

The heavy price of bureaucratic red tapeism

The problem of delay in infrastructural projects can be tackled by entrusting to the implementing agencies the freedom of action needed for their jobs, says Uttam Gupta.

A premier construction company, Gammon India Limited, specialising in the field of building bridges, is reportedly contemplating closing its business in India. The company that has built the largest number of bridges, is currently working on only 10 as against 25 that it would have liked to build. It proposes to undertake still fewer contracts in the future with the ultimate aim of completely withdrawing from the scene.

In this context, Gammon has referred to the problem of substantial time and cost over-runs in project implementation which arise mainly on account of the delay in getting necessary approvals from the government agencies. During the course of project execution, as and when new problems crop up, the nod from these agencies is needed but it takes time.

But, why should that bother the company so long as it does not lose money on this account? The company's decision to quit,

however, is mainly on account of the damage to its credibility and track record as it gets identified with the delays and resultant cost over-runs.

Gammon episode is not an isolated event. It should serve to focus attention on numerous other projects in the infrastructural sector which get delayed on account of the indifferent and unhelpful attitude of the government agencies.

That the resultant cost escalations could be mind-boggling is amply demonstrated by what Gammon has to say in its specific context. According to it, the sole reason for the contract price for bridge construction increasing from only Rs 1000 per metre in 1961 to Rs 2.50 lakh presently, is the reason for delay and concomitant cost over-run.

Clearly, the escalations are on the government account which recovers these costs by raising the relevant charges from the users of the infrastructural services. Wherever this is not possible eg roads, bridges etc, there is a corresponding erosion in budgetary resources. Even in this situation, the common man ultimately bears the brunt as, in a bid to balance the budget, the government resorts to increasing the tax rates and other levies.

While, these are lesser known situations of work getting delayed due to the insensitivity of the bureaucrats to respond to the project needs, the government has virtually legitimised delays by providing for several mandatory approvals before work on the project could actually start. Major projects at the central level are implemented by the public sector undertakings (PSUs) who have vir-



tually no freedom to act. Any investment decision, irrespective of the size, must have the 'nod' of the concerned ministry under whose jurisdiction the undertaking falls.

For projects involving investment of Rs 50 crore or more, a series of approvals is needed ie pre-PIB in-principle clearance based on project feasibility report, PIB clearance on the basis of Detailed Project Report (DPR), approval by CCEA and, in some cases, even by CCPA. Needless to say, this is a time-consuming process

Invariably, the PSU has to borrow funds or tap the capital market by way of an equity issue. For this too, it has to seek government's permission which is bound to delay the

commencement of the project work even further.

The political bosses have a fancy for initiating too many projects at the same time. Needless to say, all these have to move through different layers of approval, leading to unavoidable delays and cost escalations. In respect of 374 central projects, there is a staggering cost over-run of Rs 43,000 crore.

In February 1994, the Prime Minister had constituted a cabinet sub-committee to examine the problems afflicting these projects. Based on this, the department of programme implementation has come up with a report giving the status of various projects. As for the line of action, the government has constituted another minis-

terial committee. Recently, in his address to the nation, Mr Atal Behari Vajpayee, the former Prime Minister, talked of setting up a high powered committee (HPC) to look into the problems of the delayed infrastructure project.

Far from helping matters, the committee system only tends to aggravate the delays. This is because once you have the committee, all eyes are set on it till the report comes. A basic question here is in what way the committee is different from the various approving/sanctioning authorities. While the objectives may be different, invariably, the members of both the former as well as the latter are drawn from the bureaucracy and the political bosses, who have little respect for time. When they can delay the approval of the projects in the first instance, how can you expect different results when it comes to looking for solutions?

The cabinet sub-committee, referred to above, has taken two years to finalise its recommendations and now, there is another ministerial committee on the job. In a somewhat different, though not entirely unrelated context, there is the group of ministers (GOM) whose mandate was to put the rehabilitation packages of the sick PSUs on a fast track for speedy implementation. The GOM has not succeeded in getting even a single package implemented.

The problem of delayed projects can be tackled only by entrusting to the implementing agencies the full powers and freedom of action needed for carrying out their jobs. For the PSUs, the government should ensure that the chief executive is fully empowered to take all

necessary decisions and made accountable only for the final results. Needless to say, this will require dismantling of all existing controls on the PSUs, and the government should take care of its interest only through its nominee directors on the board. Wherever the implementing agency is the government department, necessary powers should be delegated and decision-making decentralised.

Availability of funds is a major constraint. In view of this, and considering that the PSUs may not be able to fully fund all incomplete projects on their own, it may be worthwhile to hire some of these to the private sector and utilise the proceeds to augment the flow of resources. The undertakings may also consider entering into joint venture arrangements with the private companies, as that would help in garnering more resources and raising additional funds from the capital market.

Initiatives along these lines will also be consistent with the government's policy of involving the private sector in the development of the infrastructure. Hitherto, the private companies have so far shown interest in setting up new green field projects. There is no reason why we should not involve them in completing the incomplete projects in the state sector.

The success of these endeavours will be critically dependent on how soon the projects can be liberated from bureaucratic red tape. Comprehensive administrative reforms should ensure no further delay in the state sector projects, and should ensure that the private companies are not scared away from sharing the responsibility of the country's infrastructure.