

Proceedings Report

Ongoing Turnaround in Bihar - The Lessons for Nepal

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Speaker: Mr. Blair Glencorse, Institute for State Effectiveness

An outsider might notice the subtleties that insiders tend to overlook or take for granted. In the midst of pessimism and frustrations over the political deadlock and economic stagnancy, Blair Glencorse, who is associated with Institute for State Effectiveness (ISE), presented impetus for Nepalis to change their outlook and overcome the distrust in the government and the market.

During an event conducted as part of Nepal Economic Forum's (NEF) neftalk, Blair provided his analytical understanding of the transformation of Bihar, the lessons that Bihar's ongoing turnaround entails for Nepal and the avenues of mutual benefit that have unfolded. Nepal, today, is struggling with a multitude of challenges that Bihar faced until a few years back. Through a diagnostic study of the state of Bihar and the nation-state of Nepal, Blair put forward several recommendations for the future course of action for Nepal.

Explaining the transformation process of Bihar, Blair asserted that the success lies in the leadership, changing narratives, phased approach of governance and recognition of the feasibility and credibility of change. Under the leadership of the current Chief Minister of Bihar, Nitish Kumar, and his team of technocrats, he is spearheading positive change in Bihar by providing better prospects for everyone. "He is creating a larger pie that everyone can share," said Blair. In addition to this much of the success can be attributed to the changing perceptions. Though mismanagement and scandals still prevail in Bihar, the image of Bihar has revolutionized lately. The self-fulfilling prophecy that things are changing for the better, has succeeded in establishing trust in the government and improving the situation in Bihar.

The successful implementation of positive narratives is evident in the recognition of the feasibility and credibility of positive change. The recognition began with a prioritized approach which took off with the improvement of the security situation, development of service delivery and infrastructure programs and the development of governance of the state. Kumar's government improved security by hiring of ex-army men for police officers, introducing fast-track courts and taking stringent action against criminals. 50,000 criminals have been put behind bars since 2005. Blair remarked that the people, would not dare to leave their homes after nightfall due to security issues six years, but today they find the streets safe and are able to stay out late even in the midnight. The changing narratives have given positive momentum to the development of the state.

The government has also invested in priority service delivery sectors like health and education by developing programs that target specific groups. The state delivers free health service in the rural areas and spends 25% of the total state budget on education. The impact is evident in the declining rate of drop outs, particularly among girls, which dropped from 20% to 3% in the past six years.

The government has also introduced competition to eliminate the patronage system to improve governance. A phased approach has been undertaken to eliminate any room for corruption and improve efficiency by putting systems and processes in place such a single window policy and computerized operations. The government has implemented strategic model to manage public funds by relying heavily on internal revenue streams, reducing dependency from the Central Government or international aid and encouraging more of private investment. From a state known for its disfunctionality, Blair pointed that the Kumar's government has brought about gradual improvement creating a strong base of trust among the people. However, it still needs to resolve the land reform issue.

From the Bihar story, Blair followed his view on the lessons that are relevant for Nepal. He highlighted the need for people to heed small ongoing changes that can create the momentum for change in Nepal. Systems need to be consolidated and programs need to be created such that the entire population is benefitted rather than individual groups. In Bihar, the government is overcoming the long prevailed caste politics by creating such mechanisms and Nepal can draw from collective efforts that are in place in Bihar.

One of the challenges that Nepal faces is the inability to spend its resources constructively. In the fiscal year 2010/11, Nepal spent 39% of the budgeted capital expenditure in contrast to the 93% that Bihar spent. Nepal can learn from the well designed and catalytic programs that have been establishing the infrastructure that the state needs.

Likewise, Bihar's programmatic approach can be another area that Nepal can learn from. Rather than carrying out disparate projects based on patronage, Nepal needs to create programs that coordinate strategic and coherent projects for development. Nepal can also take into account the need to appreciate both the function and form of the government.

Blair also underlined the need to regulate the cooperatives that have been hailed as the third pillar of the state. The government needs to support to scale up these cooperatives. The State Dairy Federation in Bihar delineates an example where a cooperative has benefitted more than 450,000 members by creating market linkages.

Blair concluded his presentation by underscoring the several avenues that Nepal can benefit from. The 100 million people in Bihar form a lucrative market for Nepali goods and services. Blair recommends that Nepal create economic symbiosis with Bihar to exploit the emerging market. However, the rule of law needs to be improved before Nepal can reap the benefits of trade with Bihar. Nepal needs to work together with India to curb the unsavory behavior at border points. The two governments need to capture the prospects of mutual benefit in more coherent dialogue and through the collective efforts; they can solve energy and water management issues.

The talk was followed by an open floor discussion where the audience brought up relevant issues for discussion.

A member from the audience raised concerns over the impact of the ongoing transformation at the ground level, the role of public enterprises, and how the Bihar government addresses different problems of backward groups. Blair stated that the government is recognizing and addressing the problems by delegating more power and decision making authority to its local bodies, and working with the community level to foster change. Gender inclusion and empowerment has been addressed by holding 50% of the official seats for women and providing bicycles to girls to improve their school attendance which has revealed positive results. He also asserted that the ongoing state development is public sector led confronted by the challenge to encourage investment from the private sector to ensure sustainability.

A question on the common man's perception on the transformation of Bihar and the implication of this change on other Indian states and Terai of Nepal Blair retorted that there is optimism in the views of the people. The development activities brought about by the government have resulted in the apparent return of the local migrant workers creating labor shortages in several other states of the country.

To the inquiry on the ownership of the development of Bihar by the people, he responded that the government has made commendable efforts to strive for its achievement. The Bihar government has drafted and implemented the Right to Information Act and has introduced complaint hotline as part of its strategy to give the citizens a voice in the development process.

In response to the question on the type of industries in Bihar, Blair stated that most of the industries are agro processing industries but the government is trying to move up the value chain by focusing on value additions rather than limiting to supplying raw materials. It is also developing its tourism sector and Blair believes that tourism is a potential area for dialogue and collaboration between the two governments, Nepal and Bihar.

Responding to the issue of energy sources in the state of Bihar, Blair reported that Bihar depends on coal based thermal power from neighboring states and has failed to exploit the water in the Ganges but is looking for alternative energy. The energy sector is another avenue Nepal and Bihar can work for their mutual benefit. Small, micro-level hydropower projects might be the answer to the energy problems in both places.

An audience member inquired why Lallu Prasad Yadav failed as the Chief Minister of Bihar while excelling as the Railway Minister within the Federal Government. Glencorse carefully noted that Bihar had never been a functioning state even under the British rule and an economic system had been amiss. Lallu Prasad Yadav's caste politics further hindered the state.

In response to the inquiry on the environmental impact of economic growth in Bihar, Blair noted that environment has not yet been the primary focus of the state government but might become a prime concern if sold as an economic issue. Likewise, to the question on the human resources issue in Bihar, Blair notified the attempts were made to improve the human capital by investing in education to improve access as well as quality. The Bihar government is also trying to improve the health sector and has given more legitimacy to the local bodies.

Sujeev Shakya then wrapped up the discussion. He said that the Bihar growth story has been public sector led fraught with issues of sustainability and little role of the private sector. Thus, Nepal needs to discuss the role and follow a private sector led growth strategy for its development. In context to Bihar's deep caste politics which has resulted in the emergence of different classes within the castes groups, Nepal could face the challenge of managing its own pockets of Bihar in a federated model. The caste and class based issues will raise discussions on the ethnicity issue and the sub-identities that will play out in the federalism discourse will determine the future of Nepali politics.

Nepali politicians can also learn by taking up the effective communication strategy employed by Nitish Kumar by using professionals and ensuring that he has a mystic image around built around him rather than using the television screen as their only mirror. He also added that developing the Kathmandu-Patna corridor for transportation and energy can provide a new dimension to development by linking 30 million Nepalis to 100 million people from Bihar. Building fast track roads and train links connect both cities in just three hours! The energy hungry Bihar as a substitute to high consumption Delhi market would provide a new market for Nepal. Finally, he reiterated that the feasibility to change exists in Nepal too but the credibility of change is difficult as all parties including politicians, donors and private sector lack credibility. Therefore, this remains the single largest issue for Nepal.

Nepal Economic Forum is a non-profit organization dedicated to being the private sector interface to Nepal's economic development.