council**, which is at arms-length from the government which could be government sponsored but without any statutory powers. My personal antipathy towards suggesting setting up newer organisations in the public sector with its accompanying paraphernalia and the vested interests leads me to desisting this recommendation. Instead I am suggesting an arrangement such as a group of leading Universities' policy research centres coordinated by an autonomous institution like NIPFP. These institutions' role will be to provide estimates that would operationalize fiscal rules, help the normative projections that FCs require and evaluate the slide path for debt burden of the States amongst other things. The fiscal council could be brought into being in appropriate form and later it could be refined to suit the new emerging challenges. It is essential to make a beginning so as to restore credibility between the various stakeholders so that its pronouncements are taken seriously.

14. **NITI Aayog** supplanted the Planning Commission. But in doing so it is moot whether we have thrown the proverbial baby with the bath water. The Planning Commission which had no real constitutional footing but was set up by a Cabinet note was sometimes seen to be punching above its weight, going beyond mandate. It was perceived to be conflicting with the line departments. Deemed as a hindrance and not of much use towards the end, by most, it's time to go, had come. However, in replacing it more thought could have gone into the mandate and the powers of its replacement. Rather, NITI was set up as a Think Tank which whilst important is not exactly a government's job. I have elsewhere argued that there is the issue of accelerating growth and infrastructure investment of the lagging States, a job that currently falls between the stools since neither the Finance Commission nor Finance Ministry could be doing. They already have extensive mandates. Finance Commissions were to minimally do the gap filling considering both the horizontal and vertical imbalances in developmental attainments. The Finance Ministry has to mainly look after the macro stability issues that are faced by a large open economy. To burden either of them with further goals such as equitably trying to assess and address the

underlying issue of infrastructural imbalances would not be tenable and would violate the Tinbergen Principle. NITI can be now positioned to play the role which would also satisfy the requirement of Tinbergen Principle. While NITI is doing a fine job of creating discussion and perspective papers, the fact of the matter is that it has no teeth to influence the state. Hence Providing it with a small percent of GDP (say 1-2%) as resources to dispense to the States and below and a sharply defined operational role (hinted above) will get the stakeholders to take serious note of NITI guidelines and pronouncements.

15. **GST:** After much procrastination GST Bill was passed unanimously by both the houses of Parliament, warming, as my friend Yogi Alagh would say, the cockles of my heart. I have variously characterised it as '*Lakh Dukhonki Ek Dawda*' or the '*Grand Bargain*', in its originally recommended form of a flawless GST. I would also recommend that these revenues be shared with the third tier of the government. Post GST the ULBs have been further disempowered since all the legitimate revenue handles have been subsumed under GST except for property tax. While this may not be the place to get into the critique of GST implementation. I will nevertheless make four following reform proposals.

16. One, let us put in place a way by which we are able to share the GST with the third tier. As we know, the local governments are weak and disempowered and so unable to fulfil the mandates. We will require a constitutional amendment firstly to create a consolidated fund at the local bodies level and secondly for in the makeup of GST which could be shared between the three parties involved. This is only fair since the GST is a consumption tax and the taxpayer must see direct benefits accruing for their payment. This will also boost the supply of governance and make available higher quality of local public goods and amenities. A related but important point is that given that our local bodies have 1/3 elected representatives as women and many are headed by women our suggestion assumes special importance. We need to consider only the effective and efficient financial management that our mothers and wives accomplish to rest our case. Also, many studies have shown the remarkable improvement in the prioritisation and outcome delivery since we have ensured the quota lends further gravitas to

our point. In a word, this 'walking the talk' will strengthen our Prime Minister's call for mobilising '*Nari Shakti*', in every nook and corner of our country.

17. The second suggestion has to do with putting together a strong and dedicated secretariat which will function independently. It is understandable that in the formative decade of the GST council, the union government provided its Revenue secretary as the head of the secretariat but sooner than later we must change the arrangement and remove any lingering doubt about bias in favour of the Union government's finance ministry. After all, like 'Caesar's wife' principle, neutrality and unbiasedness must not be only a feature of any arrangement, but also must be seen to be so.
18. Thirdly, a Centre of Excellence should be set up as an integral part of the GST council with a mandate for solving issues that arise in the deliberations of the council and or are referred to by any of the stakeholders. Clearly, the professionals in the Centre should be chosen with due diligence for their relevant knowledge and expertise. In any case, I believe that the GST Council is an unequivocal triumph and an important functioning montage reflecting the spirit of cooperative federalism in India.
19. Fourthly and most importantly, my suggestion has to do with the rate and structure of GST. I am aware of the complexities involved but the benefits accruing from a simple structure will be far greater than the costs. I have always held that low rate, no exemptions and single rate is the way to go, at least should be the aspirational goal. As an aside I may point out that given that GST is a major long-term reform the real and complete yield would be some time coming, after the initial gestation period. Somehow the discussion was distracted by the concept of Revenue Neutral Rate when the correct consideration if any ought to have been Budget Neutral Rate. In any case, even if we were to have a slight dip in the revenues in the initial years, which should have been considered as a necessary cost of long-term reform, knowing fully well that in the medium to long term, the gains would far outweigh the temporary downward blip. Structural reforms have the character of investment where the yield is much higher over time compared to the initial cost.

20. Third Tier of Government/ Democratic Decentralization: As I have already mentioned, decentralisation comprises delegation, decongestion and devolution. Whilst the first two are pragmatic or practical matters, the third encapsulates the real meat. Devolution read with subsidiarity principle inherently implies untied grants and expenditure autonomy. This was enshrined in letter and spirit in the 74th Constitutional Amendment. It is a matter of pity that despite the passage of nearly three decades after the passage of the 74th CAA, the actual and effective implementation is not forthcoming. The 74th CAA actually provided State Finance Commission (SFC) as an instrumentality to formulaically devolve funds to local bodies much as in the case of FCs. Most States have ignored the awards and incentives to make the States fall in line have come to a nought. It is my ardent hope that SFCs will soon get the respect quite like the FCs have enjoyed over their long history. The other important facet of 74th CAA was the 3Fs namely, functions, functionaries and finance must be clearly assigned so as to provide for funded mandates. The reality for whatever reasons has been quite different from this conceptual idea. The main villain of the piece being the lack of discretionary space with the states and the lack of capacity with the local bodies. Indeed, the treatment here has changed so much so that this program appears to be temporarily held in abeyance.

21. “Development imbalance” issues exist at the State level too due to the intra state / regional disparities. Hence, the State Finance Commissions and the State Planning Boards will also need to keep the above perspective. This means that the State Finance Commissions will also need to be strengthened in terms of their mandate, and their recommendations should receive acceptance similar to the Central Finance Commission. This can be achieved by amending (i) Article 266 of the Constitution to include a consolidated fund for Municipalities and Panchayats and (ii) Articles 243H and 243X to ensure that revenue allocated by the Central and State Finance Commissions to Municipalities and Panchayats do not form part of the consolidated fund of the State and instead the funds flow directly to the consolidated fund created at the local level. To deepen further our cooperative federalism would be the objective of “New Fiscal Federalism.” Towards this, it

is necessary to vigorously implement the 73rd and 74th Amendments. This will promote democratic decentralisation by empowering the Third Tier of our federalism, viz., elected local bodies. To give content to such empowerment involves transferring functions and functionaries from the Second Tier to the Third Tier and strengthening the fiscal base of the Third Tier. This is what is called as the “3-F” strategy for effective democratic decentralisation. India’s new fiscal federalism will have to make arrangements to provide the fiscal base and financial resources to the Third Tier Government. Towards empowering of the Third Tier, reformed NITI Aayog will also need to play an important role.

22. To provide the necessary fiscal base for the 3rd Tier, what must be done is to carry out a Constitutional Amendment. This amendment will enable both States and the Centre to share an equal percentage of their GST, i.e., of SGST and CGST with the 3rd Tier. This will provide a buoyant fiscal base to the 3rd Tier and more importantly align interests of the elected officials with their citizens as GST is essentially a consumption-based tax. Towards this, I would propose the following rates: A single GST rate of 12% with CGST and SGST of 6% each and both Centre and State would share 1/6th of this with the 3rd Tier. This would enable providing a fiscal base of not less than 1% of GDP to the 3rd Tier in a predictable manner. Given growing urbanisation and the increasing role of the cities in maintaining the country’s growth momentum, an adequate fiscal base for the cities can alone ensure the supply of required public goods such as urban mobility, solid waste management, public health, etc. Such a measure will also generate a considerable amount of fiscal resources with high buoyancy. For instance, this year alone it can generate more than rupees two lakh crores and grow by more than 10% every year. These large resources would be additional to the resources from the property taxes that will continue to be levied by the local bodies. There is, of course, need to reform the Property Tax System on the lines suggested by an earlier Finance Commission. Such strengthening of the fiscal base can give a major boost for greatly improving the urban infrastructure and strengthen our cities as a powerful engine of growth. With a predictable fiscal base, the well-run local governments can also raise additional resources via issuance of long-term bonds.

23. Such an approach for sharing taxes with the 3rd Tier has one additional important feature. The proposed sharing procedure is fully “incentive-compatible.” You would recall that what I am proposing is the sharing of the GST with the 3rd Tier. GST is a consumption tax and sharing this with the 3rd Tier will align the incentives for the “governed” as well as “governors” thus promoting efficient deployment of these resources. Cities with better local public goods would automatically increase the tax base of the cities as better public goods will promote growth of economic activities and the resident citizens’ incomes and consumption which, in turn, will provide high fiscal resources to the cities’ governments. Equally, every citizen will be contributing to the fiscal base as the GST is a consumption tax. Consequently, every citizen will demand high accountability of the governance. In other words, both demand for and supply of good governance will improve quality of life on a sustained basis. The effective “democratic decentralisation” means autonomy of the 3rd tier governments in terms of funds, functions, and functionaries. It is my belief that strengthening the fiscal base of the 3rd Tier through sharing of the GST, i.e., giving the greater autonomy for funds will incentivize the State Governments, i.e., the 2nd Tier of the Government to hand over the control of relevant functions and functionaries to the 3rd Tier and thus truly empowering the 3rd Tier. Hence, I have no doubt that the proposed constitutional arrangements for sharing of the GST with the 3rd Tier along with strengthening of the state finance commissions, will provide the Third Pillar of India’s new Fiscal Federalism in addition to the two Pillars, i.e., Finance Commission and the NITI Aayog 2.0. This will usher in the era of democratic decentralisation envisaged by the 73rd and 74th Amendments and provide new strength to India’s Cooperative Federalism.

24. Let me now turn to yet another Pillar of India’s new fiscal federalism, viz., the Constitutional Amendment that adopted the GST. I must say that the passage of the GST Constitutional Amendment with unanimity in the Parliament, the notification, the ratification by 17 States and the Presidential nod all of this must surely gladden the heart of every right-thinking citizen. This has demonstrated the Statesman-like ability of our political parties to

be bi-partisan and to come together when fundamental national interests are involved.

25. In effect, GST is a “grand bargain” with the Centre undertaking to implement a commonly agreed GST which would be done through a joint GST council. The Centre and the States from being good “fiscal neighbours” now will become equal fiscal partners in sharing a common indirect tax base. To enable a successful and a smoother implementation of GST, the Centre has also agreed to compensate the States for any loss of revenue for a period of five years. Ruefully, the current GST arrangement is rather a weak pillar, and more reforms are necessary to ensure that the GST becomes a firm and lasting Fourth pillar of our fiscal federalism Architecture.

26. These pillars outlined above have a play across the whole domain of Indian economy, society and polity. They have the power to bring the multi-level agents and agencies together, coordinating their play together reaping synergies and thereby helping the strengthening of cooperative federalism.

27. I will now pick up the thread of Urban Governance and management consequent to the 74th CAA. I must enter a caveat here. While the process of decentralisation refers to both the Urban Local Bodies (ULBs) and Panchayat Raj Institutions (PRIs), for the purposes of this talk I will focus only on the Urban Local Bodies. Apart from time and space constraints, I believe that PRIs are functioning fairly well including in terms of intrinsic functioning capacities. Thanks to the mind set and legacy overhang, PRIs are also reasonably well endowed (especially the lowest tier). While the future of India is decidedly Urban. Unfortunately, the 74th CAA was almost an afterthought (after the 73rd CAA) and did not go far enough. Urban was perhaps seen in policy circles as a necessary evil and that need not be cultivated. The capacity building required for specifically urban governance, planning and delivery were neglected. There were no specific HR policies to hire bureaucrats who have specialist calibre. The devolution via the SFCs has been negligible hence the ULBs are not empowered. This has resulted in poor delivery and chaotic management of our cities. As a consequence, our cities have become grossly suboptimal in terms

of provision of local public goods to the detriment of cities and indeed to the detriment of India's long term economic prospects.

28. Ever since the Central Government started taking particular interest in urban matters, the policies and schemes have catered to urban regions. This meant that the focus shifted from cities per se to urban regions, in a sector sense. This is so, although it must be recorded that the Government of India through its arms whether it was the Planning Commission or the Finance Commissions down the years. The latter tried to incentivize the empowerment of the city governments in several ways. Be it as it may, the fact is that the urban sector view of spaces and regions prevailed in the thinking and schemes oftentimes ignoring the city governments. The matter of capacity building within the city government was also somewhat side-lined, certainly moving away from the focus. The delivery of local public goods and more importantly infrastructure projects was more and more consultancy-driven which was in consonance with the practice of hiring RAs and interns from big four and other consultancy firms.

29. Given that our cities have been unable to perform their duties adequately and with efficiency we have come to a point where many of cities' problems cannot be solved within the municipal limits/ boundaries. Also, given the nature of urbanisation in India where the growth poles are concentrated in large/ mega cities and the smaller, medium and census towns have come up in reasonably close proximity to primate large cities, adoption of Metropolitan lens may be the way out. Metropolitan lens and governance are the order of the day. After all, five (5) metropolitan regions contribute about 10% of the national GDP. It is time to focus on trunk infrastructure that joins cities outwards into peripheral and close hinterland. This is not the job of cities who are for the most inward looking. Getting an architecture going for meaningful governance or at least coordination of local governments at the very least is required. The world unfortunately does not provide any clue about the best practice in this regard since several experiments of different types have succeeded and failed and the implications are far from clear. We are currently administering such regions via Development Authorities which are far removed from the participatory democratic model. Directly elected and empowered

executive mayors such as the New York or London Metro region could provide a clue, but there are several models to choose from. This becomes especially important since even the latest finance commission (15thFC) has used this construct for providing climate related grants. Incidentally while going forward climate is going to be a crucial factor and perhaps cities are not big enough, metro-regions may provide the right size and geography. This will further bolster and underline the need to adopt metropolitan lens going forward.

30. Let me now turn to some of the newer forms of organisational and institutional innovations that we will be called upon to develop and put in place as we prepare to face the challenges of the future (both near and far). I will only mention a couple of them illustratively.

31. Continuing with my urban thread, I believe that going forward the tremendous requirement of resources for our infrastructure needs cannot be serviced through the classical budget route through public resources. While some supportive infrastructure needs will have to be provided by the governments at various levels the real job will be to facilitate and enable the private sector to crowd in through PPP mode or direct investments. Policy framework will have to be welcoming of this and be incentive compatible. One important way going forward is via what is termed as **Land monetization or land value capture**. The use of Land Based Fiscal Tools will have to be prudently used. There is much experience about this in countries around the world. Indeed, we (Bimal Patel and Shirley Bellany from CEPT) have used a modified Town Planning Scheme (TPS) in Ahmedabad Urban Development Authority (AUDA) region which illustrates the huge potential for raising resources for Infrastructure needs. But this, albeit important, is only the tip of the iceberg. The real McCoy lies in focussing on our Public Lands and their suboptimal use or non-use. Such lands are held by Line departments, parastatals, different authorities of governments at various levels. Such lands need to be managed and the excess land need to be identified and then monetized. This can be done through learning from elsewhere in the world and setting up the suitable designed organisation on the lines of **Crown Lands Companies** of the commonwealth countries, especially given that constitutionally, land is a state subject. Given that no department

of the government is going to voluntarily admit to having excess land, such companies which are set up by the government but mimic private corporate companies in their behaviour and decision making will have crucial role in redeployment of lands aligned with the set-out objectives of the government.

32. In addition, there are some extant organisations and institutions that must be nurtured and strengthened. I will mention only a few such as the Parliament/ State Legislatures including upper houses/ National Development Council / Inter State Council and so on. Notwithstanding what we see in the media my personal experience teaches me that these are places of sensible and studied debates and argument. The work that goes on in the background in the empowered committees such as the select and standing committees has resulted in possibilities of refined and superior judgement and decision making reached in a spirit of bi/ multi partisan cooperation. Oftentimes, it has been noted to not only lead to better bills but ones that encapsulate national interest rather than the interest of a constituency, State or a Party. Strengthening the organisations and institutions mentioned above will create a space for political debate and discourse with positive effect on our goal of obtaining a truly functional cooperative federalism.

33. One such welcome step has been the setting up of the Inter State Water Award Commission as a permanent body. Here I recall the foundational work of another friend of BPR's and mine, viz., Prof. Y.K. Alagh's, whose pioneering contribution related to water management. I very much think of the setting up of the permanent body as the culmination of Yogi's continual hard work in this area. While the passage of the bill is a positive step, we need to see that it is populated with the right kind of human and other kinds of resources. It must not be toothless as in case of NITI and must be suitably empowered. Water is going to assume increasing imports domestically as well as globally and some even say that the next world war may well be fought over it. Water management is a specialised arena and has to be perceived and analysed from the reference point of basin and topography of the geographical regions. It does not necessarily honour the administrative inter and intra State boundaries. Disputes are bound to arise between

different States (and sometimes within State boundaries. The ad-hoc solution which was that of setting up of specific tribunals would never do. Also such a permanent body's mandate could go well beyond just dispute resolution and serve as a repository of water knowledge and data. It could also deal with issues of pricing of water optimally so as to create appropriate incentive structure. Such an empowered body which could be quasi-judicial in nature (like RERA) when seen to be perming in a fair principle-based manner would lead to transparency and hence acceptability across States. This along with the other points made in the other parts of my talk today surely lead to strong foundations of trust and credibility between governments as well as across broad polity helping in its wake the cause of cooperative federalism.

34. Friends, like my mentor and distinguished colleague of BPR, Dr Abid Hussain, I am a hopeless optimist. I hold that India will surely march onwards and attain its rightful place in the world. But it will not happen in a neat linear manner. We have opted for the valued path of participatory democracy and despite all the challenges we have forged a way forward albeit a somewhat messy one. Going forward there will be challenges and we will have to face them squarely. The one imperative that I have underlined is that of cooperative federalism. I have also provided a few organisations and institutions that must be strengthened and reformed that could be supportive of our goal of cooperative federalism. I have also hinted at some newer organisational and institutions that we must create.

35. I have suggested many things about the nature of organisational and institutional strengthening and reforms. Indeed, I may plead guilty of being somewhat more ambitious in making my suggestions. I fully understand that while some of the things can be relatively quickly achieved, some others will take longer time and angelic patience for the agenda to fully fructify. The time to begin at any rate was yesterday! In my defence I can only say that I think of India as a country whose time I truly believe has come and hence must not be deficient in aspirations and thus grievously fail our future generations.

36. In closing, I reiterate my hope, which I am sure BPR Vithal would have happily endorsed that India will not only *endure* but indeed *prevail*. Thank you once again, for inviting me and also thank you for your time and patience!
