

# **EABER WORKING PAPER SERIES**

PAPER No.29

## **INTER-LINKAGES BETWEEN DEVELOPMENT RESEARCH AND POLICY PLANNING – ANALYTICAL LESSONS FROM INDIAN EXPERIENCES IN THE POST REFORM PERIOD**

**ARVIND VIRMANI\* AND TARUN DASS\*\***

\*CHIEF ECONOMIC ADVISOR, GOVERNMENT OF INDIA, MINISTRY OF FINANCE AND \*\*STRATEGIC  
PLANNING EXPERT, ADB, CAPACITY BUILDING PROJECT ON GOVERNMENT REFORMS,  
MINISTRY OF FINANCE, GOVERNMENT OF MONGOLIA.

[TARUNDAS@NIC.FINANCE.IN](mailto:TARUNDAS@NIC.FINANCE.IN)

PAPER PREPARED FOR DISCUSSION AT THE  
*NCAER/EABER CONFERENCE ON THE MICROECONOMIC FOUNDATIONS OF ECONOMIC POLICY  
PERFORMANCE IN ASIA*  
NEW DELHI 3 – 4 APRIL 2008

EABER SECRETARIAT  
CRAWFORD SCHOOL OF ECONOMICS AND GOVERNMENT  
ANU COLLEGE OF ASIA AND THE PACIFIC  
THE AUSTRALIAN NATIONAL UNIVERSITY  
CANBERRA ACT 0200 AUSTRALIA

# **Inter-linkages between Development Research And Policy Planning- Analytical Lessons from Indian Experiences in the Post Reforms Period<sup>1</sup>**

---

**Dr. Arvind Virmani<sup>2</sup>  
And Dr. Tarun Das<sup>3</sup>**

**10 March 2008**

---

---

<sup>1</sup> Background paper prepared for a Workshop Session on “*Institutional Foundations of Economic Reform and Integration: Lessons from South Asia*”, organised jointly by the EABER (East Asia Bureau of Economic Research), Australia and the NCAER (National Council for Applied Economic Research), New Delhi on 3-4 April 2004 at Imperial Hotel, New Delhi.

<sup>2</sup> Presently working as Chief Economic Adviser to the Government of India, Ministry of Finance, New Delhi.

<sup>3</sup> Presently working as Strategic Planning Expert, ADB Capacity Building Project on Governance Reforms, Ministry of Finance, Government of Mongolia, Ulaanbaatar.

# **Inter-linkages between Development Research and Policy Planning- Analytical Lessons from Indian Experiences in the Post Reforms Period**

## **Table of Contents**

**Abstract**

**Acknowledgments**

### **1. Introduction**

- 1.1 Background of the study
- 1.2 Scope and objectives of the study
- 1.3 An outline of the paper

### **2. Research Methodology and Surveys**

- 2.1 BRP Research Methodology
- 2.2 BRP Survey Guidelines
- 2.3 Forward looking approach
- 2.4 Backward looking approach
- 2.5 Variables influencing research-policy interlinkages
  - 2.5.1 Context
  - 2.5.2 Evidence
  - 2.5.3 Intra Communications
  - 2.5.4 Links (bridging)
  - 2.5.5 External influences
- 2.6 Surveys and data collection

### **3. Systems and Institutions for Development Research**

- 3.1 Role of Development Research
- 3.2 Social science research in India
- 3.3 System of institutional arrangements
- 3.3 Quality and relevance of public and private research

### **4. Systems and Institutions for Policy Planning**

- 4.1 Systems and procedures for policy planning
- 4.2 Players in policy making and policy implementation
  - 4.2.1 Policy planning and formulation
  - 4.2.2 Institutions for policy implementation
- 4.3 Pivotal Role of the Ministry of Finance

### **5. Strengths and Weaknesses in Research-Policy Inter-linkages**

- 5.1 Communications within the policy makers
- 5.2 Networks among the research institutes
- 5.3 Interactions between policy makers and research institutes
- 5.4 Transparency, publicity and dissemination of research
- 5.5 Transparency and accountability of policy planning

### **6. Bridging Research and Policy in External Sector**

- 6.1 External sector reforms
- 6.2 Unique Characteristics of Reforms in India
- 6.3 Policy initiatives by the government
- 6.4 Mechanisms for bridging research and policy
  - 6.4.1 Committees and working groups
  - 6.4.2 Capacity building for external debt management
- 6.5 Forward looking: empirical study of Indian Journals
  - 6.5.1 Selection of articles
  - 6.5.2 Analysis of Journal articles
  - 6.5.3 Impact of research on policy
- 6.6 Backward looking: episode study on foreign exchange liberalization
- 6.7 Concluding remarks

## **7. Bridging Research and Policy in Privatization and Labor Reforms**

- 7.1 Political economy of labor reforms
- 7.2 Privatization policies and strategy
- 7.3 Labour laws and labour regulation
- 7.4 Research-policy linkages- forward looking approach
  - 7.4.1 Classification of research papers
  - 7.4.2 Impact of research on policy
- 7.5 Impact of labour reforms on poverty and employment
- 7.6 Role of trade unions
- 7.7 Concluding remarks

## **8. Bridging Research and Policy- Survey Results**

- 8.1 Synthesis of forward looking and backward looking approaches
- 8.2 Survey of eminent researchers and policy makers
  - 8.2.1 Characteristics of respondents
  - 8.2.2 General observations
- 8.3 Components of questionnaire and survey results
  - 8.3.1 Areas of research
  - 8.3.2 Motivation of research
  - 8.3.3 Responses to research by the policy makers
  - 8.3.4 Bureaucratic characteristics in policy implementation
  - 8.3.5 Factors influencing research
  - 8.3.6 Scope and process of reforms
  - 8.3.7 Predictability of reforms, reforms window and policy crisis
  - 8.3.8 Characteristics of policy makers
  - 8.3.9 Quantity and quality of government research
  - 8.3.10 Main barriers for research uptake in policy planning
  - 8.3.11 Important measures to enhance policy-research interlinkages
- 8.4 Concluding remarks

## **9. Analytical Lessons and Future Research Agenda**

- 9.1 Politics of Policy Planning
- 9.2 Bridging research and policy in external sector reforms
- 9.3 Bridging research and policy in privatization strategy and labour reforms

## 9.4 Measures to strengthen linkages between research and policy

9.4.1 Relevance and utility of research

9.4.2 Policy and research networks

9.4.3 Effectiveness of policy dialogues

9.4.4 Organizational and institutional set up

9.4.5 System of communications

9.5 Factors affecting research uptake

9.6 Future research agenda

9.7 Concluding observations

## **Selected references**

### **Annexes**

Annex-1: Questionnaire on BRP for researchers (and policy makers)

Annex-2: List of research institutes who participated in the survey

Annex-3: Synthesis of results of forward looking and backward looking approaches

### **Annex-4: About the Authors**

(a) Brief CV of Dr. Arvind Virmani

(b) Brief CV of Dr. Tarun Das

## **Inter-linkages between Development Research and Policy Planning- Analytical Lessons from Indian Experiences in the Post Reforms Period**

### **Abstract**

India is a success story of economic reforms. Because of its vast size, it also provides a good example of having a wide network of research institutes, and effective linkages between development research, policy planning and outcome. Country case study on India makes a critical appraisal of these linkages attempted since 1991 in external sector reforms (which were very comprehensive and successful), privatization strategy and policies (which were incomplete and partially successful) and labor markets reforms (which remained non-starter and unsuccessful).

Linkages between research-policy-implementation are very complex in a democratic set-up like India. The study supports the findings of other studies on BRP that the political institutional context is the most important factor determining the scope and extent of linkages among research, policy and implementation. Reforms in the external sector were most comprehensive and met lesser resistance from the political parties as the working class was not affected adversely by these policies.

On the other hand, progress of privatization and labor market reforms was slow and the scope was very limited due to political economy constraints. Despite various studies done in India indicating substantial benefits from liberalization of labor markets over a medium and long term, Indian labor laws still remain highly restrictive. Most of the research studies were ignored by the policy makers due to strong resistance from the trade unions and left parties who now support the coalition government at the centre.

Both researchers and policy makers agree that factors influencing successful uptake of research include significance and quality of research, good reputation of a research institute and its proximity to the government, qualifications and international experiences of policy makers, and involvement of all stakeholders from the early stages of research.

Another important lesson of the study is that most of the research is not policy oriented and many policies are not research based, while setting up working/ expert/ advisory groups serves as a key mechanism for bridging research and policy.

The study examines the strengths and weaknesses of interlinkages in terms of quality, relevance, extent of intra-communications, modes of links, dissemination and institutional arrangements, and recommends feasible measures for effective policy dialogue, efficient organizational and institutional set up and future policy agenda.

## **Inter-linkages between Development Research and Policy Planning- Analytical Lessons from Indian Experiences in the Post Reforms Period**

### **Acknowledgements**

The present paper is a modified and updated version of a Country Case Study on India prepared jointly by the authors for the Global Development Network (GDN) Project on “Bridging Research and Policy (BRP)” in 2004-2005. The BRP Project was jointly financed by the Global Development Network, Norwegian Agency for Development Cooperation and Japan Bank for International Cooperation. The Indian Case Study was assigned to the International Council for Research on International Economic Relations (ICRIER), New Delhi where the first author was the then Director and Chief Executive, and the second author worked as the Economic Adviser, Ministry of Finance, Government of India and as an External Consultant to ICRIER.

Authors would like to thank the BRP Project Advisory Committee comprising Eric Livny (Director, Economics Education and Research Consortium, Moscow, Russia), Julius Court (Research Fellow, Overseas Development Institute, London, U.K.) and Samba Ka (Director of Programs, African Capacity Building Foundation, Harere, Zimbabwe) and the participants of the GDN 2005 Annual Conference held at Dakar, Senegal during 24-28 January 2005, particularly the discussants Alfred Vanags (Director, Baltic International Centre for Economic Policy Studies, Riga, Latvia) and Brahim Mansouri (Professor, Faculty of Law and Economics, Cadi Ayyad University of Marrakesh) for providing constructive comments on the Indian case study.

The financial support from the EABER (East Asia Bureau of Economic Research), Australia and the NCAER (National Council for Applied Economic Research), India to prepare the present paper is gratefully acknowledged. We would like to thank Dr. Suman Bery, DG, NCAER for providing an opportunity to prepare this paper and specifying clearly the research agenda of the NCAER-EABER collaboration and the contours of issues for this paper.

However, the paper expresses the personal opinions of the authors and does not necessarily imply views of the GDN and other donors or the organisations they are associated with.

**Dr. Arvind Virmani<sup>4</sup>**  
**Dr. Tarun Das<sup>5</sup>**

**10 March 2008**

---

<sup>4</sup> Presently working as Chief Economic Adviser to the Government of India, Ministry of Finance, New Delhi. Brief CV is annexed.

<sup>5</sup> Presently working as Strategic Planning Expert, ADB Capacity Building Project on Governance Reforms, Ministry of Finance, Government of Mongolia, Ulaanbaatar. Brief CV is annexed.

## **Introduction**

### **1.1 Background of the study**

India provides a good example of having wide networks of research institutes and effective linkages between development research and policy planning. Reforms since 1991 have placed India on a higher growth path with lower inflation, higher employment and significant reduction of poverty. These achievements are attributable to effective policy planning supported by development research and continual interaction among policy makers and development researchers. This case study on India makes a critical appraisal of these linkages in 1990s in the Central Government with a focus on reforms in external sector (which were very comprehensive and successful), privatization (which were incomplete and partially successful) and labor markets (which remained non-starter and unsuccessful).

Linkages between research-policy-implementation are very complex in a democratic set-up like India. The Indian case study supports the findings of other studies by the Global Development Network on Bridging Research and Policy (BRP) that the political institutional context is the most important factor determining the scope and extent of linkages among research, policy and implementation. Reforms in the external sector were most comprehensive and met lesser political resistance as the working class was not affected adversely by policies that included liberalization of exchange control regime, foreign investment and technology transfer, removal of licenses and quantitative restrictions on external trade along with rationalization and reduction of import duties. All people in India including working class enjoyed benefits of globalization in terms of sustained high growth and employment, lower poverty ratio, lower inflation and better quality of goods and services.

On the other hand, progress of privatization and labor market reforms was slow and their scope was very limited due to political economy constraints. Despite various studies done in India indicating substantial benefits from liberalization of labor markets over a medium and long term, Indian labor laws still remain highly restrictive. Most of these studies were ignored by the government due to strong resistance from the trade unions and left parties who, for ideological reasons, did not allow majority equity holding by foreign investors in insurance, retail trade and natural resource based sectors such as mining and plantations.

### **1.2 Scope and Objectives of the study**

The study examines the strengths and weaknesses of interlinkages in terms of quality, relevance, communications, dissemination and institutional arrangements, and recommends feasible measures for effective policy dialogue, efficient organizational and institutional set up and future policy agenda.

Key questions addressed by the study include the following:



- (a) To what extent has development research helped policy planning in India?
- (b) What feedback was received by the institutes from the government for improving the scope and relevance of research and enhancing their research capabilities?
- (c) How can we improve the systems and institutional arrangements for bridging research and policy in India?
- (d) Does public and private research complement or substitute each other?
- (e) Have the interlinkages among government departments and research institutions helped government policy advisers to provide better policy advice, improved quality of economic statistics and generated public awareness for the need of economic reforms?
- (f) What is the present system of public funding of private research? Has it in any way affected adversely the autonomy of the private research institutions?
- (g) Have the private sources of funding been influenced by the ongoing reforms and liberalization policies of the government?
- (h) What are the broad strengths and weaknesses of the present system of interlinkages of research and policy, and how can we improve the system?
- (i) How can we encourage policy-oriented research and research-oriented policies?

### **1.3 An Outline of the Paper**

The paper consists of nine chapters. Following this brief introduction on background, scope and objectives Chapter 2 deals with methodology of the study. Chapter 3 gives an overview of scope and systems for social science research in India. Chapter 4 deals with procedures, systems and institutes for policy planning in India. Chapter 5 examines the strengths and weaknesses of the inter-linkages between development research and policy planning. Chapter 6 analyses the interlinkages between research and policy for the external sector. Chapter 7 deals with interlinkages between research and policy for privatization strategy and labour market reforms. Chapter 8 analyses main observations from surveys of distinguished researchers and policy makers. Chapter 9 draws main conclusions and recommendations on effectiveness of policy dialogue, and strengthening the organisational and institutional set up. It summarizes the analytical lessons from the Indian case study and identifies future research agenda and action points by the research institutes, government policy makers and international donors. The Report ends with selected references.

## **2**

### **Research Methodology and Surveys**

#### **2.1 BRP Research Methodology**

The study falls under the broad BRP framework for investigating interlinkages between development research and policy planning. The methodology adopted consists of both forward-looking (tracking the path from research to policy) and backward looking (tracing back from policy to research) approaches on the basis of surveys and interviews of most visible research institutes in India and distinguished policy makers in the central government ministries.

The forward-looking approach focuses on individual pieces of research and examines whether research has had any influence or material impact on policymaking. More specifically, recommendations made by researchers and the linkages from research to policy planning are examined to understand why in some cases these recommendations were accepted by the government and why in other cases these were rejected. Specific case studies of the forward-looking approach in this paper include (a) external sector reforms and (b) reforms in labour markets. Backward looking approach for the labour markets include unsuccessful attempts by the government to amend the Industrial Disputes Act (IDA).

The backward-looking approach starts with a major policy change and tries to identify researches that led to the policy change or to examine the feedbacks of policies on research i.e. whether the policy change induced new fields of research. A detailed episode study in this paper relates to exchange rate liberalization, one of the most successful reforms in India. Other examples, where backward looking approach is adopted, include partial convertibility of rupee on capital account.

Sincere efforts had been made to collect relevant data and information from the relevant research institutes and government departments and the response rate was high. However, given the usual complexities relating to such socio-economic and political issues, analysis is mainly qualitative and based on subjective value judgments of the respondents and researchers. Therefore, conclusions may be subject to high sampling and non-sampling errors, which were also observed to be true for other BRP case studies in Asia, Africa, Latin America and the Eastern Europe.

## 2.2 BRP Survey Guidelines

### (a) First question is: what is policy and what is research?

**Policy** is defined as a “purposive course of action followed by an actor or set of actors” with a focus on public policy with the understanding that public policy is not restricted to government. International organisations, bilateral agencies and NGOs also all have policies. What makes policies public is not that they are adopted and implemented by the government, but also that they affect the public or are visible to the public. **Research** is defined as “any systematic effort to increase the stock of knowledge”. This includes any critical review, investigation, evaluation, theory building, data collection and analysis related to development policies and practices.

### (b) The second question is: what do we mean by bridging?

The use of the very terminology “bridging research and policy” implies the presence of a gap to be bridged. Livny, Mehendale and Vanags (2006) have identified the following types of gaps between research and policy:

- (i) **Supply failure or gap-** this kind of gap exists when inadequate, incomplete or poor quality research is available for the policy makers. Corresponding interventions require treating research as a public good and promoting quality research.

- (ii) **Information/ communication failure or gap-** this type of gap arises when relevant research exists but policy makers or researchers are not fully aware of the possibilities it may yield. According to Stone et al (2001), this happens when there is a lack of access to research or ignorance of research by the policy makers due to knowledge and generation gaps, poor policy comprehension by the researchers or ineffective communications between research and policy. Corresponding interventions require building trusts and improving communications.
- (iii) **Demand failure or gap-** This kind of gap emerges when policy makers, although aware of research, are unwilling or dismissive or unresponsive or unable of using research. Either the policy makers do not know how to use it or they have no incentives to formulate specific policies. Corresponding interventions require capacity building for the bureaucrats through effective working groups, formal or informal meetings or governance and civil service reforms.
- (iv) **Governance failure or gap-** this type of gap exists when the provision or utilization of research or both are manipulated by a few powerful and vested interest groups in the society (such as trade unions, industrial lobbies, regional groups, power politics etc.). Policy makers are captured by these vested interest groups and make selective use of research or even distort it for their purpose. This may create a great wall of distrust among the researchers and policy makers. Corresponding interventions require creating and strengthening a politically neutral professional bureaucracy and mobilizing media and civil society organisations.

### 2.3 Forward looking Approach

There are two alternative approaches to assess the impact of research on policy. One approach is to focus on individual pieces of research and to examine whether the research has had any impact on policymaking. This is called “forward-looking approach”. The other approach, which starts with a policy change and tries to trace the factors and researches that led to the policy change, is called a “backward-looking approach”.

Forward-looking approach tries to answer the following questions:

Q.1. Did a piece or body of research contribute to a change in policy? If yes, what are those relevant policies?

Q.2. For each policy, what was the extent of impact i.e. whether partially implemented or implemented only in certain areas and sectors?

Q.3. What was the speed of policy change (i.e. time lag between research and policy planning and that between policy formulation and implementation)?

Answers to all these questions can be graded as insignificant (less than 25%), marginal (between 26 to 50%), significant (between 51 to 75%) and great (above 75%). In addition to this subjective evaluation of impact, some objective indicators of research-policy interaction can also be examined as proof of impact. These factors include the following:

- (a) Research cited in official documents or background materials or policy brief.
- (b) Expert on the issue invited to express opinion on a policy document.
- (c) Expert on the issue invited to testify before a committee
- (d) Expert on the issue commissioned to do research or develop policy paper.

- (e) Expert on the issue included as a member in a task force.
- (f) Expert on the issue appointed as a consultant to the government.
- (g) Expert on the issue hired to conduct training for government officials.

In BRP workshop held in Delhi in January 2004, it was concluded that it is inherently difficult to track impact over long time horizons and gradually unfolding policy processes. The measurement of impact at any given time provides only a snapshot of an ever changing reality. So, the specific time horizon chosen for the research-policy interaction need to be documented and, to the extent possible, explained.

## **2.4 Backward-looking approach**

When analyzing the origin of a policy change (e.g. an amendment in the Indian Constitution), the main challenge is to identify the factors that contributed to this change, some of which may have been relevant research studies. The following questions, in general, need to be answered in a backward-looking approach:

- Q1. What were the factors contributing to the change in policy?
- Q2. If research seems to have contributed – what was the research? List relevant pieces (or bodies) of research.
- Q3. For each piece of research: What were the type and the extent of impact (full or partial endorsement of issues, priorities and approaches suggested by research)?

As indicated earlier, degree of impact could be graded as insignificant (less than 25%), marginal (between 26 to 50%), significant (between 51 to 75%) and great (above 75%).

## **2.5 Explanatory variables influencing research-policy inter-linkages**

As in the case of any research, it is useful to start with a generic taxonomy when specifying research hypotheses and designing research tools (questionnaires, interview guides, etc.). Variables influencing research-policy linkages can be grouped in five categories viz. context, evidence, communications, links and external influences.

### **2.5.1 Context- it encompasses political, economic and social context.**

**(a) Political Context** covers five sets of issues as indicated below:

- (i) The macro political context – freedoms, accountability and contestation.
- (ii) The micro political context – structure of the specific policy process, relations among key stakeholders.
- (iii) Policy implementation and practice – incentives within the bureaucracy, its transparency and openness
- (iv) How policymakers think – rationality, interests
- (v) Decisive moments in the policy process – type of process and policy windows.

**(b) Economic and Social Context** deals with the following aspects:

- (i) Level of economic development as measured by GDP per capita (or other measures)
- (ii) Level of human development (education, health)
- (iii) Level of income and assets inequality.

- (iv) Level of business concentration
- (v) Type of market structure
- (vi) Regional disparities, ethnic diversity, degree of urbanization, social mobility/rigidity,
- (vii) Shares of employment in specific sectors,
- (viii) Degree of economic openness (e.g. volume of trade).

### 2.5.2 Evidence (research and communication)

The basic question is what characteristics of research and communication tend to lead to influence or impact on policy? In particular, the following factors need to be assessed:

- (a) *Quantity of research*: Was it a single paper or a whole body of research?
- (b) *Quality of research*: Was there rigorous data analysis? Was there use of evidence of international best practices or general practices?
- (c) *Relevance of research*: Was the research Timely, Topical or Operational?
- (d) *Problem orientation (political and societal)*: Basic questions are: Did it identify a problem? Did it provide a solution to an existing issue or problem?
- (e) *Contribution of research*- Basic questions are: Was it new? Did it make a review of previous findings? Did it fill a gap in the existing knowledge? Was there any value addition in terms of knowledge, policy issues, new evidence etc.?
- (f) *Type of research*: Types can be categorized as Basic or Theoretical or Fundamental research, Review of literature, Policy studies, Operational Research or Evaluations.
- (g) *Dominant approach or methodology*: Methodology can be categorized as Quantitative, Qualitative, Theoretical, Analytical etc.
- (h) *Contestation of evidence*- Basic questions are: Are the findings controversial? Are the conclusions and policy prescriptions corroborated by international best practices or general experiences?

### 2.5.3. Communications

The basic questions are – Are research findings communicated to the research community, to the policy makers and general public? In what ways? What seems to have a policy impact in different contexts? The following issues need to be assessed critically:

- (i) Clear communications and influencing strategy
- (ii) Extent of advocacy efforts (e.g. expenditure and labour involved)
- (iii) Quantity (number of interactions, publications, meetings, etc.)
- (iv) Quality (packaging, presentation)
- (v) Channels (paper, internet, media, personal, conference, roundtable, training, etc.)
- (vi) Nature (formal versus informal)
- (vii) Interactive (unidirectional or two way)

### 2.5.4 Links (“bridging”)

While we typically find significant information flows within the policy groups and research networks, these two networks are often poorly connected. A lack of proper communication channels is a major drag on research-policy linkages. The basic purpose of the Bridging Research and Policy project was to understand what mechanisms can help bridge this communication gap in different contexts and policy areas. Project holders were directed to assess the role and effectiveness of the following factors:

- (i) Individual incentives (to communicate, to learn)
- (ii) Institutional incentives (for research and policymaking institutions, and intermediary organizations)
- (iii) Mechanisms: meetings, media, networks, NGOs, working groups, advocacy, workshops, courses, textbooks
- (iv) Involvement of intermediaries (“connectors”)
- (v) Extent and nature of interactions: open versus closed; formal versus informal
- (vi) Legitimacy and trust
- (vii) Mobility between research and policy arenas
- (viii) Nature of engagement: (i) independence, (ii) mix, (iii) cooption (inside versus outside)
- (ix) Social constructs between researchers and policy makers and the social embeddedness of research.
- (x) Funding arrangements of research

### **2.5.5 External Influences**

The following external influences were also examined while assessing the research-policy interlinkages:

- (i) Commitments to international agreements such as General Agreement on Trade and Services (GATS) of WTO or the Agreement on Environment or the UN Millennium Development Goals (MDGs) etc.
- (ii) Conditionalities (reduction of fiscal deficit, capital account convertibility, human rights, protection of environment, abolition of child labour etc.) imposed by the international funding agencies,
- (iii) Impact of globalization, democratization, regionalization, technology transfer etc.
- (iv) Which general donor policies matter? (e.g. democracy, performance-based management, Poverty Reduction Strategy Papers)
- (v) What is the impact of donor funding policies (e.g., capacity building, participation of all stakeholders in the development process, incentives to produce timely and relevant research, incentives to incorporate local knowledge, involvement of foreign expertise)?

### **2.6 Surveys and data collection**

The basic data and information on the explanatory variables (viz. the context, evidence, communications, links and external influence) have been collected on the basis of desk studies and detailed surveys and interviews. Desk study involved reviewing articles on the external sectors, privatisation and labour reforms published in major Indian journals, the working papers of selected research institutes and discussion and background papers circulated by the selected government departments in the post reforms period.

Surveys involved circulating questionnaires and getting views from the researchers and policy makers. For this purpose a detailed questionnaire (placed at **Annex-1**) was prepared for distinguished researchers and policy advisers in the government.

Questionnaire design, although simple, covers important research domains and relevant questions and variables as discussed in sections 2.1 to 2.4 on the BRP methodology. We tried our best to analyze surveyed data and information in the context of broad objectives of the BRP study. But, as mentioned earlier, advanced statistical techniques, as expected at the launching of the BRP project, could not be applied due to lack of relevant information. However, we have attempted to triangulate by collecting data from a variety of sources and conducted special interviews with distinguished researchers, knowledgeable policy makers and well informed journalists on wide range of issue.

Surveys addressed to the researchers tried to answer a set of questions, particularly the following:

(1) What was the basic motivation of research? Was it the basic expertise in the area or political/ ideological interest or requirements of by the government and funding organization?

(2) What is their knowledge about the responses by the policy makers? Their views were solicited on the following aspects:

- (a) Policymaker's demand- did policy makers actively seek solutions to problems?
- (b) Policymakers' consensus- Was there general agreement by all policy makers?
- (c) Climate of rationality- Did ideology or rhetoric dominate policy suggestion?
- (d) Openness in decision making- Did policymakers consult all stakeholders?
- (e) Consultation- Did policymakers consult the researcher at any point of time?
- (f) Transparency- Was there transparency in the decision making process?
- (g) Accountability- Was there accountability of bureaucrats for decision-making?
- (h) Flexibility- Was there flexibility in the Departments for implementation of policies?

(3) What is the researcher's grade (low, medium, high) of the following bureaucratic characteristics in policy planning and implementation in the major area of their research?

- (a) Bureaucratic corruption- using public resources for vested interests
- (b) Bureaucratic power- to gain power by policy decision
- (c) Bureaucratic fear of loosing power by policy decision
- (d) Bureaucratic incentives that encouraged to use research
- (e) Bureaucrat's capacity to understand research

(4) To what degree, do the following factors influence policies in the field of their research?

- (a) General public interest
- (b) Interest of the civil servants
- (c) Interest of the business groups
- (d) Interest of the politicians
- (e) Interest of the trade unions
- (f) Interest of the urban people
- (g) Interest of the rural sector
- (h) Interest of the poor and weaker sections of society

(5) How would they describe the reforms process in their major area of research?

- (a) Routine- policy makers focus on adopting existing policies to emerging conditions with little discussion of relevance or without examining new circumstances.
- (b) Incremental- policymakers make small changes or adjustments at the margin for selected policies without wholesale re-thinking of current approach.

- (c) Fundamental- policymakers rethink the general approaches to a policy domain as a result of crisis, new minister, change of government etc.
- (d) Revolutionary- policymakers make a drastic policy change due to appointment of new government with different political agenda and ideology.
- (e) Emergent- a new policy niche characterized by a lack of clear policy vision and limited policymaking capacity.

(6) Can they predict the future policy changes in their major area of research? If yes, with what degree of reliability?

(7) At present, is there a policy window in their major area of research? In other words, are there ongoing discussions in the government and dialogues with local researchers?

(8) To what extent is there a sense of policy crisis in their major field of research?

(9) What is the researcher's grade (low, medium, high) of the following bureaucratic characteristics for policy planning in their major field of research?

- (a) To what extent are the policymakers qualified?
- (b) To what extent are the policymakers experienced?
- (c) To what extent are they open to new evidence?
- (d) To what extent are they guided by moral and ethical values?
- (e) To what extent are they guided by ideology and personal interests?
- (f) To what extent are they guided by political bosses?

(10) Is there any in-house research in the government department? If yes, what is their assessment of the quality of government research?

(11) What are the main barriers to use research in policy?

- (a) Govt's failures- systematic problems
- (b) Policy process is not transparent
- (c) Socio-political constraints
- (d) Contestation, vested interests
- (e) Institutional constraints
- (f) Research failures- evidence not convincing
- (g) Legal/ constitutional problems
- (h) Bureaucrats do not like (or need) research
- (i) Bureaucrat's inability to understand research
- (j) Fear of bureaucrats to lose power

(12) What are the most important measures to enhance policy-research interlinkages?

- (a) To set up independent research institute and provide annual grants to it
- (b) To organize workshops/ seminars with all stakeholders
- (c) To set up Working Groups with both researchers and policy makers
- (d) Government policy makers requesting regular briefings from the research community
- (e) Govt officers routinely attending academic seminars organized by research community
- (f) Government commissioning research projects to the researchers and research institutes
- (g) Govt. allowing private researchers to join govt. as Advisers/ Consultants
- (h) Government allowing its officers to join research institutes on deputation



- (i) Government allowing government officers to join research institutes on study leave
- (j) Government officers to go on refreshers courses
- (k) Govt. and other donors should provide more funds to the independent research institutes

(13) Researchers were also requested to answer the following general questions:

- (a) Do researches influence policy in a unidirectional way (the linear model) or there is feedback on each other?
- (b) Is there a clear divide between researchers and policy advisers (the two communities model) or they supplement and complement each other?
- (c) Does there exist a positivistic model in the sense that the research is confined only to the positive effects of policies?
- (d) How can research be transported effectively for policy planning?
- (e) How can research change the mindset of the bureaucrats, trade unions, politicians and other stakeholders?
- (f) Is there strong correlation between educational background and international exposure of policy makers and uptake of research?
- (g) How can research help in building up knowledge and public awareness?

These questions with suitable modifications were also addressed to the policy makers and bureaucrats. The target groups addressed in the study included selected government ministries and research institutions. Government ministries included the Ministries of Finance, Industry and Commerce, Labour and Employment and the Planning Commission. Senior advisers and policy makers in these departments were interviewed and requested to respond to the questionnaire on bridging research and policy planning.

Selected research institutes included the major institutes (indicated in **Annex-2**), which not only have strong interlinkages with the government departments but also receive project or recurring grants from the government and multilateral funding agencies such as the World Bank, Asian Development Bank, UNDP, USAID and others. In addition to the research institutes, surveys were conducted with the research departments of the major trade and industry associations (such as CII, FICCI, ASHOCHAM, PHDCCI etc.) who have close interactions with the government and are represented in various Committees or Expert Groups appointed by the Government.

# 3

## **Systems and Institutions for Development Research in India**

### **3.1 Role of Development research**

India is a successful example of economic reforms and effective linkages between policy and research. Government policy planning in India has long been facilitated by sound socio-economic research undertaken in the country. Policy oriented research with its tremendous social and economic implications, particularly for improving social welfare, has filled gaps in economic policymaking.

Despite serious challenges in the face of liberalization and globalization and political constraints in the context of democratic set up, the relative success of India's reform programme, especially since 1991, is a witness to India having achieved a two-way relationship between research and policy.

India's success story in terms of economic performance and structural reforms started only in 1991. But, its richness in terms of quality and standard of research, especially as compared to other developing countries, has been acknowledged by the global research community. Public-private participation in development of social and physical infrastructure has led to a phenomenal increase in the demand for information and analysis of various aspects of the economy for policy planning. This in turn has led to a rapid expansion of research organizations and institutions outside the government resulting in independence for collection and interpretation of data from various sources. From the point of view of public policy planning, there has been a tremendous development of diverse and often conflicting sectoral and regional interests and ideologies (Vaidyanathan, 2001).

### **3.2 Social Science Research in India**

In 1969, the Indian Council of Social Science Research (ICSSR) was established to encourage the development of autonomous research capacity in the country through institutes that were free to pursue their own research agenda, publish their own findings and engage in public discussions and debate on economic planning and development. Clearly, research in India, which was earlier almost entirely confined to universities, has undergone a dramatic change in the last 50 years.

India has witnessed phenomenal growth in the number of higher educational and research institutes during past five decades. It has a wide range and network of economic research institutions with effective linkages with policy makers. These institutes range from nodal agencies and departments within the government to government funded specialized autonomous institutions studying particular sectors, non-government research institutes set up by the private corporate enterprises, trade and industry associations, university departments, advanced research centres outside the universities and activist NGOs etc.

#### **3.2.1 Quantum of research**

In order to enhance our understanding of the linkages between development research and policy planning, it is imperative to provide some idea about the quantum and quality of economic research in India. Some indicators, that may provide some idea about the quantum of research in India, include the following:

- (a) The number of research institutions in the field,
- (b) The number of researchers involved,
- (c) The number of journals,
- (d) The number of articles published, and
- (e) The number of PhD's awarded etc.

#### **(a) Research Institutes**

India has a wide range and network of economic research institutions with effective linkages with policy makers. These institutes range from nodal agencies and departments within the government to government funded specialized autonomous institutions studying particular sectors, non-government

research institutes set up by the private corporate enterprises, trade and industry associations, university departments, advanced research centres outside the universities and activist NGOs etc.

Within just two years of establishing ICSSR in 1969, by 1971 there were 95 social science institutes in India (ICSSR 1971). Of these 32 were geared exclusively towards research on economics and issues of economic development (Kapur 2004). By 1997 the number of social science institutes (for both research and training) had gone up to 430 including the 27 autonomous research institutes publicly funded by the ICSSR (ICSSR 1997). Of this list approximately 85 institutes were exclusively involved in economic research on areas including agricultural economics, economic development, planning & change, econometrics, banking and finance, international trade, industrial development & relations, international law, labour reforms, management, population and demography, rural economics and socio-economic policy (ICSSR, 1997).

### **(b) Researchers Involved**

The universe of economic researchers or economists in India includes faculty members of economic departments in universities involved in research and faculty members in the different economic research institutes in India. In 1983 there were 7,527 social scientists across various disciplines in India (ICSSR 1983). Out of these there were approximately 652 individuals who had published research work on economics and issues of economic policy and development. In 1997 the number of economic research faculty in 85 research institutes geared exclusively to economic research was around 1550 (ICSSR, 1997). The 450 specialized postgraduate social science departments across Indian universities consist of around 2500 faculty members (Chatterjee 2002).

### **(c) The number of Journals**

Nothing illustrates the capacity of research community better than publication of research outputs in journals and periodicals. The number of widely subscribed social science journals in India is approximately 103 (ISID 2005).

### **(d) Articles Published**

A subject-wise analysis of ‘Special Articles’ published in the Economic and Political Weekly during 1998-2000 showed that approximately 342 articles (55%) were published in economics, 108 (18%) in political science and 64 (10%) spread across gender, environment and demography (Chatterjee 2002). Table-3.1 provides an idea about the number of articles published in the important economic and policy oriented journals during post-reforms period 1995-2004. It may be observed from Table 3.1 that dominant research topics included issues related to economic growth and WTO/ GATS/ TRIPS followed by labour markets, south Asian studies, productivity growth, FDI and privatisation in the order mentioned. In fact, these are the subjects, which are mainly dealt in our study on inter-linkages between research and policy.

**Table-3.1: Topics published in major Indian journals during 1995–2004**

<b>Topics</b>	<b>1995-1998</b>	<b>Percentage</b>	<b>1999-2004</b>	<b>Percentage</b>	<b>1995-2004</b>	<b>Percentage</b>
Economic Growth	70	19	47	12	117	16
Export Performance	8	2	11	3	19	3

FDI	20	5	34	9	54	7
Financial reforms	15	4		2	23	3
GATS/WTO/TRIPS	31	8	93	24	124	16
Health Insurance	4	1	18	5	22	3
Industrial Organisation	29	8	25	7	54	7
Labour Market	37	10	29	8	66	9
Money Markets	13	4	9	2	22	3
Privatization	24	7	23	6	47	6
Productivity Growth	32	9	24	6	56	7
Service Sector	10	3	10	3	20	3
Subsidies	14	4	8	2	22	3
Tariff Reforms	16	4	14	4	30	4
Factor Productivity	10	3	7	2	17	2
South Asian Studies	36	10	23	6	59	8
TOTAL	369	100	383	100	752	100

Source: ICRIER.

### (e) Doctorate Degrees Awarded

From 1857 to 2002 about 24,000 doctorates were conferred in social sciences in India (Kapur 2004). Out of these approximately 11,754 were awarded in the stream of economics including econometrics, agricultural economics, financial economics, labour economics, public finance, industrial economics, internal and foreign trade and transportation, as grouped under economics in 'Bibliography of Doctoral Dissertations', Association of Indian Universities (AIU).

During 1857-1970, which formed the first volume of the bibliography, the number of economic Ph.D. dissertations in India was 1158 followed by 567 dissertations during the second volume period 1970-1975. Since then there has been a volume each year till 1993 with a total of 6417 dissertations. There was apparently a flood of PhDs<sup>6</sup> in India during 1995-2003 as a result of the announcement made by the University Grants Commission (UGC) that all Ph.D. awardees would be exempted from appearing written examinations for selection as lecturers in the Universities.

### 3.3 System of institutional arrangements

India's public and private research system is one of the largest in the world with a large number of research institutes dealing with socio-economic issues. Most of these research institutes are directly funded either by the government or by the University Grants Commission or the Social Sciences Research Council (SSRC), which in turn receive grants from the Ministry of Human Resource Development. These research institutes also receive research funds from the multilateral funding agencies like the World Bank, ADB, ILO, FAO, UNCSD, UNDP, UNESCO, USAID, AUS-AID, JICA, ESCAP and others.

<sup>6</sup> It must be mentioned that not all but approximately two-thirds of the Ph.D. dissertations from all over India get published in the volumes based on the response received from various universities. Interestingly many of the leading universities do not respond to AIU.

In some cases, such as science and technology (S&T) and agriculture, research is primarily under the purview of the government. The public agricultural research system is led and managed by the Indian Council of Agricultural Research (ICAR), while public research on S&T is led by the Indian Council for Research on Science and Technology. However, research expenditures constitute only a small proportion of total expenditure of the government. For example, government of India (GOI) expenditures on agricultural research and education amounted to Rs 16 billion per year in the early 2000s, equal to 0.5 percent of agricultural GDP and only 4 percent of agricultural subsidies on food and fertilizers provided by the government (World Bank 2004).

The availability of funds for private research institutions outside the government has undoubtedly played an effective role in encouraging and facilitating research work in the country. It has helped to bring new issues on public agenda and stir national debate on important socio-economic-political issues. With regard to policy intervention, funding of social science research by the state and non-state agencies primarily has a two-pronged rationale: one, to initiate studies before undertaking any policy initiatives including capacity building; and two, to evaluate the effectiveness of policies formulated and implemented, and suggest corrective measures. In addition, the state also sponsors research activities to bring out status reports.

Total R & D expenditure in India at 1.23 percent of GDP in 1989-2000, although higher than that at 1 per cent in China and 0.1 per cent in Thailand, is considerably lower than that in U.S.A. (2.7%), Japan (3%), Germany (2.5%), and Korean Republic (2.7%) (World Bank 2003). In USA the Federal government provides nearly 40% of total R & D funds and the remaining 60% is provided by the industry, state governments, Universities and other non-profit institutions. In Japan, while the government provides only 16% of R & D expenditure, the rest is provided by the industry. In Germany, 35% comes from government sources and the remaining 65% is borne by the industry. In South Korea, the ratio of government and private investment in R & D changed significantly from 97:3 in 1963 to 15:85 in 1990s. In contrast, R&D expenditures in India as in China and Thailand are mostly funded by the public sector (Das 2002).

Government Departments dealing with economic issues such as Economic Affairs, Agriculture, Food and Civil Supply, Industry, Commerce, Labour, Telecommunications, Planning Commission etc. have in-house research divisions under the overall supervision of economic advisers. Most of these advisers are career government servants recruited under the Indian Economic Service. At the higher level there are also lateral recruitment of advisers from outside. These advisers come from universities, private research institutes and international organisations etc. either on permanent basis or on fixed-term contract with the government. Various industry associations and chambers of commerce such as CII, FICCI, ASSOCHAM, PHD-CCI etc. have also in-house research divisions and economic advisers.

While there is need to further increase budgetary allocations, there also is an urgent need to improve the effectiveness of existing expenditures. Critical weaknesses identified include proliferation of research institutes resulting in resources being spread thinly and lack of focus on areas of relevance and opportunity. There is a multiplicity of institutes leading to duplication of research. There is weak accountability for performance; inadequate collaborative multi-disciplinary research; weak interaction among researchers, public and the private policy makers (World Bank 2004).

### **3.4 Quality and relevance of both public and private research**

Over the years, India has built a wide array of R&D institutions to support the development and diffusion of industrial technologies. It has virtually all basic, applied, hardware and software and R&D institutions, some of which have world-class standards. But, these institutions have failed to commercialize R&D activities as these are virtually financed and controlled by the public sector without any linkage with the private sector. Since 1993 Government had encouraged private sector funding of research institutions by providing tax relief on R&D expenditure.

Most of the social science researches are funded by the government or grants from multilateral agencies. Project grants in research institutes are generally policy oriented, as these are provided on the basis of specified studies. On the other hand, as the promotion prospects of university lecturers depend on number of publications, researchers in universities and other academic institutes concentrate on theoretical research and econometric modeling which have higher chances of being published in academic journals. Research fellowships are also provided for conducting research for obtaining Ph.D. degrees. Most of these research studies have very little relevance for policy issues.

There are also various professional associations dealing with specific fields of research within social sciences. These include Indian Economic Association, Indian Econometric Society, Indian Association for Research in Income and Wealth, and Associations of Agricultural Economists, Labour Economists, Ecological Studies etc. These associations hold annual conferences and publish journals on the basis of papers presented in these conferences. Indian Economic Journal and Indian Economic Review published by the Indian Economic Association and the Journal of Quantitative Economics published by the Indian Econometric society generally deal with theoretical studies, while other journals published by other associations generally deal with contemporary economic issues and have major impact on policy planning by the government.

## **Systems and Institutions for Policy Planning**

### **4.1 Systems and procedures for policy planning**

Before examining Interlinkages between research and policy, it is necessary to understand the systems and established procedures for policy formulation in India. As India is a sovereign democratic republic with independent executive, legislative and judiciary systems and free press, existing political economy plays an important role for determining the scope of reforms and policies. In fact, Indian foreign exchange crisis after the gulf war in 1990 induced the then government to undertake wide-ranging reforms in various sectors at a faster speed, which was not politically feasible under tranquil conditions.

Given the democratic and parliamentary system in India, policy formulation, particularly enactment of a new law or amendment of existing one, is a long drawn process after consulting all stakeholders<sup>7</sup>. Initiatives for policy proposals are taken by the concerned ministry i.e. by the Ministry of Finance (MOF) and the Ministry of Industry and Commerce (MOIC) for external sector reforms, and the Ministry of Labour and Employment (MOLE) for labour reforms. MOF is assisted by the Parliamentary Consultative Committee on Finance, the MOIC by the Advisory Board on Industry and Trade, and the MOLE by the Standing Labour Committee.

In the case of labour reforms, the Standing Labour Committee consists of concerned Secretaries in the Central government, labour secretaries of all states, eminent labour economists and representatives of trade unions, private employers and industry associations. The Standing Labour Committee meets at least once in a year and recommends policy proposals for consideration by the government.

The draft policy paper prepared by a Ministry is put up for discussion by the Committee of Secretaries (COS) under the chairmanship of the Cabinet Secretary. The revised policy note by the COS is examined by a Group of Ministers (GOM) and then by the Cabinet Committee on Economic Affairs (CCEA) under the chairmanship of the Prime Minister. After approval by the Cabinet, policies can be implemented by an executive order if it does not conflict with any act or constitutional provisions.

If any policy reform has wider economic and social implications and concerns any existing Act or constitutional provisions, it requires the ratification by the Parliament. However, once approved by the Parliament, policies are irreversible. Amendment of any Act or the Constitution requires parliamentary approval by at least two-thirds majority of the members of Parliament. During 1990s in general there had been coalition government at the Centre with various political parties having thin majority and diverse ideology. Therefore, any amendment required the support of some opposition parties to gather two-third majority. Consequently, progress of reforms in some sectors such as privatisation, labour laws and labour relations had been very slow.

### **4.2 Players in Policy Making and Policy Implementation**

In India, the role of the following players is important for bridging research and policy.

---

<sup>7</sup> Mehendale (2005) also concludes that “Policy making in a democratic system like India is a complex and multi-layered exercise, which creates both opportunities and obstacles for research uptake”.

### **4.2.1 Policy Planning and Formulation**

At the bottom layer of the policy-making pyramid, professionals and advisers influence decision making in three ways. First, sound professional understanding and advice are essential in the case of technically complicated issues like exchange rate, financial sector reforms or establishment of independent regulatory authorities. Second, leaving aside the rare cases where the Secretary to a Department is a professional, an economic advisor can influence the pace of reforms and fill gaps in the knowledge of the secretary. Third, even in the case of less technical subjects, professional advice can influence acceptance or rejection of research and policy. Conversely, an economic advisor who is not knowledgeable about the market economy or may suffer from generation gaps will be ignored by a pro-reform secretary and may become a partner of an anti-reform camp.

At the second layer (context, evidence, communications, links and external), senior Civil Servants push the reforms for acceptance by the Ministers. Senior civil servants are an elite group usually characterized by permanence, security, high entry standards, and promotion by merits and code of political neutrality. In local governments (especially at State Levels, Municipalities and Corporations) bureaucrats regularly interact with all stakeholders and the public, and have wide discretion over allocations and distributions of benefits. They work in various public service organisations and play an important role in implementation of social and economic policies.

The Political Executives (Ministers or Members of Parliament) generally do not have time to read lengthy research reports or regularly interact with researchers who remain at the end of a long chain of gatekeepers and condense, crystallize and present their ideas.

At the top level, dynamism and leadership of the Prime Minister are very relevant to the width, depth and pace of reforms in India. The Prime minister represents the collective political wisdom and ideology of the government. Major reforms cannot be initiated or sustained without the clear backing of the Prime Minister. In a coalition government, as has happened in India in recent years, the role of the Prime Minister becomes much more critical in persuading coalition partners with differing political ideology.

### **4.2.2 Institutions for Policy Implementation**

Institutions for policy implementation are equally important. These include legal and institutional frameworks and management skills. Without a proper legal framework, policies do not have political legitimacy; without appropriate institutions policies will not work; and without a working set of rules and regulations institutions cannot function properly. Therefore, an effective co-ordination and synergy among policies, legal and regulatory bodies and other institutions for implementation of policies are important.

In India, a number of institutions at different administrative levels have responsibilities in implementing government policies. Four clusters of such institutions operating at national and local levels can be identified. The central government ministries, regulators and other agencies belong to the first cluster and have interest in both policy making and policy implementation. They form the core of the national level institutions. Their directives (for various development programs such as poverty alleviation and employment guarantee schemes) are carried out by the state governments, which form the second cluster. Local government institutions (such as municipalities, corporations, district boards etc.) form the third cluster and are expected to bring the local perspectives in planning and implementation. In the fourth cluster belong the various grass-root level units (such as village Panchayats, co-operatives and



community based organisations such as non-governmental organisations) and are expected to receive financial support from other three clusters, to run the development programs and to provide public services to the community.

Various studies by the Planning Commission (2005) indicate that policies adopted at the national level and passed on successively to the lower levels are assumed by the bureaucrats to have been implemented. In between the clusters there are serious communications, generation, knowledge and information gaps and considerable leakage of resources. It is, therefore, necessary to have proper co-ordination among various implementing agencies and to have policy audits to evaluate whether policies are translated properly into actions and whether multitude of administrative decisions reach concerned parties accurately and in time.

Reform actions can be initiated at any level but they move up and down and the final outcome depends on effective interactions among them. There is no incentive within the system to either reward a reformist policy adviser or to punish one who obstructs reforms by putting bureaucratic obstacles. Successful reforms are, therefore, heavily dependent on the personal knowledge and initiative of the individuals who happen to be at the right place at the right time (under a positive or at least neutral minister).

### **4.3 Pivotal Role of the Ministry of Finance**

Research uptake generally depends on the qualifications and mindset of advisers in the government. During reforms period since 1991, there was emphasis in the government to send middle-level and upper-level advisers for refresher courses and training on economic reforms and policies. There was also emphasis to recruit more advisers at the upper level directly from the academic institutes or international bodies. These measures helped to have professionalism in policy planning and greater uptake of research.

During initial phase of reforms (1991-1996), Ministry of Finance led by the then Finance Minister Man Mohan Singh acted as the nodal ministry for research studies and reforms and was guided by the conditionalities set by the international funding agencies to have access to external finance. The then Economic Affairs Secretary Montek Singh Ahluwalia played a critical role in implementing policy and institutional reforms. One of the key reasons for his success was his intellectual versatility, natural talents and incredible skills for management of people and knowledge. He was ably assisted by a group of economic advisers at various levels viz. Shankar Acharya, Rajiv Kumar, Arvind Virmani<sup>8</sup> and Tarun Das (the last two are the authors of this report). All of them were highly educated professionals and had experiences in working with the international organisations. Chief Consultant Ashok Desai also played an important role in clarification of many economic issues with his versatile knowledge and open mind. As a result, the degree of research uptake was significantly high and the speed of reforms was commendable. With the exit of key policy makers from the Ministry of Finance, there was slowdown of reforms in the second half of 1990s.

Presently, Man Mohan Singh has come back to the government as the Prime Minister. Montek Singh has returned as the Deputy Chairman of the Planning Commission and has been able to revive the past glory of the Planning Commission as the Think Tank and prime mover of structural reforms and public policy planning. The present Finance minister P. Chidambaram, a Harvard MBA and serving as the Finance

---

<sup>8</sup> Presently, Dr. Virmani has returned to the Finance Ministry as the Chief Economic Adviser.

minister for the third time, is equally reform-minded with rich experience and knowledge. He had inducted well known economists like Rakesh Mohan, Parthasarathy Som and Subhashish Gangopadhyay either as Secretary or Adviser at the level of Secretary who have international experience in policy planning and research. He has also the services of the Chief Economic Adviser held earlier by Dr. Ashok Lahiri and now by Dr. Arvind Virmani. Dr. D. Subba Rao, the new finance secretary overseeing the economic affairs department, is also a competent economist, and an accomplished IAS officer with a blend of operational knowledge, academic mind and also international experience. Consequently, economic reforms, which were driven to the back seat in the last few years, are coming forefront.

## **Strengths and weaknesses in the research-policy inter linkages**

### **5.1 Communications within the governments**

Research divisions of individual government departments concentrate on research, which tries to protect their narrow sectoral interests. For example, the basic purpose of the labour ministry is to protect the interests of labour, that of agriculture to protect interest of farmers, that of civil supply to protect the interests of consumers, that of industry to protect interests of large and heavy industries, that of small scale industries to protect interests of small and medium enterprises, that of commerce to protect interests of exporters etc. The Planning Commission tries to deal with issues relating to growth, poverty, inter-sectoral, inter-regional and inter-generational equity, whereas the Department of Economic Affairs concentrate on macro economic issues relating to price stability, viability in external sector and fiscal sustainability.

Major channels of communications within the government include publications of research reports, background papers and policy documents on the website in the internet for public debate, setting up inter-governmental working groups and committees, and conducting occasional workshops and conferences. Government research officers are also sent for training in government's own training institutes or in private training institutes within the country and training institutes run by the multilateral institutes. These channels of communications within the government have been very useful for refreshing and upgrading academic knowledge on policy planning and international best practices.

### **5.2 Network among the research institutions**

There are too many research institutes in the same fields and there is no proper arrangement of networking among them. As a result, there is duplication of research and lack of focus by many research institutes. Although in a democratic set-up like India it may be useful to have alternative policy prescriptions for effective policy planning, but at times completely diverse views lead to confusions and create islands of vested interest groups. There is considerable scope for better networking and co-ordinating among the research institutes to enhance specialization and minimize research costs.

### **5.3 Interactions between government departments and research institutes**

Mechanisms for interrelations between government departments and research institutes basically include conducting meetings, holding press conferences by senior government officers and ministers, setting up expert or advisory committees with government officers and private experts, and organizing workshops and conferences with all stakeholders.

Every year Finance Minister holds pre-budget meetings with different groups of interests (viz. trade unions, farmers and agriculturists, big and medium sized industries, small enterprises, bankers and financial experts, professors, scientists and technologists, principals of primary and secondary schools, consumers and NGOs, and economists). Other Ministries also take part in these meetings. The suggestions and proposed policies, which emerge from these meetings, are examined by the respective departments and put up to the Finance Minister with their comments for consideration for the budget.

A separate web site is put up by the Ministry of Finance soliciting any suggestions, proposals and ideas for the forthcoming budget. The detailed budgets approved by the Parliament for the last five years are already available as background material in the Ministry of Finance web site. As part of the Fiscal Responsibility and Budget Management Act 2003 the Finance Minister submits quarterly performance reports of government revenues and expenditure and the current state of the economy to the Parliament. These reports are available in the MOF web site for public debate.

Various industry and trade associations and chambers of commerce and business also hold regular meetings with the concerned government departments and put forward their suggestions on trade, tariff, price, investment and other budgetary issues. Such meetings and working groups and committees have made significant contribution to the policy planning and formulation of economic reforms.

Lateral entry of experts from outside at the higher level of government has also been very useful as they bring up to date knowledge and international experiences and help in research uptake.

#### **5.4 Transparency, publicity and dissemination of research**

Private research is transparent, published widely and disseminated to the public. However, due to secrecy act in the government, many of the research studies in the government are not published and disseminated to the people. It is observed that in most of the areas, a linear model of research exists in the sense that researches influence policy in a unidirectional way without feedback on each other.

As government advisers are generally guided by their political bosses with rigid political ideology, the two communities model also exists to some extent in the sense that there is a clear divide between private researchers and government policy advisers. They do not supplement and complement each other. On the contrary, in many cases there is a feeling of mistrust and lack of confidence on each other.

Government advisers in most cases are guided by the positivistic model in the sense that the production of knowledge and uptake of research are confined only to the positive effects of policies.

#### **5.5 Transparency and accountability of policy planning**

Except the budget formulation, all other government policies are formulated in a transparent manner after consultation with all stakeholders. Government's major policies are announced in the Annual Budget by the Finance Minister. Although budget formulation is based on strict secrecy until its presentation to the Parliament on the last day of February every year, the Finance Ministry holds pre-budget discussions with the Planning Commission, other Ministries and various interest groups.

The Budget is transparent with fiscal background, objectives and policies indicated clearly in the Finance Minister's Speech supported by detailed expenditures for each Department and a pre-budget Economic Survey. India has subscribed to the IMF Special Data Dissemination Standards (SDDS) and fulfilled all requirements regarding time lag and frequency of publication and dissemination of major economic variables.

However, there is scope for improvement. Since people are actual beneficiaries of public expenditure, they should be associated for selection and monitoring of services. Although such association could lead to emergence of interest groups, there is merit in associating client groups in budget making so that the programs consider their views and enhance their willingness to pay. If all the stakeholders are involved in policy formulation and budget preparation, those who have ability to pay will be willing to pay more resources for general economic activities and improving social welfare.

Successful implementation of policies and reforms depends on three preconditions. The first is an outreach campaign including education and mass media. Second, a political debate that will lead to broad political consensus. Third, there should be proper sequencing of reforms considering the existing social and economic constraints.

## Bridging Research and Policy in External sector

### 6.1 External Sector reforms

It is well that during 1990-1991 India faced an unprecedented foreign exchange crisis due to loss of exports markets in the Middle East and substantial rise of oil imports bill (Das 2003). India's foreign exchange reserves dwindled to US\$1 billion in July 1991, which was sufficient to finance only two weeks' level of imports. India was on the verge of external default. International credit rating organisations downgraded Indian scrips and put them in the no investment grade. Non-resident Indians started withdrawing their deposits at a faster speed as they lost confidence in the Indian banking system. The window of external commercial borrowing was closed to the Indian banks, financial institutions and the corporate bodies. Rate of inflation reached 16 per cent hurting everybody, particularly the poor. There was also widespread unemployment and loss of industrial output leading to wider financial and economic crisis.

Indian government has to lift physically gold from the chest of the Reserve Bank of India and deposit it with the Bank of England and the Bank of Tokyo to create international confidence on India. Recognizing that there was no time to lose, the new government led by the then Prime Minister Narasimha Rao and the Finance Minister Man Mohan Singh adopted a number of stabilization measures in June 1991 to restore internal and external confidence. The government announced comprehensive package of reforms in industry, trade, financial and fiscal sectors to improve competitiveness of Indian economy and to impart dynamism to the overall growth process. The reforms program was supported by quick-disbursing finance from the International Monetary Fund (IMF), World Bank and the Asian Development Bank and some individual donor countries, particularly Japan.

In general, crisis period is not an opportune time to initiate wide-ranging reforms as the associated costs and hardships are likely to be higher. But, the adverse impact of the Gulf war on the Indian economy provided an opportunity to initiate significant reforms in trade and industry, which were not possible in tranquil economic situations due to political economy constraints. Conditionalities imposed by the international agencies to have access to foreign capital also helped in utilizing research results of various studies done by the government itself. This is what the then Finance Minister Man Mohan Singh concluded in the general review of the economy in the first Economic Survey (GOI, MOF 1992) presented to the Parliament after initiation of reforms in June 1991:

*“When a country is in such a grave crisis, it is tempting for the government to stave off collapse, to take short cuts, to live through the present and let the future take care of itself. The economic policies of the government have been designed to tackle the immediate crisis, but they emanate from a vision of a future, from the promise of a better life for our people. The crisis has involved hardship to people. The government has tried to ameliorate it. But the immediate options are limited. It is important to broaden them, and that is where the vision comes in”.*

*“The basis of this vision is self-reliance. Even if anyone wished to abandon self-reliance, India is too large a country for the rest of the world to look after. There is thus no alternative to self-reliance. But self-reliance does not mean isolation. We live in a world of great variety of people, resources,*

*knowledge and Behaviour. It is there for us to co-operate with, trade with, learn from and contribute to. To it we must contribute care- care for the weak and the unfortunate”.*

These words clearly indicated aims and objectives of reforms. It was understood by the government that no reforms could succeed unless the government is able to take the people along with them. That's why Indian reforms have a human face and are biased in favour of poverty reduction strategy.

## 6.2 Unique Characteristics of Reforms

External sectors and labour markets reforms were an integral part of wide ranging reforms initiated by the government since June 1991. India's reforms program is characterized by the following unique features (Das, Tarun 2003 and 2006f):

- (a) It relied on **gradual, incremental, evolutionary and step by step approach**, and not a Big Bang or shock therapy or fundamental and revolutionary changes.
- (b) **Democratic constraint**: As India is a sovereign democratic government with free press and media and independent judiciary, legislative and executive machinery, all reforms are based on consultations with all stake-holders.
- (c) **Political constraint**: In recent years, there had been multi-party coalition government at the centre and in many states. Consequently, all reforms are based on general political consensus.
- (d) **Agency constraint and irreversibility**: Although reforms are guided by the ideology of the political parties in power, once approved by the Parliament the reforms are irreversible and cannot be back tracked.
- (e) **Nationality constraint**: Although domestic policies take into consideration the existing external situation and commitments to international agreements (such as GATS under WTO), all reforms are taken in national interest.
- (f) **Ownership of reforms**: Although reforms were based to some extent on the conditionalities imposed by the multilateral funding agencies, all reforms were owned by the government. In fact, Indian foreign exchange crisis after the gulf war in 1990 induced the then government to undertake wide ranging reforms in industrial licensing, external, fiscal and financial sectors, which were not politically feasible under tranquil conditions.
- (g) **Major conditionalities** imposed by multilateral and bilateral lenders included devaluation of the Indian rupee, full convertibility on the current account, partial convertibility on the capital account, reduction of fiscal deficit, reduction of dispersion and peak rates of customs duties, rationalization of subsidies and user charges for public goods, downsizing the government, privatization, decentralization, delicensing, deregulation and anti-corruption strategies. But, the **sovereign Indian government did not act under duress** and feasible reforms were carried out willfully by the government as supported by the in-house government research.
- (h) Reforms have **“human face”**. Government expanded and strengthened anti-poverty and employment generation programs, set up national renewal fund and adopted other safety nets to protect the interest of the vulnerable and weaker sections of the people who might be adversely affected by structural reforms.

- (i) Unlike in many Latin American countries or independent nations of the former Soviet Union, structural reforms in India have been calibrated in such a way that there is **least sacrifice made by people**.
- (j) Despite severe foreign exchange crisis after the gulf war in 1990, Indian government **never asked for any write-off or rescheduling of external debt**. On the contrary, Indian government was able to prepay US\$7 billion worth of external debt to the World Bank, the Asian Development Bank and some bilateral lenders during 2003-2004.

Economic reforms started in a slow, fragmented and limited way in the 1980s. A new approach to economic development policy was initiated by the government in July 1991. It recognized that the complete replacement of the oppressive system of controls by the market competition could overcome the balance of payments (BOP) crisis. The Finance Minister and his team of advisors were aware that in many countries the classical macro solution for a BOP crisis had led to a slowing of private investment and overall growth and acceleration of the inflation rate. They were also aware of the remarkable growth rates and poverty reduction achieved by the more open economies of East & South Asia in the previous two decades. They recognized that the best way to put the BOP on a long-term sustainable path was through comprehensive liberalization of external trade, finance/capital inflows and the exchange regime. Phasing and timing of liberalization were, however, determined not only by the exigencies of the economic situation but also by the problem of calming genuine fears, convincing ideological diehards and overcoming vested interests, both within and outside the government.

Today Indian economy is more open, liberalised and more globalized. All quantitative restrictions on trade, production and investment have been abolished with rationalisation and successive reduction of duties and taxes.



### **6.3 Policy Initiatives by the Government**

Given the width and depth of market distorting policies (external sector, financial sector, taxation, industry, infrastructure) the primary focus of the 1990s reforms was on reversing (correcting) these distorting policies (for a detailed review of reforms see Virmani 1999a and 2004a). Knowledgeable professionals within the government played a critical role in adapting policy prescriptions. They often found it easier to sell policies to colleagues and bosses if the policy prescriptions were backed by international best practices. This was so even when specialist knowledge (e.g. on regulatory rules and systems) had to be obtained from outside the government.

External reforms were the most successful reforms in the 1990s. Though the primary focus was on reversing market-distorting policies, some attention was also paid to market supporting institutional evolution (Virmani 2003). The existence of well-developed markets for tradable goods and the existence of one of the best regulatory institutions in India, the Reserve Bank of India, meant that the degree of institutional reform required for success was not very large. Most of the policy decisions came within the purview of the Department of Economic Affairs (DEA), Ministry of Finance (MOF), so an integrated view could be taken of the entire external sector. New institutions (committees) were created to ensure information exchange and co-ordination between DEA and RBI, DEA & other departments and between MOF and Department of Commerce.

The co-ordination was however far from perfect in the case of import duties, which came under the purview of the Department of Revenue and its subsidiary organization, the Central Board of Customs and Excise (CBEC). Similarly the extent of co-ordination with the Ministry of Commerce, which was in charge of export duties and import-export controls/restrictions was more varied and less complete, despite existing mechanisms for institutional co-ordination between them.

Two aspects of the reform process played an important role. The first was the clear understanding at the professional level of the medium term and final goals of the external reform. The fact that both the finance minister (Man Mohan Singh) and the Finance Secretary (Montek Singh) were professionals was invaluable. Not only did they appreciate the need of inducting professionals into the ministry but also understood clearly new reform ideas. Although political exigencies and bureaucratic resistance (e.g. on import de-control) did lead to a variation in the pace and nature of specific policy reforms to some extent, the final goal post was clear and occasional resistance did not cause any reversal in the broad policy directions. The motivation and confidence of the professionals and unusually high degree of continuity in key personnel also contributed to the success of reforms.

The second aspect was the parallel and co-ordinated movement on different aspects of external reform. Policy reforms went on in parallel on the current account (import control, tariffs, and other current acct), the capital account (foreign direct and portfolio investment and external commercial borrowing) and the exchange rate system. As a consequence not only was the BOP crises dealt with expeditiously but the current account and balance of payments was put on a much sounder footing than it had been before the crises originated in the mid-eighties.

### **6.4 Mechanisms for Bridging Research and Policy**

One of the successful mechanisms of bridging research and policy is the setting up Working Groups/ Expert Groups/ Technical Advisory Committee etc. by the government.

#### **6.4.1 Committees and Working Groups**

As a part of the conventional planning process a Working Group on Balance of Payments was set up in 1989 for the next (eighth) Plan, under the chairmanship of the Chief Economic Advisor in MOF with Advisor (International Economics), Planning Commission as the member secretary. For sustainability of external debt the BOP Working Group recommended that the ratio of short-term debt to total debt should be reduced over the eighth plan period. It also noted the negligible contribution of FDI in financing the current account deficit and the imbalance in the external debt-equity ratio. So it recommended to encourage inflows of FDI in the eighth plan.

The High Level Committee on BOP, chaired by Dr. Rangarajan (presently the Chairman of the Prime Minister's Economic Advisory Council) and having Dr. Y. V Reddy as its Member Secretary (presently the Governor of the RBI) submitted its report in April 1993. The Committee recommended the introduction of a market-determined exchange rate regime while emphasizing the need to contain current account deficit within limits. It recommended, inter alia, liberalization of current account transactions leading to full current account convertibility; compositional shift in capital flows away from debt to non debt creating flows; strict regulation of external commercial borrowings, especially short-term debt; discouraging volatile elements of flows from non-resident Indians; and dissociation of Government in the intermediation of flow of external assistance.

Sodhani Committee: A 14 member Expert Group on Foreign Exchange was set up in November 1994 and gave its Report of June 1995. It recommended to develop, deepen and widen the forex market as also to introduce various products, ensure risk management and enable efficiency in the forex market by removing restrictions, introducing new products and tightening internal control and risk management systems. Many of the subsequent policy reforms of the foreign exchange market were based on the recommendations of its interim-Report.

The [Tarapore Committee on Capital Account Convertibility \(1997\)](#) defined the framework for the third and final stage of forex liberalization. It chalked out three stages of liberalization, to be completed by 1999-2000. The committee indicated certain signposts to be achieved for the introduction of capital account convertibility. The three most important of them are: (a) fiscal consolidation, (b) a mandated inflation target and (c) strengthening of the financial system. The two major recommendation of the committee were, a reduction in gross fiscal deficit from 4.5 per cent to 3.5 per cent in 1999-2000 and a mandated rate of inflation for the period 1997-98 to 1999-2000 at 3 to 5 per cent. Other suggestions included allowing Indian joint ventures/ wholly owned subsidiaries to invest up to \$ 50 million abroad, removal of existing requirement of repatriation of the amount of investment by way of dividend within five years, and allowing exporters/exchange earners to keep 100 per cent of their forex earnings in the exchange earners foreign currency accounts. The point, however, is that although none of the core conditions of the Tarapore panel were met, the RBI went ahead in charting its own course. In essence, the RBI's approach has been more sequential than clinical.

#### **6.4.2 Capacity Building for External Debt Management**

With the help of a grant under the World Bank Institutional Development Fund (IDF), various Committees were set up for the management of both internal and external debt. New institutional structures were also created to ensure that control and monitoring of External Commercial Borrowing was economically rational and consistent with the liberalised approach. A High Level Committee on debt management and a Task force on external debt statistics to provide regular reports were set up. A unit was also set up for aggregate debt monitoring & management support. The first status report on External Debt was produced in October 1993. This unit evolved into the External Debt Management

Unit (EDMU) in the Ministry of Finance, which is basically a Middle Office for External Debt Management. The basic function of the Middle Office is to monitor trends and composition of external debt, to estimate debt sustainability measures and to determine benchmarks for composition and maturity of external debt, interest rate, currency composition of external debt.

The World Bank IDF Grant yielded rich dividends and involved all stakeholders in the policy of policymaking and helped in bridging research and policy. The IDF Grant helped to computerize the database and disbursements and payments system for external public debt on real time basis and reduced transactions cost significantly. Under the IDF grant the Ministry of Finance organized three international seminars and one workshop with active participation by the World Bank, RBI, academicians and all stakeholders concerned with external debt and non-debt creating financial flows. The executive agencies published three Books on papers and proceedings (CRISIL 1999 and 2001 and RBI 1999). These seminars recommended various reforms for external sectors. Most of the policy recommendations were accepted by the government.

Ministry of Finance set up working groups comprising members from the government, RBI, financial institutions, private and public corporate bodies and professionals having expertise and the experience on the selected subjects. Members visited foreign countries to understand international best practices for management of external debt. These countries included Australia, Ireland, Korea, New Zealand, UK and USA.

Based on general consensus, India adopted a cautious and step-by-step approach towards capital account convertibility. Initially non-debt creating financial flows (such as FDI and portfolio equity) were liberalized followed by liberalization of long-term debt flows and partial liberalization of medium term external commercial borrowing. There was tight control on short-term external debt and close watch on the size of the current account deficit. Capital account restrictions for residents and short-term debt helped India to insulate from the East Asian economic crisis during 1997-2000. There was high share (80% at the end of March 2000) of concessional debt in government accounting and there no government borrowing from external commercial sources and no short-term external debt on government account. Maturity of government debt concentrated towards long-end for the debt portfolio (GOI-MOF 2005).

## **6.5 Forward Looking: Empirical Study of Indian Journals**

### **6.5.1 Selection of Articles**

A thorough review of articles published in the two major economic journals of India viz Economic and Political Weekly (EPW) and Indian Economic Journal (IEJ), since the initiation of reforms in 1991 and up to 2003, revealed that very few articles made an in-depth analysis of India's external sector. Of 106 articles in EPW that mentioned either 'External Sector or India' in their titles, abstracts, JEL Classification or objectives only 5 articles, (barely 5%) carried out an in-depth analysis of India's External Sector (**Table 6.1**). Similarly, of the 136 articles in IEJ, merely 5 (barely 4%) attempted an in-depth analysis of India's External Sector. This showed the dearth of published works with focus on 'India's External Sector' (**Table 6.1**). This provides an example of the supply gap as discussed in section 2.1.

Scope of the review and analysis was extended to about 1000 articles published in major Indian and international journals like the EPW, IEJ and Journal of Foreign Exchange and International Finance (FEIF)), leading daily newspapers, and journals of major research institutes viz. ICRIER, NBER, IIM (Kolkata and Ahmedabad). Out of 1000 articles, 729 articles (73%) mentioned 'External Sector' or

‘India’ or both in their titles, abstract, Journal of Economic Literature (JEL) Classification or objectives. Of these 729 articles, 152 articles (21%) had an in-depth analysis of the External Sector, 112 articles (15%) dealt with India and only 40 articles (5%) had an analysis of the ‘External Sector in India’. These 40 articles have been analyzed further to understand the reforms process and the research-policy linkages in the external sector. Out of these 40 articles, 31 papers were policy oriented, while the rest concentrated on evaluation and impact studies of existing reforms. Policy oriented articles were of high quality and timely.

### 6.5.2 Analysis of Journal Articles

**Table-6.2** ranks the articles in terms of various parameters such as information content, topical concordance, and specificity of observations, policy relevance, and comprehensibility of analysis with respect to clarity, focus, scope and methodology.

Parameter 1.1: Information Content is judged in terms of facts- both qualitative and quantitative, statements, figures and data pertaining either to the external sector which might be relevant for Indian policy advisors. Nearly 85% of all the articles were evaluated as having ‘High’ information content, i.e. these papers contain information that has significant relevance to policy making.

**Table-6.1: IEJ and EPW Articles dealing with external sector of India**

No. of Articles ‘Mentioning’ either ‘External Sector’ or ‘India’ or both				No. of Articles ‘Analyzing’ the ‘External Sector of India’			
Year	EPW	IEJ	Sub-Total	Year	EPW	IEJ	Sub-Total
1991	8	4	12	1991	2	0	2
1992	11	4	15	1992	0	0	0
1993	13	6	19	1993	0	0	0
1994	11	15	26	1994	0	1	1
1995	4	11	15	1995	0	0	0
1996	6	7	13	1996	0	0	0
1997	4	23	27	1997	1	1	2
1998	6	8	14	1998	0	1	1
1999	12	8	20	1999	0	0	0
2000	8	11	19	2000	0	1	1
2001	7	14	21	2001	0	1	1
2002	10	17	27	2002	0	0	0
2003	6	8	14	2003	2	0	2
Total	106	136	242	Total	5	5	10

**Table-6.2: Analysis of Journal and Other Articles**

Sl. No.	Parameters	Ranking of All Published Articles			Ranking of Policy Oriented Articles		
		High	Medium	Low	High	Medium	Low
1	Content						
1.1	Information Content	85%	13%	3%	81%	16%	3%

1.2	Topical Concordance	83%	18%	0%	81%	19%	0%
1.3	Specificity of observations	78%	20%	3%	80%	20%	0%
2	Overall Evaluation						
2.1	Policy (reform) Usefulness	65%	30%	5%	65%	29%	7%
2.2	Comprehensibility of Analysis	58%	33%	10%	58%	32%	10%
3	Component wise Evaluation						
3.1	Problem Identification/ Analysis	80%	20%	0%	81%	19%	0%
3.2	Policy analysis & suggestion	60%	35%	5%	61%	32%	6%
3.3	Implementation Regulation issues	53%	38%	10%	52%	39%	10%
3.4	Policy Impact Evaluation	48%	38%	15%	52%	39%	10%

Parameter 1.2: Topical Concordance is ‘context free’ and is based on fixed assumptions about the relationship between a topic of a document and search questions such as whether the ‘Title’ used in the paper is justified by the contents and whether the ‘professed objectives of the paper’ are in harmony with the ‘actual coverage’ of the paper. 83% of the papers display significantly high ‘topical concordance’.

Parameter 1.3: Specificity of Observation: 78% of the papers contained highly specific observation relating to the external sector of India.

Parameter 2.1: Policy relevance: The analysis of ‘policy relevance’ enables us to identify and assess the impact of specific policy suggestions relating to any aspect of the ‘external sector of India’ (tariffs, QRs, Exchange Rate, FDI, FII etc). The analysis revealed that 65% of papers have ‘High’ policy relevance, 30% have ‘medium’ policy relevance and 5% of the papers have ‘Low’ policy relevance.

Parameter 2.2: Comprehensibility of Analysis has been defined in terms of the ‘clarity, focus, scope, methodology and comparative analysis’ of the paper from the view point of a policy maker. Some papers, with a strong academic content often fail to make a mark in the area of policy making, as they are not comprehensible to policymakers, who are often generalists with modest knowledge of economics and little or no understanding of technicalities. The policy makers may not necessarily be economists and thereby fail to understand the underlying logic and implications of the ‘extensive modeling and abstract theorization’. A paper is said to be of ‘High’ comprehensibility if it involves a simple methodology yet does an in-depth study of the external sector reforms and its consequences or impact. The analysis reveals that 58% of the papers do not involve abstract modeling and extensive theorization and are thus comprehensible from the point of view of policy makers.

Parameter 3.1: Problem Analysis and Identification: About 80% of the papers have a very ‘High’ degree of precision in identifying the economic issue(s)/ problem(s) that seeks immediate attention and requires a solution.

Parameter 3.2: Policy Analysis and Suggestions are used to evaluate the papers on the basis of their suggestions to take measures for rectifying the problem. This is a vital step in policy making. Results

reveal that 60% of the papers make an in-depth analysis of the problem and go on to suggest some specific course of action to deal with the problem. These suggestions have significant influence on policy makers.

Parameter 3.3: Implementation and Regulation deals with the process of execution of the policies that have been suggested for setting the problem all right. It deals with the efficiency of ‘delivery mechanisms’ of the executives, i.e. the part that puts the policy into practice. The analysis reveals that 53% of the papers deal effectively with the process of execution of the policies and reflects on the ‘delivery mechanisms’ that play a role in it, and have therefore been ranked as ‘High’ on the parameter.

Parameter 3.4: Policy Impact Evaluation is used to assess the impact and consequences of the policy changes. It examines whether the policy has been successful in achieving the desired objectives and whether the policy needs further changes. The analysis reveals that 48% of the papers succeed in making an in-depth evaluation of the policy impact and are ranked ‘High’ on the parameter.

### 6.5.3 Impact of research on policy

A further analysis of the policy oriented papers reveals that only 6 major papers belonged to the pre-reform period (1988-1995) and suggested reforms agenda long before the initiation of reforms in 1991. Suggested reforms pertained to the external sector and related to removal of quantitative restrictions (QRs), licenses and other controls on external trade, rationalisation and reductions of customs duties, liberalization of exchange rate and foreign investment policies. These papers have been categorized as ‘Pro-Reforms’, ‘Neutral’ or ‘Anti-Reforms’. Pro-reform papers are further distinguished on the basis of the nature of the recommendations, i.e. whether the recommendations are ‘General’ or ‘Specific’. It is observed that most of the suggestions are specific while some suggestions pertaining to FDI and FII are broad and general.

**Table-6.3: Forward Looking Articles Suggesting Policy Change**

Article No./ Journal	Export Restriction & Taxes	Import QRs, Controls	Tariffs Reduction	Exchange Rate	FDI	FII and Equity	Suggested Policies*
1. Development Policy Division, Planning Commission, 1998	S	S	S	N	N	N	1,2,3,4,5,6, 8, 12,13
2. EPW, Vol. XXIV, Feb, 1991	G	S	G	N	G	N	1,15,14,3,6
3. Development Policy Division, Planning Commission, 1991	S	S	S	S	G	G	1,2,3,4,5,9, 11,12,15
4. Dept. of Econ. Affairs, Ministry of Finance, 1994	S	N	N	S	N	N	12,5,6,7, 10,17,18, 19
5. IEJ, Vol.41\No.4\1994	G	G	N	S	S	G	13,6,4,3,1,8, 7,15
6. Finance and Development, 1995	S	S	A	S	S	N	2,4,9,8,11, 18

Total	6P (2G, 4S)	5P (1G, 4S), 1N	3P (1G, 2S), 2N, 1A	4P (4S), 2N	2N, 4P (2G, 2S)	4N, 2P (2G)	19
-------	----------------	--------------------	---------------------------	----------------	-----------------------	----------------	----

**Notes:** *G-General Suggestions, S-Specific Suggestions, N-Neutral to Reforms, A-Anti-Reforms, P-Pro-Reform*

*\*Suggested Policies are indicated in Table-6.4.*

**Table 6.4: Important ‘policy suggestions’ extracted from the papers**

	<b>Suggested Policy Prescriptions</b>
1	Use variable QRs as a means of price targeting and fix tariff rates to keep domestic prices at par with international relative prices. Lowering tariffs reduces the variance between domestic and international prices. This recommendation was adopted in 1991-92.
2	Implement a ‘Simple Tariff Structure’ with as few rates as possible with a view to minimize evasion, fraud and corruption, and remove the complexity created by multiple tariff rates and slabs. The recommendation to reduce the peak rate was implemented in 1992-1993.
3	Tariff rationalization should be complemented by de-licensing of intermediate and capital goods. Both tariff rationalization and de-licensing were carried out in 1991-93.
4	Free the import of gold if bought with own foreign exchange and duty paid in foreign exchange so that there is no adverse impact on foreign exchange reserves. Import of Gold was made free primarily for NRIs in 1991-93.
5	Import of disembodied technology may be completely de-linked from controls on foreign investment. Free import of technology and technicians without prior permission under the Foreign Exchange Regulation Act (FERA) is required. A negative list of consumer goods for which prior permission for technology imports is required could be maintained. It was partially implemented in 1994-95.
6	Reduce the average tariff level accompanied by exchange rate adjustments. Exchange rate adjustments were done simultaneously with re-structuring of tariff rates in 1991-92.
7	Regulate exchange rate to prevent imports competing with manufactures and providing sufficient incentives to exporters. It was done successfully in 1992.
8	Elimination of licensing for all intermediate and capital goods is essential to increase the competitiveness of Indian industries. It was done to a large extent in 1992-93. However, consumer goods were de-licensed much later in 1999.
9	Shift towards a full-fledged market determined dual exchange rate system. This recommendation was adopted in 1992.
10	Decontrol the flow of FDI and FII. Liberalization of FDI started in 1991, and completed over a span of 10-15 years. FII was liberalized in 1992-94.
11	Promote Venture Capital through Limited Partnership Act and rationalization and simplification of tax incentives. The recommendation on limited partnership was rejected, but that on venture capital was implemented in 1998.
12	Reduce import duties and extend MODVAT (Modified Value Added Tax) credit to taxes paid on inputs with a view to improving efficiency of tax structure. It was introduced in 1992-93.
13	Eliminate exports controls. It was implemented immediately in 1992-93.
14	Impose export duty on inferior food grains to ensure that domestic prices remain stable due to disincentive on exports.
15	Allow individuals and corporations to make capital transfers abroad, including opening current accounts. The current account was made fully convertible in 1994.
16	Restructure and recapitalize domestic financial institutions. Financial Sector reforms were carried out on a massive scale since 1991-92.
17	As the issue of ADRs and GDRs is the least risky form of equity issue, it should be completely de-controlled. Both ADRs and GDRs were decontrolled in 1993.
18	Tight control on short-term borrowing and a cap on total External Commercial Borrowing (ECB). Though it was done in 1991, it is more backward looking in nature.

19	Permit Indian companies to issue ESOPs to foreign employees on the same basis as the FDI policy applicable to the sector in which they are operating. Indian companies were allowed to issue ESOPs in 1998.
----	---

## 6.6 Backward Looking Episode Study on Foreign Exchange Liberalization

In the background of the all encompassing nature of reforms in the external sector for a traditionally closed economy, like India, it is useful to focus on the pertinent policy changes and track the intellectual efforts that acted as the driving force to handle the key issues. The Exchange market reform was an example of the most surprising (to the public and outside observers) yet most thoroughly prepared and carefully executed reform.

A number of development policy research papers prepared at the Planning commission during 1989-1991 had recommended introducing a “dual exchange rate” system to ease the transition from a heavily controlled trade regime to a free market system encompassing both trade and payments. The last paper in this series, “Trade Policy Reform: De-Licensing, Tariff Reform & Exchange Rates,” prepared by Arvind Virmani, Adviser (Development Policy), Planning Commission, New Delhi, in September 1991 spelt this out more explicitly. This paper followed the introduction of “Exim Scrips” by the commerce ministry in August 1991. The paper envisaged “... a complete de-licensing of intermediate & capital goods imports” and inclusion of these along with, “all currently permitted service trade, technology and labour payments (including remittances)” in the “full fledged Market determined Dual exchange rate.” It was noted that the most important reason for switching over to this system was its self-equilibrating property, which would automatically ensure BOP balancing.

This system was administratively tied to what was called a Foreign exchange certificate (FEC), a comprehensive cousin of the “Exim Scrip” applicable to services and with proportions of 85% to 90% (instead of 30%). It was suggested that the system could be operated through FEC accounts with authorized banks. Based on these initial thoughts a comprehensive concept paper on liberalizing the foreign exchange market using a dual exchange rate, entitled “Toward Rupee Convertibility: The Convertible Rupee Account.” Was prepared by Arvind Virmani in November 1991, who had then moved to the Finance Ministry as Advisor (Policy Planning) to the Finance Minister. After taking into accounts the comments given by all concerned departments such as Ministry of Commerce, Reserve Bank of India, Planning Commission, the paper was revised and renamed as “Towards Rupee Convertibility; A Free Market Exchange Rate Channel” in January 1992. On the basis of this paper, RBI prepared a draft paper titled “Liberalised Exchange Rate Arrangement (LERA)” in mid-February 1992, which spelled out the details of how the market channel of the exchange rate could be operated through the banking system.

As the RBI plays a major role for the Exchange rate policy and is responsible for its management, its views and support for the reform were most critical. In fact, the Governor (RBI) wholeheartedly adopted the reforms and ensured that bureaucratic red tape did not tie up the reform proposal in knots. Finally with the approval of the Finance Minister and the Prime Minister, a liberalised exchange rate and management system called LERMS was introduced in the budget of 1992-93.

According to the LERMS system effective from March 1, 1992, exporters and remittance earners were required to surrender 40% of exchange at the official rate (which was left unchanged at Rupees 25.89 per US\$), while the rest would be converted at the free market rate. This effectively meant that export proceeds were taxed at 40% of the difference between the market and official exchange rate. 100%



Export oriented units and Export Processing Zones could sell the entire amount at the market rate and were not taxed in this way. All capital account transactions (except IMF, multilateral flow against rupee expenditure) were made at the market rate. Exporters were allowed to retain up to 15% of earnings in a foreign currency account with an authorized bank. The exchange surrendered at the official rate was used by the government for official transactions, thus effectively subsidizing these uses by the difference between the market and official rate. Thus the system represented a cross tax subsidy scheme in which exporters subsidized certain types of government transactions. This was explicitly designed to minimize the immediate impact on the fiscal situation at a time when a reduction of the fiscal deficit was thought to be essential for reducing the macro-economic imbalances.

The announcement of this system in the budget for 1992-93 (18 months after the crisis) took the foreign observers as well as entire country completely by surprise. Even the common person, who might never have the opportunity to undertake foreign exchange transactions, welcomed the freedom that it implied and the confidence that it denoted on the part of the government. Many intellectuals and economists predicted that there would be huge capital outflows and the rupee would depreciate to Rs.50 per USD on the market channel. On the contrary, the market exchange rate opened around Rs. 31.27 per US\$ in March 1992 and rose to Rs.30.87 per US\$ in January 1993.

The DEA and RBI set up a committee with representation from RBI and Ministries of Finance and Commerce to monitor and manage the system after it was announced. Several difficult issues such as how to deal with rupee trade arrangements and the alleged adverse effect on exporters were hammered out in the year. Subsequently, the dual exchange rate system was abolished and a market determined single exchange rate system was introduced with effect from March 1, 1993. As the RBI retained the right to intervene to even out excessive volatility in the exchange rate, in international terminology this system is classified as a “managed float.”

### **6.7 Concluding remarks**

Above analysis leads to the following major conclusions and lessons for bridging research and policy:

- (a) An active role by the concerned Ministry supported by sound analytical research helps in bridging research and policy.
- (b) Although a good quantum of studies were done by the professional economists on the external sector reforms and capital account convertibility, very few of these were research oriented and had an impact on policy making.
- (c) Most of the policy oriented research works was done either by in-house research of a government department or by the prominent research institutes funded by the government or government related organizations like the Reserve Bank of India.
- (d) Policies, which do not require setting up new institutions, have higher probability for implementation. The existence of well developed markets for tradable goods and the efficient regulatory authority like the Reserve Bank of India helped in smooth transition from a controlled foreign exchange regime to liberalized exchange rate and foreign exchange markets.
- (e) Two aspects of the reform process played an important role in bridging research and policy. First, a clear understanding at the professional level about the scope, sequencing and phasing of reforms. Second, a co-ordinated and comprehensive package of reforms covering all aspects of

external sector such as export-import policy, tariff rationalization, and liberalization of foreign investment and transfer of foreign technology.

- (f) Political context played an important role for bridging research and policy. There was less resistance by the left parties and trade unions for major part of external sector reforms (such as liberalization of exchange rate and exchange control regime, removal of import controls and successive reduction of import duties), as the working class was not affected adversely by these policies. On the contrary they enjoyed the fruits of external sector reforms in the form of easy availability, lower prices and higher quality of essential goods and services.
- (g) However, there was some resistance for allowing foreign direct investment in some sensitive sectors such as real estate and retail trade, although many studies indicated substantial benefits in terms of higher growth and employment from these reforms. For ideological reasons, the left parties did not allow majority holding by foreign investors in insurance and natural resource based sectors such as mining and plantations.

## 7

### **Bridging Research and Policy in Privatisation and Labour Reforms**

#### **7.1 Political Economy of Labour Reforms**

Despite India and China embraced reform for similar reasons and compulsions, their political systems and pre-reform history and policies led them to choose different patterns of reforms in labour markets. China's primary aim was to offer market-oriented incentives and induce workers and managers to create a free labour market. China's remarkable economic progress during last two decades helped to accomplish this task of labour liberalization, which was unthinkable prior to reforms (Mitra and Handa 2004).

China made significant reforms in labour markets within a decade of initiating reforms. As for the labour relations within an enterprise, the reform went deeper by transferring the bargaining power mostly in favour of the employer, while the enterprise union and the state machinery are expected to

protect the workers' interest under the general guidelines for labour welfare and protection. The employer has freedom in hire and fire and to make his employees work according to a mutually agreed contract. This particular provision of allowing firm-specific contracts to govern the employment relation has reduced the state's role drastically. In practice, things can go wrong, if the state agencies do not play their roles properly and workers are forced to accept unfair terms.

China's long history of extreme employment security might have compelled them to reverse almost all the previous provisions. In the absence of domestic private entrepreneurs, liberalised labour market was perhaps necessary to attract foreign investors (Henley 2004). But it has made redistribution of surplus within the Chinese enterprises biased in favour of employers (Ostrovsky 2003).

China was successful in creating a new labour market, which enhanced mobility of labour. Although this led to mass layoffs and open unemployment, sustained high industrial growth especially in the coastal regions helped their redeployment. In spite of harsh working conditions led by competition, workers seemed to have benefited from wage growth, significant new job creation and opportunities for self-employment (Saha 2005). In sum, China's manufacturing sector experienced a sort of industrial revolution, which reduced people's dependency on agriculture.

Today a vast majority of Chinese workers are on the move from the rural hinterland to coastal boomtowns (Chan 2000). Although income inequalities increased (Chen and Fleisher, Chen et.al.1996, Kanbur and Zhang 2005); workers, particularly female or rural migrants, faced discrimination (Chen et.al. 1992), there had been overall gain by workers in terms of significant wage increases (Saha 2005, Yueh 2004). This suggests that the wage gain must have come from expansion in labour demand.

But no such labour reforms have taken place in India. Despite various studies done in India indicating growth and employment benefits from labour markets liberalization, Indian labour laws still remain highly restrictive due to political economy constraints. The different courses of reforms taken by India and China can be explained partly by their policy history, political institutions and industrial relations framework. In the case of China, the history of extreme employment security compelled a complete reversal of labour policy to attract foreign capital, which was very important, as there was very little entrepreneur class within the country. Political institutions and one trade union policy further restricted the Chinese workers from conducting true collective bargaining. Hence, they suffered on the redistribution front (Chen et.al.1996, Kanbur and Zhang 2005).

The key purpose of reform in India was to enhance competition and improve allocative efficiency. Since India had a long history of private entrepreneurship and business dynamism, the government just withdrew itself from business and provide more space to private sector. Unlike China, India did not create constituencies of winners and losers; nor did it try to promote one type of industry at the expense of others. Lobbies and vested interest groups sure have slowed the pace of reforms and even led to temporary detours, but the gradual withdrawal course was an outcome of India's established democracy.

The inclusive approach of Indian democracy allowed organised trade unions to resist any reform in labour laws. Hard bargaining postures by trade unions lead to perpetual disagreements. The Chinese experience demonstrates that it is not necessarily in the best interest of the workers to put such reforms on permanent hold, as the associated costs are glaring. The organized sector employs hardly 8 per cent of the total labour force and restructuring of hundreds of sick units has been indefinitely postponed. Moreover, the existence of multiple trade unions makes compromises impossible. In the game theoretic sense, trade unions are caught in a Prisoner's Dilemma, where each one wants to maintain hard posture to make unilateral gains. In the process, all are worse off.

It is possible and also desirable that both the workers and the government strike a compromise. Instead of tinkering with bits and pieces of labour laws, a package can be designed such that gains of labour reforms would be shared by both workers and industrialists, and the workers will be fully compensated for any loss of jobs. Without such reforms India's industrial employment will not grow significantly. The share of industry is only 17 per cent in employment and 27 per cent in GDP, whereas the share of services has grown to 25 percent in employment and a massive 55 percent in GDP.

If the manufacturing sector is to sustain high growth, greater flexibility must be offered to the employers and new institutions must be created. As is evidenced by China, workers in such pro-employer environment still can earn higher wages, primarily through a demand effect in the labour market rather than through collective bargaining. The overall employment and output growth prospects will also be higher. Without labour reforms, India cannot complete its structural transformation.

Currently the median age of the Indian working population is, at 24.3 years, one of the lowest among the large nations. India is likely to add 83 million to its working age population of 675 million by 2010 according to the estimates by the United Nations. However, existing restrictive labour laws have been a deterrent to employers forcing them to prefer capital-intensive options for production, even if they would have otherwise preferred labour-intensive options due to low wages in India (Ahya and Sheth 2005).

## **7.2 Privatisation Policies and Strategy**

Privatisation encompasses numerous forms as the following (Das 1996):

- (a) Delicensing, deregulation and Dereservation of industries for public sector.
- (b) Transition to private sector business, commercial and managerial principles.
- (c) Closure, liquidation or transfer of state owned enterprises to private sector.
- (d) Leasing of a State owned enterprise to a private party.
- (e) Management contracts of an enterprise to a private party.
- (f) Divestiture of part of the share holding to workers, general public, private entrepreneurs, or to mutual funds and financial institutions.
- (g) Franchise financing, under which an infrastructure project is built and operated by a private sector under a regulatory structure, agreed to with the Government.

Privatisation has concerned all economic sectors such as industry, finance, transport, and utilities although priorities were established depending on resource endowment and objectives. In Asia, most countries, including India and China, have focused on private entry using concessions and joint venture as the vehicles to increase the involvement of the private sector in infrastructure. Many countries find, however, that providing security for potential private investors in such arrangements is more complex and difficult than initially thought. Indonesia, for example, took five years to conclude its first private power deal (Das 1996).

In India, Maharashtra state government scraped the Enron Power project in August 1995 even after three years of intensive negotiations and providing state and central government counter guarantees to the Power Purchase Agreement (PPA). Although the next State government renegotiated and approved Enron Project, subsequent default by the Maharashtra State Electricity Board forced Enron to file legal notices against the Maharashtra Government. The disputes are yet to be settled. The lessons being

learned are that it is necessary to make the negotiations and policies more transparent by all concerned parties.

India's policies towards privatisation are flexible and open to pragmatic adjustments and are based on 'checks and balance' system which entirely depends on mixed experiences of the past and crucial policy objectives used for determining priorities in investment. However, certain apprehensions have been raised by foreign investors particularly for reforms in land and labour markets because of political uncertainties and lack of clarity in guidelines. Besides, red tapism and bureaucratic interference still continue to bog down private investment interests.

**Table-7.1: Disinvestments since 1991-92**

Year	No. of Central PEs in which equity sold	Target (Rupees billion)	Actual (Rupees billion)	Methodology
1991-92	47	25	30.4	Minority shares sold by auctions in bundles of "very good", "good" and "average" companies.
1992-93	35	25	19.1	Bundling of shares abandoned. Shares sold separately by auctions.
1993-94	7	35	Nil	Equity sold by open auction. But proceeds are received in 1994-95.
1994-95	13	40	48.4	Sale through open auction. In which NRIs other persons were allowed to participate.
1995-96	5	70	3.6	Equities of 4 companies auctioned and the price fixed by IDBI was offered for the fifth company.
1996-97	1	50	3.8	GDR by telecom company VSNL.
1997-98	1	48	9.0	GDR by telecom company MTNL.
1998-99	5	50	53.7	GDR and domestic sales.
1999-00	4	100	18.3	GDR and strategic sales in domestic market.
2000-01	4	100	18.7	Strategic sales in domestic market.
2001-02	10	120	56.3	Strategic sales.
2002-03	6	120	47.7	Strategic sales.
Total	68	78.3	309.2	

**Table-7.2: Progress of Privatisation in Indian States**

Name of the state	Number of State level public enterprises (SLPEs)	SLPEs identified for disinvestments/ winding up/ restructuring	No. of SLPEs in which process initiated	Number of SLPEs privatized	Number of SLPEs closed down
Andhra Pradesh	40	21	21	8	11
Assam	42	N/A	N/A	-	-
Delhi	N/A	N/A	1	1	-
Goa	12	2	2	2	-
Gujarat	54	24	24	1	6
Haryana	45	22	13	1	12
Himachal Pradesh	21	15	5	3	2
Jammu & Kashmir	N/A	7	2	-	2
Karnataka	76	19	6	2	6
Kerala	109	12	-	-	-
Madhya Pradesh	26	14	14	1	-
Maharashtra	65	6	-	-	-
Manipur	14	10	-	-	-

Orissa	68	27	27	8	11
Punjab	53	9	5	-	5
Rajasthan	24	10	6	1	1
Tamil Nadu	59	13	3	-	12
Uttar Pradesh	41	22	22	-	13
West Bengal	82	2	2	1	-
Total	831	235	153	29	81

Source: GOI-MOD (2003) for both the tables 7.1 and 7.2.

Since July 1991 Government has decided to disinvest up to 49 per cent of its equity in public enterprises, allowing them to raise equity from market and to form joint ventures abroad. Table-7.1 indicates actual disinvestments and methodology adopted for such disinvestment since 1991-92. It may be observed from the table that complete privatisation or large-scale disinvestment was not part of the government strategy to reform public sector companies except for relatively small blocks of shares sold to the public and mutual funds to reduce fiscal deficit. During 1991-2002 government disinvested only 4 per cent of total equity held in public enterprises (GOI, MOD, 2003).

A number of states like Andhra Pradesh, Goa, Himachal Pradesh, Karnataka, Orissa, Punjab, Tamil Nadu, West Bengal, Uttar Pradesh and others, despite being ruled by diverse political parties, have initiated privatization programs and put some of public companies such as electricity distribution, sugar mills, pharmaceutical companies, tractor factories etc. for outright sale. Table-7.2 presents the privatisation efforts in the states.

Privatisation and labour policies are closely inter-related. In broad sense of the term, privatisation means either capital restructuring or labour restructuring or a combination of both, which reduces the involvement of the state or the public sector in economic activities in keeping with the spirit of liberalization, deregulation and globalization of the economy (Das 1996). Although various studies concluded that privatisation and labour reforms are good prescriptions for tackling high inflation, low productivity, low growth, low employment generation and lost opportunities for export competitiveness (see Das 1996, Das 1998a and Debroy and Kaushik 2005), labour unions opposed privatisation of public enterprises, particularly of profit making ones on the ground that privatisation causes unemployment and disparity in capital ownership. Thus, despite extensive research on privatisation and labour economics, progress of labour reforms in India has been slow and constrained by political economy.

As in the case of successful governments in East and South East Asian countries and the neighboring countries (like Pakistan and Sri Lanka) in South Asia, Indian government has taken various measures to speed up the reform process for privatisation (Das 1998a). These measures include the following:

- (a) It persisted with an open door policy for investment and deepened macro-economic reforms for creating opportunities for new jobs and income generation.
- (b) It made efforts to inform their citizens, legislators, journalists, and academicians of the high costs of slow pace of public enterprises reforms. These efforts often mobilized popular support in favour of privatisation and broke the opposition of political parties and vested interests.
- (c) It used methods of direct sale combining with broad ownership vehicles such as trust funds and employee ownership options to ensure widespread participation in and approval for the privatisation process. These methods addressed fears that only foreigners, the elite, or particular groups benefit from privatisation.

- (d) It streamlined – indeed privatized – the privatisation process, by keeping the public agency lean and agile and by contracting out the details of implementation to private lawyers, accountants and investment bankers, both local and foreign.
- (e) Where privatisation was difficult or not yet feasible, particularly for infrastructure firms, it made greater use of methods for privatizing management – such as asset leasing, franchising, concessions, and management contracts.
- (f) Recognizing the importance good regulatory systems, it established regulatory structures to fit market conditions and existing legal and institutional capabilities.
- (g) It began to unbundle ancillary or social assets from enterprises and to transfer them to the private sector.
- (h) It established severance funds, insurance and security schemes, training programs, and other elements of social safety net to assist those laid off or adversely affected in the reform process.
- (i) With international financial community, it tried to provide selectively limited comfort to private investors through sovereign guarantees particularly in infrastructure, which need huge funds but had long gestation period and high risk.

A successful process of industrial restructuring requires a supportive legal framework and a positive labour policy. Debroy and Kaushik (2005) have concluded that there is need to modernize the labour legislation in such a way that it combines flexibility in hiring and firing with adequate protection for labour and allows speedy mergers of sick units with healthy ones or winding up unviable units. The amendments of the Industrial Disputes Act and the Companies Act are on the anvil with a view to meeting this challenge. A new Industrial Relations Bill is also under consideration to address the problem of multiple trade unions and setting up of appropriate framework for voting within trade unions.

Government set up a National Renewal Fund for training and redeploying workers who were adversely affected by industrial restructuring. However, the fund had limited resources and was used for only central public enterprises. Until now NRF had financed \$250 million mainly for voluntary retirement of about 72000 workers in 40 public enterprises. There is need to establish general unemployment insurance system for all workers – private and public. Another related problem is the existence of the Urban Land Ceilings Act (ULCA), which stands in the way of sale of urban land as a part of revival package. Feasible amendments to ULCA are under consideration to allow sick units to raise resources either by sale or by Commercialisation of the land owned by them.

Both the Union and State governments have also tried to bridge research and policy in privatisation through innovative measures. States like Andhra Pradesh and Orissa have made films and held seminars and interactions for guidance and education of all affected parties like employees and their families. Other neighboring states are seeking advices from Andhra Pradesh and Orissa. Many of these states have set up state level Disinvestment Commissions. While Karnataka has set up a Department of Disinvestment, Punjab a Directorate of Disinvestment and Uttar Pradesh has a Disinvestment Commission. As part of the reforms, they have paid special attention to employee concern and given Voluntary Retirement Scheme (VRS) to 37000 employees, trained the retirees and assisted them in obtaining re-employment.

Despite all these efforts by the central and State governments and good studies (Das 1996, Debroy and Kaushik 2005, Anant 2005, and Fallon and Lucas 1993), the extent of privatisation has been limited in India due to political constraints. Left parties held the view that privatisation may be allowed only in loss-making enterprises, and not for profit-making enterprises. Many times, government has to back track on privatisation due to pressure from political parties or trade unions. The Rajiv Gandhi government's Cabinet decision in 1985 to sell off the state-owned Scooters India Limited to a private company Bajaj Auto had to be cancelled following protests by opposition parties. The decision on privatizing Indian Airlines announced by Finance Minister Yaswant Sinha in 2001 was rolled back. The Vajpayee government's cabinet decision on privatizing National Aluminum Company had to be put abeyance due to pressure from trade union leaders and one of the coalition partners. The Man Mohan Singh government's cabinet decision on privatizing the Bharat Heavy Electricals in 2005 also met the same fate.

### 7.3 Labour Laws and Labour Regulation

Labour is highly protected and Indian labour laws do not allow hire and fire policy. As per existing laws under the Industrial Disputes Act 1947, no employer cannot close an establishment or declare lock out or retrench any labour without taking prior approval of the concerned government authority if the establishment employed more than 100 laborers on permanent basis in the previous 12 months. Various researchers in the past had concluded that this clause stood in the way of further organised employment and led to growth of more capital-intensive industries. Therefore, this protection was counter-productive and acted against the overall interest of the workers.

Under Article 246 of the Indian Constitution, labour is in the concurrent list (item 22 on trade unions, industrial and labour disputes; item 23 on social security and social insurance, employment and unemployment; item 24 on welfare of labour including conditions of work, provident funds, employer's liability, workmen's compensation, invalidity and old age pensions and maternity benefits). However, labour and safety in mines and oilfields and industrial disputes appear in the Central list.

The legislative framework of industrial relations in India is fairly comprehensive covering all the important dimensions of the employer-employee relationship. The evolution of this framework is marked by continuity from the pre-independence period of industrialization and concern for workers in today's globalized economy. Moreover, because of the joint jurisdiction of the centre and the states, the number of laws covering labour relations is evidently numerous. They are also in line with the mandates and endorsements of the International Labour Organization.

**Table-7.3: Details of various acts on labour in India**

Subjects	Acts
1. Industrial relations	1. The Industrial Disputes Act 1947 2. The Plantations Labour Act 1951 3. The Trade Unions Act 1926 4. The Weekly Holidays Act 1942
2. Social security	5. The Employees State Insurance Act 1948 6. The Employees Provident Fund and Miscellaneous Provisions Act 1952 7. The Maternity benefits Act 1961 8. The Payment of Gratuity Act 1972 9. The Workmen's Compensation Act 1923 10. The Employer's Liability Act 1938 11. The Fatal Accidents Act 1855



3. Industrial safety and Health	12. The Dock Workers (Safety, Health and Welfare Act) 1986 13. The Mines Act 1948 14. The Factories Act 1948 15. The Personal Injuries (Emergency Provisions) Act 1962 16. The Personal Injuries (Compensation Insurance) Act 1963
4. Child and Women Labour	17. The Child Labour (Prohibition & Regulation) Act 1986 18. The Equal Remuneration Act 1978 19. The Children (Pledging of Labour) Act 1938
5. Wages and Bonus	20. The Minimum Wages Act 1948 21. The Payment of Bonus Act 1965 22. The Payment of Wages Act 1936 23. The Working Journalists & other Newspaper Employees Misc. Prov Act 1955 24. The Working Journalists (Fixation of Wages) Act 1958
6. Labour Welfare	25. The Iron-, Manganese- & Chrome Ore Mines Labour Welfare Fund Act 1976 26. The Iron-, Manganese- & Chrome Ore Mines Labour Welfare Cess Act 1976 27. The Building & other Const. Workers (Reg of Emp & Cond of Ser) Act 1996 28. The Building and other Construction Workers Welfare Cess Act 1996 29. The contract Labour (Regulation and Abolition) Act 1970 30. The Inter-State Migrant Workers (Reg of Emp & Cond of Ser) Act 1979 31. The Cine Workers Welfare Cess Act 1981 32. The Cine Workers Welfare Fund Act 1981 33. The Beedi and Cigar Workers (Conditions of Employment) Act 1966 34. The Beedi Workers Welfare Cess Act 1976 35. The Bonded Labour System (Abolition) Act 1976 36. The Limestone and Dolomite Mines Labour Welfare Fund Act 1972 37. The Iron Ore Mines Labour Welfare Cess Act 1961
7. Emigration	38. The Emigration Act 1983 39. The Foreign Recruitment Act 1874
8. Employment exchange	40. The Employment Exchange (Compulsory Notification of Vacancy) Act 1959 41. The Apprentices act 1961 42. The National Services Act 1972
9. Miscellaneous	43. The Industrial Employment (Standing Orders) Act 1946 44. The Labour Laws (Exemption from Furnishing Returns etc.) Act 1988 45. The Motor Transport Workers Act 1961 46. The Sales Promotion Employees (Conditions of Services) Act 1975 47. The Cine Workers & Theatre Workers (Regulation of Employment) Act 1981

There are 47 labour related laws (**Table 7.3**) enacted by the Central government dealing with industrial relations, social security, industrial safety and health, child and women labour, minimum wages and bonus, labour welfare, emigration, employment exchange and miscellaneous issues. There is a considerable degree of overlap among these acts. Many studies (Debroy and Kaushik 2005) suggested simplification of rules and procedures and to group these acts under five or six broad and comprehensive acts dealing with basic issues. No progress has been done in this respect due to lack of consensus among the stakeholders despite vast of research studies in this field.

Definitions of basic concepts like workers, industry, size etc. also differ among various laws creating further confusion and problems for implementation. For example, the Industrial Disputes (ID) act makes layoff compensation mandatory in all firms employing 50 or more workers, but layoff permission is to be sought from the government only if the firm's size exceeds 100 workers. In firms of less than 50 workers, layoff compensation is not even mandatory.

As many as 165 labour legislations exist in India, including 47 Central Acts (Debroy 1997), and substantial need exists for harmonizing and rationalizing them. For example, as the Acts have evolved, definitional variations have developed in concepts such as employee, workman, wages, factory, child

labour and industry. The term 'wage' has been defined in 11 different ways in as many labour laws. Court case laws also differ among different states causing further confusion.

The greater part of labour legislation is in the Concurrent List of the Seventh Schedule of Article 246 of the Indian Constitution, giving both Central and state governments the power to legislate for items that are on this list. State-level amendments were actively introduced, for example by the state governments of West Bengal, Andhra Pradesh, Maharashtra, Gujarat, and Madhya Pradesh.

The argument about Chapter V-B of IDA is indeed a valid one. Labour markets become artificially rigid; employers adopt artificially high capital intensity and circumvent the legislation. The provisions of the Industrial Disputes Act make recourse to the government and thus to Labour Commissioners, mandatory. The statute makes it impossible for companies to exit. Competition cannot function without free exit.

To muddy matters further, there are at least three definitions of organised, although they do largely overlap. First, there is the standard definition through labour laws, that is, organised means non-agricultural establishments that employ 10 or more persons and use power or employ 20 or more persons and don't use power. Second, there is a small-scale sector definition, through threshold levels of investment in plant and machinery. Third, under the Income Tax Act, there is a threshold level of turnover below which an enterprise does not pay excise duties.

In generating consensus on reforms, labour market reforms have been subject to intensive debate by trade unions, political parties and professionals. Indeed, they have figured on every reform agenda since 1991, irrespective of the political parties in power. As only a small percentage (8 per cent) of the total workforce of the country is employed in the organised sector, the "hire and fire" policy, for practical purpose, operates for 92 per cent of the labour force, which is unorganised. While harmonization and unification of labour laws are not controversial, blood pressures begin to rise the moment one talks about hire and fire policy (Khan 2005).

The researchers' standard argument is that inflexible labour laws make the organised labour market rigid, deter employment creation and increase capital intensity, despite India's advantage in terms of labour cost. Simultaneously, necessary protection and adequate social security and welfare schemes donot exist for the unorganised sector or for the unemployed.

The National Common Minimum Program (NCMP) of the present coalition government contemplates that in respect of labour laws other than the Industrial Disputes Act 1947, efforts will be made to harmonize and streamline the procedures and to dismantle the Inspector Raj, but the changes in labour laws will fully protect the interests of workers. At present, amendments to 13 Acts<sup>9</sup> are being examined by all stake-holders viz. centre and state governments, trade unions and industry associations (Das and Virmani 2005). But, even amendments of simple issues relating to definitions and scope of bonus, gratuity, pensions, provident fund, insurance, minimum wages, contract labour, factories and unorganised labour etc. have taken much longer period than expected due to existing parliamentary procedures for amendment of an act. A Bill relating to workers' participation in management is lying in

---

<sup>9</sup> These Acts include (1) the Payments of Wages Act, (2) the Payments of Bonus Act 1965, (3) the Workmen's Compensation Act 1923, (4) the Payment of Gratuity Act 1972, (5) the Emigration Act 1983, (6) the Labour Laws (Exemption from Furnishing Returns and Maintaining Registers by certain Establishments) Act 1988, (7) the Unorganized Sector Workers' Bill 2004, (8) the Factories Act 1948, (9) the Employees Provident Fund and Miscellaneous Provisions Act 1952, (10) the Employees State Insurance Act 1948, (11) the Minimum Wages Act 1948, (12) the Mines Act 1952, and (13) the Contract Labour (Regulation) Act 1970.

the Parliament for 18 years since 1990 without any discussion or debate due to lack of interest by political parties influenced by employers' resistance and the nexus between industrialists and political parties.

In order to achieve a consensus among various stakeholders, the then Union Minister for Labour and Employment Mr. K. Chandrasekhar Rao held a meeting with professionals and chambers of commerce and industry on the 29<sup>th</sup> March 2005 and another meeting with trade union leaders on the 31<sup>st</sup> March 2005. But, the discussions in these meetings remained inclusive. While professionals, government advisers and industrialists supported flexible labour laws for employment on the ground of globalization and general liberalization of the economy, trade union leaders wanted more protection, strict enforcement of labour laws and more benefits for labour.

The Minister convened another meeting with the State Labour Ministers on the 22<sup>nd</sup> April 2005. Thereafter, the ministry proposed flexible labour policies for firms and enterprises employing less than 300 workers and prepared a draft proposal for consideration by the government. But, the trade unions even rejected this proposal and preferred status qua.

Thus the reforms are constrained by the political economy although there are close interactions between research and policy planning.

In this context, we should mention the main recommendations of the Second National Commission on Labour, which submitted a Report of 2700 pages in 2002. Major recommendations included the following:

- (a) Existing set of labour laws should be broadly grouped into four or five groups of laws pertaining to Industrial Relations, Wages, Social security, Safety, and Welfare and working conditions.
- (b) As regards Chapter VB (Special Provisions relating to lay-off, retrenchment and closure in the establishments employing not less than 100 workmen) of the Industrial Disputes Act, the Commission has felt that, in the new circumstances of global competition, it may not be possible for some enterprises to continue and meet the economic consequences of competition. In such cases, one cannot compel non-viable undertakings to continue to bear the financial burden for keeping the concern alive. They should, therefore, have the option to close down. However, adequate compensation may be given to the workers.
- (c) Prior permission is not necessary in respect of lay-off and retrenchment in an establishment of any employment size. Workers will however be entitled to two months notice or notice pay in lieu of notice in the case of retrenchment.
- (d) In the case of establishment employing 300 or more workers where lay-off exceeds a period of one month, such establishments should be required to obtain post-facto approval of the appropriate government. The provisions of Chapter VB pertaining to permission for closure should be made applicable to all the establishments to protect the interest of workers.

Under the socio-political pressure and the mandate of the National Common Minimum Programme, the Labour Ministry is not interested in amending the provisions of IDA. The Labour Ministry received proposals for amendments from some states such as Andhra Pradesh, Gujarat, Madhya Pradesh, Rajasthan, Maharashtra and Jharkhand. While the Ministry agreed with a few proposals for amending the Gujarat special Economic Zone Ordinance 2003, the Industrial Disputes (Gujarat Amendment) Ordinance 2003, the Andhra Pradesh special Enclaves (Services Conditions and Disputes Resolution)

Ordinance 2003 and the Industrial Disputes (Maharashtra Amendment) Bill 2003 with some modifications, it expressed reservations about the rest.

## **7.4 Research-Policy Linkages – Forward Looking Approach**

In the sphere of labour reforms, there is an established Association of Labour Economists, viz. the Indian Society of Labour Economists, which organizes an international seminar every year. Labour economics is among the more difficult branches of economics because it is concerned not only with the basic principles of economic welfare but also with social, institutional and emotional issues. The solution of many labour problems is conditioned by political considerations (Jain 1993). Despite emotional and ideological perspectives, one has to maintain high degree of objectivity in analysis. All these place a rather high burden on labour economists. Because of challenging and lively issues, almost all the eminent Indian economists are members of the Indian Society of Labour Economists and are actively involved on research and studies on labour welfare, poverty, inequality, unemployment, working conditions, occupational safety, social security, labour insurance etc. Economic reforms and globalization of the Indian economy since 1991 after the foreign exchange crisis led to large number of studies on the impact of reforms on labour and other vulnerable sections of the society who might be adversely affected by structural reforms.

In this section, we examine the main conclusions of the papers published in selected volumes of the Indian Journal of Labour Economics and their impact on policy formulations by the government.

### **7.4.1 Classification of research papers**

Table-7.4 classifies the articles by quality of research, relevance of research and type of research. As regards quality of research, majority of the papers (58 per cent of the total number) focused on review and analysis, only 7 articles (4 per cent of total) dealt with international experiences, and 60 articles (38 per cent of total) used rigorous econometric techniques or statistical methods.

As regards classification by relevance of research, 38 per cent of the articles were timely, 61 per cent dealt with topical issues and only 1 per cent was operational. According to classification by the type of research, 14 per cent of the articles dealt with basic research (comprising theoretical discussions and econometric models without any empirical analysis), 60 per cent of the papers were policy oriented, 11 per cent applied operational research and 16 per cent made evaluation of existing policies and programs.

Thus the published papers were of high quality dealing with diverse subjects and were very practical and relevant to the timely and topical issues. But, most of the papers made very general observations on employment, poverty, labour laws, labour welfare and security etc. and did not have specific policy prescriptions. So these studies and their conclusions were not usable directly by the policy makers unless a hard thinking is done by the policy makers beyond the general observations made by the authors.

Another basic problem with most of the researchers is that they criticized or evaluated government policies without providing alternative policy prescriptions. In many cases they were guided by theoretical reasoning or econometric modeling but they did not consider the existing socio-political environment or the resource constraints faced by the government. Many of their suggestions for augmenting labour welfare although desirable could not be implemented by the government due to lack of sufficient resources.

**Table-7.4: Classification of Articles published in the Indian Journal of Labour Economics by Quality, Relevance and Type of Research**

Volume (No.)/ Year	No. of papers	Quality of research*			Relevance of research**			Type of research***				Papers suggesting policies
		ES	RA	IE	TM	TP	OP	BR	PO	OR	EV	
Vol.40(1) 1997	12	2	9	1	2	10	0	2	7	0	3	1
Vol.40(2) 1997	13	7	4	2	5	7	1	2	7	0	4	4
Vol.40(3) 1997	11	2	9	0	2	9	0	1	9	0	1	3
Vol.40(4) 1997	24	8	15	1	10	14	0	5	12	3	4	9
Vol.41(3) 1998	10	5	4	1	5	5	0	4	6	0	0	1
Vol.41(4) 1998	36	23	12	1	23	13	0	0	23	9	4	14
Vol.42(1) 1999	7	1	6	0	1	6	0	0	6	1	0	3
Vol.42(2) 1999	10	7	3	0	6	4	0	6	2	1	1	2
Vol.42(3) 1999	9	0	9	0	0	9	0	0	5	0	4	8
Vol.42(4) 1999	22	4	18	0	6	16	0	1	16	3	2	5
Vol.44(1) 2001	6	1	4	1	1	5	0	1	3	0	2	0
Total	160	60	93	7	61	98	1	22	96	17	25	50

Notes: Figures in cells indicate number of articles.

\*Quality of research is categorized as ES (Econometric or statistical analysis), RA (Review and Analysis) and IE (International Evidence).

\*\* Relevance of research is grouped as TM (timely), TP (topical) and OP (operational).

\*\*\* Type of research is categorized as BR (Basic Research), PO (Policy Oriented), OR (Operational Research) and EV (Evaluation of policies).

## 7.4.2 Impact of Research on Policy

There was adequate supply of policy relevant research in the field of labour economics. The articles were well published in specialized journals and easily accessible in major libraries. As regards communications, workshops and seminars and the working groups set up by the government are the major channels for communications.

Out of 160 papers, 49 papers (about one third) had specific policy suggestions. An examination of their impacts on the government policy planning indicates that in most of the cases the impact was indirect (for details see Das and Virmani 2005). It may be further noted that that the authors were highly qualified and well known economists. Many of them worked as Members in government committees and expert groups and also as members of the Standing Labour Committee.

The Ministry of Labour on the basis of recommendations of the Standing Labour Committee initiates policies for labour markets. The Standing Committee Members are influenced by the contemporary research and some of the members are also distinguished labour economists. But, it is very difficult to measure statistically the degree and extent of the influence of the researchers on policy making.

One major problem for utilizing research on labour policies in India is the political environment. For example, many of the recommendations of the National Commission on Labour (NCL) could not be implemented due to resistance by the trade unions. The NCL recommended grant of the right of hire and fire to the employers. Trade Union Members in the Standing Labour Committee opposed this proposal and argued that such a policy implies “master and servant relationship” between employers and employees and does not encourage “workers’ participation in management”. The policy threatens job security of workers and helps the corporate sector to shift the burden of globalization on the shoulders of the workers. Trade Unions further argued that such a policy couldn’t be implemented in India, which unlike developed countries, does not have a credible social welfare system for the unemployed and the aged persons.

In addition, there are institutional and legal problems for effective implementation of policies. Most of the economic departments are headed by career bureaucrats and not by professionals. Bureaucrat’s knowledge of research is limited and they fear of losing power in the case of reforms. The same is true for most of the politicians who are accused of being non-responsive and incapable of using research.

Many Indian laws are outdated and require suitable amendments to take care needs of emerging pensions, provident and insurance funds. But the existence of democratic system in India stands in the way of necessary amendments in time. All these factors resulted in lower uptake of research in policy planning in India.

### **7.5 Impact of Labour Reforms on Poverty and Employment**

Any strategy to improve the condition of the poor hinges on improving the labour market, since income from work and quality of work are the main determinants of the living conditions of the poor (World Bank 1996). India is endowed with an abundant and technologically skilled labour force, and is ranked first for both these criteria in the Global Competitiveness Report (GCR). But, India’s labour market has low degree of labour market flexibility in terms of deployment of human resources, work practices, and wages. Various studies (Anant 2005, Debroy 1997; Fallon and Lucas 1993; ILO 1999; OECD 1995; Surendra Nath 2005) suggest that such rigidities constrain the effective redeployment of labour during

the process of industrial restructuring and changes in demand and technology, and act as a disincentive for employment creation. An industry survey and discussions with industrialists also identify labour regulation as the second highest obstacle to the operation and growth of business (World Bank 2000).

However, economists and social scientists specialized in labour markets and labour laws did not have a uniform or a single voice. Guided by their political ideology, they were divided in their recommendations and there was an intense debate regarding impact of globalization and structural reforms on employment and wages. While many researchers (Anant 2005, Besley and Burgess 2004, Debroy 1997, Fallon and Lucas 1993, Gangopadhyay and Wadhwa 1998, Sachs et al. 1999, Stern 2001, Surendra Nath 2005, World Bank 1998 and 2000) recommended liberalization of labour markets, almost an equal number of economists (Chadha and Sahu 2002, Ghosh 1996 and 1999, Rao 1994, Sen 1996 and 2002, Sen and Ghosh 1993, Sundaram 2001a and 2001b, Vaidyanathan 2001) talked of adverse impact of structural and stabilization measures on employment and labour welfare in the short run. Confronted with significant deceleration of employment in the organised sector, particularly in the public sector, and rising regional inequalities in the post-reforms period, trade unions and political leaders blocked any reforms in labour laws as they were more interested in the short-term gains and were uncertain about gains in the long run.

Average labour intensity in unregistered manufacturing increased from an average of 59.3 per cent over 1988-9 to 1990-1 to 62.4 per cent over 1993-4 to 1995-6 (World Bank 1998). Hence, had labour markets functioned more flexibly, pensions been more mobile, and legislation been more conducive, the organized sector might have occupied a more prominent share of the work force. Formal sector employees might have grown more rapidly and been more mobile, and the benefits of more formal employment shared across a larger number of employees, including women, who have been unable to participate fully in the labour market.

Rigid labour laws and high protection of labour encouraged increasingly capital-intensive industries (Gangopadhyay and Wadhwa 1998). Labour legislation and public sector employment gave employment protection and relatively high wages to the few employed in the formal sector, which constitutes only 8 per cent of total labour force. In addition, labour mobility across sectors was hindered by the pension system in the formal sector, pensions are not mobile across jobs and many years of work are needed before an employee becomes eligible for a pension.

Labour regulation has been identified by many researchers (Stern 2001 and Sachs et al. 1999) as an important factor influencing the investment climate in India. As Besley and Burgess (2004) show, policy choices of the Indian state governments as regards labour legislation strongly affected manufacturing performance. Manufacturing has played a major role for improving economic growth in the East Asian countries. For example, the share of manufacturing in GDP in Malaysia improved from only 8% in 1960 to 26% in 1995, whereas that in India increased from 13% to 18% in the same period. East Asian countries had also experienced sharp reduction of poverty.

The study by Besley and Burgess (2004) based on state level panel data for the period 1958-1992 exploits two important facts: (a) labour regulation only applies to the registered manufacturing sector and (b) the Indian constitution empowers the state governments to amend central legislation. The principal central legislation is the Industrial Disputes Act of 1947, which has been extensively amended by the state governments since 1950s. Besley and Burgess (2004) read the text of each amendment and classified these as pro-worker (+1), neutral (0) and pro-employer (-1).

Besley and Burgess then show that pro-worker labour reforms are closely associated with an increase of urban poverty but do not affect rural poverty. This is due to the fact that labour legislation applies basically to the registered manufacturing units, which exist primarily in urban areas. They observed that the adverse affects are large. For example, the state of West Bengal, which is ruled by the communist parties for the last three decades, had passed large number of pro-worker amendments during this period. Had it not taken these labour policies, its urban poverty ratio would have been 11 per cent lower in 1990. These results suggest that attempts to redress the balance of power between capital and labour can end up actually hurting the poor in the medium and long term.

Besley and Burgess (2004) further observe that a pro-worker labour legislation is associated with lower per capita manufacturing output. This is due to the fact that pro-worker legislation led to less output in registered manufacturing sector. States with more pro-worker labour regulation tend to have less investment in the registered manufacturing sector, and larger informal manufacturing sectors. As organised trade unions are able to extract more wages and benefits in the registered sectors, capitalists prefer to remain in the unorganised sectors where labour has no power.

These results on labour regulations are mirrored in the relationship between urban poverty and labour regulation. States that had more pro-worker legislation had been less effective in reducing poverty at a given level of growth. States, which enacted pro-employer labour legislation, achieved significantly higher growth rates.

## **7.6 Role of Trade Unions**

Trade unions play an important role in labour reforms. Today practically every political party has its trade union wing. Given the flexibility of the Indian party structure, the number of trade union federations and their respective influence varies considerably over time. In 1989, the Labour Ministry listed eight major trade unions federations viz. Indian National Trade Union Congress (INTUC), All India Trade Union Congress (AITUC), Centre of Indian Trade Unions (CITU), Hind Mazdoor Sabha (HMS), Bharatiya Mazdoor Sabha (BMS), Hind Mazdoor Kamgar Party (HMKP), United Trade Union Congress (UTUC), and National Labour Organisation (NLO) besides a number of small independent unions. Due to party affiliations, politics at national and regional levels finds its reflection in trade union activity.

Although trade unions represent only the organised labour, which constitutes only 8 per cent of total labour force, they are very vocal, and the vulnerability of Indian politics to capture by vested interests is great. To quote an observation made by a joint study on “Economic Restructuring in East Asia and India Perspectives on Policy Reform” by the Indira Gandhi Institute of Development Research (IGIDR), India and the Institute of South-East Asian Studies, Singapore: “Democratic regimes in South Asia are vulnerable to capture by vested interests. The less dependent the development process is on state involvement, the less damage these interests can do” (Pradeep Agarwal et. Al 1995).

While large firms are over-legislated, smaller firms are probably under-legislated. In fact the informal sector, which employs 80 percent of the industrial workers, is entirely free from any obligations rendered by the ID and IE act. Consequently, workers prefer to rely on local unions (since union can be formed virtually everywhere) and not the state machinery to protect their interests. This situation has led



to large-scale intrusion of political parties or their surrogate organizations into trade unions. The collective bargaining mechanisms are, therefore, highly informal and politically motivated.

Trade unions wield a reinforced political power. Besides casting their votes in elections, they influence politics and government policies between elections and act as a strong pressure group through strikes and demonstrations. As neither political parties nor union leaders are stake holders in the industry in real sense of the term, the focus of their interventions in labour reforms is their limited private interest which clashes with interests of consumers and unemployed.

## **7.7 Concluding Remarks**

Political framework is the most important factor influencing research and its uptake by policy makers in the field of labour reforms. Research was highly influenced by either the political ideology of the researchers or by the motives of the organizations that financed research. In most cases, there was conflict of interests among various stakeholders such as workers, trade unions, industrialists, managers, bureaucrats and politicians. Most of the well-researched policy prescriptions could not be implemented due to resistance by organised trade unions.

The legislative framework of industrial relations in India is fairly comprehensive covering all the important dimensions of the employer-employee relationship. Many research studies indicate that despite good legislations, the enforcement of labour laws and state regulations had been unsatisfactory, as India's record in maintaining peaceful industrial relations (in terms of man-days lost in industrial disputes and protests and the number of lockouts) is not particularly commendable (Saha and Pan 1994). There is also poor coordination between judicial set-up and state governments and at times they work for cross-purposes (Saha 2005).

Currently the median age of the Indian working population is, at 24.3 years, one of the lowest among the large nations. India is likely to add 83 million to its working age population of 675 million by 2010 according to the estimates by the United Nations. However, existing restrictive labour laws have been a deterrent to employers forcing them to prefer capital-intensive options for production. Government has avoided confronting the issue of unemployment head on (Aya and Sheth 2004). Politicians' efforts to protect labour in the public sector add to inflexibility in the labour market.

Trade unions were very vocal and were affiliated to major political parties. Although researchers, industrialists and policy makers advocated for greater flexibility of labour laws, trade unions with their political support put constraints in bridging research and policy. The centre of political life for the most trade unions consisted of protest, strikes or electoral politics and the bulk of interactions between trade unions and the government centered on labour welfare and security.

As the process of reforms got intensified in the economy, agenda of labour market reforms assumed significance. The success of structural reforms depended on combining efficiency of the enterprises with measures to safeguard the genuine interests of labour. It required the provision of adequate separation/retrenchment benefits to the workers along with that of effective schemes of training and redeployment (Sharma 2004).

The emphasis of the government on employment generation and social security has taken wind out of the sails of the market governance reforms. Consequently, industrial relations among various stakeholders such as firms and trade unions have vastly improved today compared to 1990.

Although initial rounds of labour reforms have not worked as expected, both the laborers and government now agree that more flexible labour laws and labour markets are necessary in the emerging globalization of the economy. Both the trade unions and government also agree that existing social security and welfare for labour need to be enhanced before hire and fire policy can be adopted by the employers.

## **Bridging Research and Policy Survey Results**

### **8.1 Synthesis of Forward Looking and Backward Looking Approach**

Results of both forward looking and backward looking approaches in labour reforms and external sector reforms are summarized in **Annex-3** which is self-explanatory and indicates influences of various factors such as context, evidence, communications, networks and links etc. on the interlinkages between policy and research.

#### **(a) Impact of research on policy**

Although research studies on labour economics in general had an influence on policy planning, the impact was minor and the implementation of policy was partial and incomplete due to political economy constraints. The time lag between research and policy planning as well as between policy formulation and implementation was very long due to democratic process in India which requires consultation with all stakeholders and general political consensus particularly on matters relating to labour welfare.

On the other hand, studies in external sector made significant impact on policy planning leading to full convertibility of Indian rupee on current account, partial convertibility on capital account, rationalisation and reduction of customs tariffs, market determined exchange rate, and significant liberalization of foreign trade, foreign investment and foreign technology transfer. There was normal to modest time lag between research studies and policy planning, and between policy formulation and implementation.

#### **(b) Channels for inter-linkages**

Analysis of results on channels for inter-linkages indicates that research cited in official documents was observed to be a non-significant channel (lowest 20 per cent), policy briefs included in a background note were also considered to be channels of marginal use (21 to 50 percent) while experts invited to express opinion before a committee or included as a member in a task force or assigned to conduct independent research were observed to be the most preferred channels (51 to 80 Per cent).

#### **(c) Scope of reforms**

As regards scope of reforms, privatization and labour markets reforms related to piece-meal disinvestments of government equity in public enterprises, sale of loss making public enterprises, selected amendments of Acts (in most cases delayed and unsuccessful) dealing with bonus, gratuity, minimum wages, contract labour, workman's compensation, emigration, unorganised labour etc. External sector reforms related to convertibility of rupee, floating exchange rate, liberalization of debt and non-debt creating financial flows and rationalisation and reduction of customs duties.

#### **(d) Constraints in implementation**

As regards constraints on implementation, problems in policy agenda and objectives, rigidity in laws and regulations, institutional, political and bureaucratic constraints were considered to be medium to high in

the case of labour reforms, whereas these constraints were graded as low to medium in the case of external sector reforms.

### **(e) Quality and quantity of research**

For both the sectors, research concentrated on review and evaluation of earlier policies. Research approaches and methodologies adopted were mostly empirical, evaluation and review followed by rigorous data analysis, and there was very little use of international evidence or best practices. Their impact was minor and incremental for labour reforms, while it was major and comprehensive for external sector reforms.

As regards classification, research was mostly topical and timely. As regards nature and types, research was mostly problem oriented, evaluative and critical review of existing policies and systems without mentioning alternative policy prescriptions. There was no fundamental research<sup>10</sup> on the need and scope of reforms.

Research methodology was primarily qualitative with little use of quantitative or econometric techniques. As regards contestation of evidence, findings were non-controversial in nature, but were not supported by international best practices.

### **(f) Political Economy Context**

As regards macro political context, India has a well established democratic system with independent judiciary, legislative, executive, free press and electronic media. As regards micro political context, industrial relations among employers, employees, government and trade unions have been very peaceful in India even in the post reforms period.

Policy planning and implementation system was open and transparent, and the policy makers were well qualified, but they were often guided by their political masters who determine their postings, promotions and transfers. However, there has been a distinct change of mind-set of the bureaucrats and policy makers in the post reforms period.

There exist distinct policy windows, and every policy change has to go through various stages for checks and balances such as approval by a Committee of Secretaries, Group of Ministers and Cabinet Committee on Economic Reforms. Consequently, policy planning on important matters relating to general economic and social welfare is a time consuming and long drawn procedure.

### **(g) Communications**

Communications channels involved preparing working papers, discussion papers and reports and holding meetings, conferences and workshops with multi-stakeholders. In most of the cases, seminars and interactions were formalized.

### **(h) Links**

---

<sup>10</sup> Fundamental research is generally regarded as a classical “public good”, but resource constraints and lack of well qualified researchers in a developing country like India stand in the way of fundamental economic and social science research.

The most effective linkage was established through establishment of working groups and appointing experts as consultants for a limited period in government departments. But, the general mobility between researchers and policy planners was limited due to recruitment rules and procedures of the government.

In the case of privatization and labour policies, trade unions played an important role for influencing government policies. In the case of external sectors, associations and chambers of commerce, trade and industry played a major role to help government formulate policies and programs.

### **(i) External Influences**

External influences by the major multi-lateral and bilateral financial and developmental organizations such as the World Bank, ADB, IMF, UNDP, USAID, DFID etc. were observed to be high to affect the research-policy dynamics. International agreements with WTO, BIS, ILO and others were also observed to influence the extent of research and research-policy inter-linkages. Particularly, impact of donor policies relating to results-based management, Poverty Reduction and Growth Strategy, sustainable environment etc. was observed to be high.

## **8.2 Survey of Researchers and Policy Makers**

One of the basic objectives of the BRP study is to supplement results of the desk study on backward and forward looking analysis with those obtained from a comprehensive survey of researchers, policy makers, bureaucrats and politicians. For this purpose, a detailed Questionnaire (**Annex-1**) was prepared for the researchers for conducting opinion surveys and analyzing the interaction between research and policymaking. The questionnaire was suitably modified for the policy makers while keeping the basic contents. The Questionnaire was addressed to 250 eminent researchers and policy makers through EMAIL or the postal system.

The sample was selective and purposive in the sense that the Questionnaire was sent to those research institutes, which have strong interlinkages with the government departments and receive either endowment funds or project grants from the government or finances from multilateral funding agencies. However, there was no bias for regional distribution. Addressees in the government departments, international organisations, corporate bodies, and industry and trade associations included economic advisers and researchers engaged in policy formulation and having expertise in the spheres of external sector, labour laws, privatisation issues and general macro economic policies.

### **8.2.1 Characteristics of respondents**

About fifty per cent of the researchers and policy makers (126 out of 250 contacted) responded to the Questionnaire. Respondents included 2 Vice Chancellors of central universities, 20 directors of research institutes, 50 Advisers/ Policy Makers/ Economists in the government, 26 Professors/ Teachers and 28 other researchers. Majority of the respondents held their present positions for more than three years and had the privilege of being associated with the Government Working Groups, Expert/ Specialist/ Advisory Committees either as Member or Invitee or Consultant. So they had a very good understanding of the system and procedure for formulation of government policies.

### **8.2.2 General Observations**

Results of the survey for researchers are summarized in **Table 8.1**, while those for policy makers are presented in **Table 8.2**. As is evidenced by these tables, there are significant differences in the responses

by researchers and policy makers. Although there existed continual dialogue and interaction between policy makers and researchers, it appeared that there existed a “*two communities model*” and the researchers and policy makers lived in two planets<sup>11</sup> or two islands. Researchers felt that government advisers lacked specialization and were guided by vested interests and directives by their political bosses. On the other hand, policy makers felt that the researchers were too theoretical in their analysis, and they did not consider the political economy context, operational and financial constraints, and were also ignorant of the international best practices. In this context, it is interesting to quote the following comments given by a researcher of an industry association:

“Policy makers possess a remarkable ability to factor administrative and implementation costs in policy formulation and render a research conclusion unusable. These costs are often incomprehensible by simple research minds”.

“On the other hand, it is also important to point a finger at the researchers. A typical researcher has a love for disclaiming and relying excessively on outcomes of highly sophisticated and econometric modeling. A strong disconnection between research and commercial business is more evident than that between researchers and policy makers. Most of the researchers have no knowledge of financial accounting, and so most of the scientific research is an abstraction from reality and cannot be put to commercial use by business houses”.

“Both the researchers and policy makers are alienated from the common man for whom either research or policies are intended”.

### **8.3 Components of Questionnaire and Survey Results**

The survey questionnaire (**Annex-1**) contained the following basic questions on various aspects of research, policy planning and their interlinkages:

- (I) Areas of research
- (II) Motivation of research
- (III) Responses to research by the policy makers
- (IV) Bureaucratic characteristics in policy implementation
- (V) Factors influencing research
- (VI) Scope and process of reforms
- (VII) Predictability of reforms, policy window and policy crisis
- (VIII) Characteristics of policy makers
- (IX) Quantity and quality of government research
- (X) Main barriers for research uptake in policy planning
- (XI) Factors influencing policy-research interlinkages

The following sections summaries the main results of the survey for other aspects.

#### **8.3.1 Areas of research**

---

<sup>11</sup> The idea of two planets model was first propagated by Caplan in 1979.

Among 126 respondents, there was almost equal distribution of major fields of specialization- 26 percent had specialization in external sector policies, 24 per cent in labour economics, 24 per cent in privatisation issues and 26 per cent in general macro economic policies.

### **8.3.2 Motivation of research**

Majority of the respondents (58 per cent), both in the private research institutes and the government departments, reported high level of expertise in their field of research, although they were guided by either political or ideological interest. In majority of the cases, researchers were funded either by the government or by the multilateral funding agencies, but they had adequate independence for research and freedom to express their unbiased opinions on policy issues.

### **8.3.3 Responses to research by the policy makers**

Majority of the researchers reported that policy makers actively sought solutions to the problems but they felt that policy makers did not have general agreement on specific policies, and were guided not by open mind, rationality and reasoning but by rigid ideology and vested interest for choice of a particular policy. Although policy makers did consult all stakeholders, policymaking system was not open and transparent. There was no policy audit and accounting, and majority of policy makers were neither flexible for policy planning nor accountable for policy failures.

On the other hand, policy advisers reported that they consulted all stakeholders and sought active advice from them. They felt that policy-making process was transparent, rational and open within the government, and in most cases there were agreements among various departments regarding particular course of action. However, due to rules of official secrecy, researchers cannot be actively involved at every stage of policy formulations. The problem was solved by forming expert committees and working groups comprising members from researchers and other stake-holders. Policy makers felt that they had open mind, and they were accountable to the parliament and the concerned Ministers by established conduct rules of the government.

### **8.3.4 Bureaucratic characteristics in policy implementation**

Majority of researchers felt that there is high level of corruption in bureaucratic set up, bureaucrats have strong desire to gain and maintain power, and they have fear of loosing power in the case of change of policies. Although bureaucrats are moderately to highly qualified and have adequate level of understanding, they have aversion for policy change, and they preferred to maintain status quo because of desire to protect vested interests.

On the other hand, government advisers reported that the level of corruption is not wide spread, rather limited to certain departments dealing with licenses and regulation. With progress of economic reforms and gradual liberalization of the economy, all licenses for industry, trade and investment have been abolished. Consequently, the degree of bureaucratic corruption has been reduced significantly. Government advisers claimed to be highly qualified with adequate capability of understanding the rationale, scope, sequencing and prioritizing the agenda of reforms. Policy advisers also reported that they are not guided by their own interests rather they consider social welfare, poverty alleviation, public goods, merit goods and the interests of the vulnerable sections of the society while formulating specific policies. In fact, there has been significant change in the mind-set of bureaucrats and policy advisers in the post reforms period.

### **8.3.5 Factors influencing research**

Both the private researchers and the government advisers felt that research was influenced by medium to high degree by the interests of the civil servants, business houses, trade unions, politicians and urban people, but the degree of influence by the rural people was very low. This implies that both the reforms and research had a sort of elitist approach and ignored the interests of the rural poor.

### **8.3.6 Scope and process of reforms**

Reforms and policy changes were considered by both the researchers and policy advisers to be routine and incremental rather than fundamental and revolutionary. This observation is consistent with the fact that Indian government believes in a gradual, step-by-step, evolutionary and cautious approach rather than a big bang, revolutionary and shock therapy approach for reforms (Das 2003).

### **8.3.7 Predictability of reforms, policy window and policy crisis**

Majority of respondents reported that the predictability of the future policy regime is low, but there exists a well-defined policy mechanism and policy window. While the researchers considered the degree of policy crisis to be medium to high, government advisers felt that there does not exist policy crisis as such. However, policy makers accepted that the extent of policy reforms had been slow in the fields of privatisation and labour policies due to political economy constraints. In recent years particularly in the post-reforms period there had been coalition government at the Centre with political parties having diverse ideology and interests putting constraints on reforms and blocking privatization and liberalization of labour markets.

India has a multi-party democracy with free press, independent judiciary and legislation, and committed executives. Government is fully aware that no reforms can succeed unless the government is able to take the people along with them. Accordingly, all reforms are based on general political consensus and have a bias for general public interests.

### **8.3.8 Characteristics of policy makers**

Researchers felt that government advisers were moderately qualified, highly experienced and open to new evidence, but their moral and ethical values and ideology were low to medium and they were guided by the directives of their political bosses in most of the cases. On the contrary, government advisers considered themselves to be highly qualified and experienced in their fields and to have high degree of moral and ethical values. Although they try to satisfy their political masters due to their nature of duties and service conditions, they had open mind for new evidence and international best practices. Well structured and well convincing research is always valued by the policy makers.

### **8.3.9 Quantity and quality of Government research**

Private researchers felt that there does not exist effective research in the government, and if it existed, quality of research was poor. On the contrary, government advisers reported that they also conduct research and the quality is medium to high. But due to acts of secrecy these research results and methodology are not disseminated to the public. Therefore, outside researchers are not fully aware of the scope and quality of research in the government departments.

### **8.3.10 Main barriers for research uptake in policy planning**



Majority of private researchers felt that there are systematic problems in the government to use research as government officials do not have the habit of reading academic journals and research papers and the policy making process is not transparent enough to have open public debate on many issues. Influences of socio-political environment, vested interest groups, legal and constitutional barriers and institutional constraints were considered to be medium to high. There were no research failures as such, but bureaucrats by nature did not like research and their ability to understand quantitative research was limited. Bureaucrats had high degree of fear of losing power in the case of change of policies and simplification of rules and procedures. So they preferred status quo and perpetuation of the complicated rules and procedures and the complex regulatory system for maintaining their bureaucratic power.

On the other hand, government advisers reported that they did not have any disliking for research or any inability to understand academic work. They accused private researchers of producing mainly theoretical and philosophical studies without much relevance and convincing arguments. However, they agreed with researchers that there existed legal, constitutional and institutional problems for implementing policies, particularly in the field of labour markets and privatisation. Both the researchers and policy makers reported that political economy and institutional context play a major role for bridging research and policy.

### **8.3.11 Important measures to enhance policy-research interlinkages**

Researchers and policy makers were requested to choose five important measures for bridging research and policy and to grade them in a scale of 1 to 5 (1 implies the lowest degree and 5 implies the highest degree of importance). As judged by the Borda Index (i.e. the total of ranks for an item by all respondents), the following measures emerge as the most important channels (1 implies the lowest degree and 5 implies the highest degree) for bridging research and policy:

5. Setting up working groups comprising all stakeholders,
4. Having regular and formal consultations between researchers and policy makers,
3. Commissioning policy-oriented research studies,
2. Organizing multi-stakeholders' workshops.
1. Appointing researchers as consultants/ advisers to the government.

Other effective measures included allowing government officials to join research institutes for a specified period on sabbatical leave or to proceed on study leave or to join a refreshers course. Setting up in-house research institute by a government department was not considered to be an effective instrument for linkage between research and policy as it may not encourage impartial and independent research and may not attract highly qualified professionals to join such institutes.

## **8.4 Concluding Remarks**

Results of both the desk studies and stakeholders surveys indicate that the political economy and institutional context play a major role for bridging research and policy. This is particularly important for the privatization strategy and reforms in labour markets. Uptake of research for policy planning in these fields can be improved by involving trade unions and labourers as major partners and stakeholders from the very beginning of the research process and policy formulation.

**Table 8.1: Responses by Researchers  
(Percentage Distribution)**

<b>Table 8.1: Responses by Researchers (Percentage Distribution)</b>					
<b>1. Major areas of research</b>	<b>Percentage</b>				
(a) External sector	27				
(b) Labour	23				
(c) Privatisation	23				
(d) Others	27				
Total	100				
<b>2 Motivation for research</b>	<b>Low</b>	<b>Medium</b>	<b>High</b>		<b>Total</b>
a. Basic expertise in the area	0	24	76		100
b. Requested by the govt	30	40	30		100
c. Funded by an organization	27	27	47		100
d. Political/ideological interest	27	20	53		100
<b>3 Knowledge about responses</b>	<b>Yes</b>	<b>No</b>	<b>Don't know</b>		
a. Policymaker's demand	57	23	20		100
b. Policymakers' consensus	13	73	13		100
c. Climate of rationality	33	47	20		100
d. Openness in decision	31	63	6		100
e. Consultation	63	37	0		100
f. Transparency	27	73	0		100
g. Accountability	13	73	13		100
h. Flexibility	43	53	3		100
<b>4. Bureaucratic Motivation for policy formulation</b>	<b>Low</b>	<b>Medium</b>	<b>High</b>	<b>Don't know</b>	
a. Corruption	20	10	70	0	100
b. To gain bureaucratic power	30	17	53	0	100
c. Fear of losing power	7	27	67	0	100
d. To gain bureaucratic incentives	7	47	40	7	100
e. Capacity to understand	40	33	27	0	100
<b>5. Factors influencing policies</b>	<b>Low</b>	<b>Medium</b>	<b>High</b>	<b>Don't know</b>	
a. General public interest	37	50	13	0	100
b. Interest of civil servants	17	40	43	0	100
c. Interest of the business	7	43	50	0	100
d. Interest of the politicians	20	30	43	7	100
e. Interest of trade unions	7	33	47	13	100
f. Interest of urban people	20	43	37	0	100
g. Interest of the rural sector	73	13	7	7	100
<b>6. Reforms process</b>	<b>Routine</b>	<b>Incremental</b>	<b>Fundamental</b>	<b>Revolutionary</b>	
	27	53	20	0	100
<b>7. Predictability of reforms</b>	<b>Low</b>	<b>Medium</b>	<b>Very much</b>	<b>Don't know</b>	
	67	27	7	0	100
<b>8. Is there a policy window?</b>	<b>Yes</b>	<b>No</b>		<b>Don't know</b>	
	63	30	0	7	100
<b>9. Is there any policy crisis?</b>	<b>Low</b>	<b>Medium</b>	<b>High</b>	<b>Don't know</b>	

	23	30	40	7	100
10. Policy makers characteristics	Low	Medium	High	Don't know	
a. Qualifications	7	60	27	7	100
b. Experience	7	50	37	7	100
c. Open to new evidence	33	43	23	0	100
d. Moral and ethical values	43	37	7	13	100
e. Ideology	40	37	17	7	100
f. Guided by Political bosses	7	20	53	20	100
11. Quantity of Govt research	Low	Medium	High	Don't know	
	9	53	31	7	100
12. Quality of govt research	Low	Medium	High	Don't know	
	60	27	7	7	100
13. Barriers to BRP	Low	Medium	High	Don't know	
a. Govt's failures	20	11	69	0	100
b. Transparency	40	30	30	0	100
c. Socio-political constns	7	40	53	0	100
d. Contest, vested interests	7	60	33	0	100
e. Institutional constraints	20	33	47	0	100
f. Research failures	53	33	13	0	100
g. Legal/const problems	27	53	20	0	100
h. Officers donot like research	27	53	20	0	100
i. Inability to understand	27	27	47	0	100
j. Fear to loose power	23	27	50	0	100
14. Measures for better BRP	Borda Index	Ranking*			
a. To set up research institute	36				
b. To organize workshops	177	1			
c. To set up Working Groups	240	5			
d. Regular consultations	216	4			
e. Commissioning research	183	2			
f. Appointing consultants	204	3			
g. Allowing deputation	102				
h. Study leave	90				
i. Refreshers courses	78				
j. Funding res. Institutes	174				
Total	1500	-			

Note: \* 1 implies the lowest degree and 5 implies the highest degree of importance

**Table 8.2: Responses by Policy Advisers  
(Percentage distribution)**

<b>Table 8.2: Responses by Policy Advisers (Percentage distribution)</b>					
<b>1. Major areas of research</b>	Percentage				
(a) External sector	25				
(b) Labour	25				
(c) Privatisation	25				
(d) Others	25				
Total	100				
<b>2 Motivation for research</b>	Low	Medium	High		Total
a. Basic expertise in the area	0	70	30		100
b. Requested by the govt	0	30	70		100
c. Funded by an organization	0	40	60		100
d. Political/ideological interest	20	50	30		100
<b>3 Knowledge about responses</b>	Yes	No	Do not know		
a. Policymaker's demand	70	30			100
b. Policymakers' consensus	65	35			100
c. Climate of rationality	70	30	0	0	100
d. Openness in decision	75	25			100
e. Consultation	75	25	0		100
f. Transparency	65	35			100
g. Accountability	65	35			100
h. Flexibility	60	40			100
<b>4. Bureaucratic Motivation for policy formulation</b>	Low	Medium	High	Don't know	
a. Corruption	70	20	10		100
b. To gain bureaucratic power	30	50	20		100
c. Fear of losing power	50	30	20		100
d. To gain bureaucratic incentives	50	30	20		100
e. Capacity to understand	20	30	50	0	100
<b>5. Factors influencing policies</b>	Low	Medium	High	Don't know	
a. General public interest	20	30	50		100
b. Interest of civil servants	20	35	45		100
c. Interest of the business	10	30	60		100
d. Interest of the politicians	10	20	70	0	100
e. Interest of trade unions	10	20	70	0	100
f. Interest of urban people	10	30	60		100
g. Interest of the rural sector	30	30	40		100
<b>6. Reforms process</b>	Routine	Incremental	Fundamental	Revolutionary	
	30	50	20	0	100
<b>7. Predictability of reforms</b>	Low	Medium	Very much	Don't know	
	25	60	15	0	100

8. Is there a policy window?	Yes	No		Don't know	
	100	0	0	0	100
9. Is there any policy crisis?	Low	Medium	High	Don't know	
	70	20	10	0	100
10. Policy makers characteristics	Low	Medium	High	Don't know	
a. Qualifications	10	30	60		100
b. Experience	10	40	50		100
c. Open to new evidence	10	35	55		100
d. Moral and ethical values	0	20	80	0	100
e. Ideology	20	60	20		100
f. Guided by Political bosses	10	30	60		100
11. Quantity of Govt research	Low	Medium	High	Don't know	
	10	30	60		100
12. Quality of govt research	Low	Medium	High	Don't know	
	10	20	70		100
13. Barriers to BRP	Low	Medium	High	Don't know	
a. Govt's failures	70	20	10		100
b. Transparency	10	25	65		100
c. Socio-political constns	10	20	70		100
d. Contest, vested interests	10	30	60		100
e. Institutional constraints	10	30	60		100
f. Research failures	70	20	10	0	100
g. Legal/const problems	10	30	60		100
h. Officers donot like research	75	15	10		100
i. Inability to understand	75	15	10		100
j. Fear to loose power	50	30	20		100
14. Measures for better BRP	Borda Index	Grades*			
a. To set up research institute	45				
b. To organize workshops	186	2			
c. To set up Working Groups	255	5			
d. Regular consultations	210	4			
e. Commissioning research	195	3			
f. Appointing consultants	150	1			
g. Allowing deputation	105				
h. Study leave	135				
i. Refreshers courses	120				
j. Funding res. Institutes	99				
Total	1500				

Note: \* 1 implies the lowest degree and 5 implies the highest degree of importance

## Analytical Lessons and Future Research Agenda

In this chapter we make an attempt to provide a summary of the major findings of the Indian case study with an aim to:

- (a) enhance our knowledge about the factors that are responsible for the existence of gaps in supply and demand for research and between research, policy formulation and implementation;
- (b) identify analytical lessons for bridging the gap between development research and policy planning; and
- (c) to formulate practical guidance and future research agenda and action plans for diverse stakeholders, particularly for research institutes, government policy makers and international donors providing research funds.

### 9.1 Politics of Policy Planning<sup>12</sup>

India is a success story of economic reforms. Because of its vast size, it also provides a good example of having a wide network of research institutes, and effective linkages between development research and policy planning. The country case study on India critically appraises the research-policy-implementation linkages in the external sector, privatisation strategy and labour market reforms in India in the post reforms period.

Interlinkages among research, policy and implementation are very complex in a democratic set-up like India. The case studies in external sector and labour reforms in India support the findings of other case studies on BRP (Court and Young 2003, Court, Hovland and Young 2005) that the political institutional context is the most important factor determining the scope and extent of linkages among research, policy and implementation. Reforms based on various research studies in the external sector were most comprehensive and extensive as there was less resistance by the left parties and trade unions for major part of external sector reforms (such as liberalization of exchange control regime, liberalization of foreign investment and technology transfer, removal of import controls and reduction of import duties). The working class was not directly affected by these policies; on the contrary they enjoyed the fruits of reforms in the form of easy availability, lower prices and higher quality of essential goods and services.

On the other hand, progress of privatisation and labour reforms was slow and the scope was very limited due to political economy constraints. Despite various studies indicating substantial benefits from labour markets reforms over medium and long term, Indian labour laws still remain highly restrictive. Most of the recommendations of labour studies for liberalizing labour markets were ignored by the trade unions and left parties.

---

<sup>12</sup> The theoretical literature dealing with generalizations of the “theory of politics for policy planning” is vast and offers an array of impressive models and conceptual frameworks to explain research uptake in policy planning and process of policy change. Nelson (2001), for instance, lists seven models classified as (1) linear, (2) incrementalism, (3) interactive, (4) policy networks, (5) agenda setting, (6) policy narratives and (7) policy transfer.

Labour market researchers were aware of political constraints and communist ideology against privatisation and liberal labour markets, but they preferred to concentrate on economic issues and did not make an attempt in addressing political economy constraints. A few leftist minded economists always talked against globalization, India's participation in the WTO and economic reforms including privatisation and labour markets, but they did not do any serious and rigorous research to support their views.

In fact, there are very few studies on the political economy and majority of the economists and social scientists thought that the communist parties belong to minority political camp and their views can be ignored in government policy making. However, in recent years dominant political parties have failed to achieve majority votes in elections leading to coalition governments with the support of the leftist and communist political parties. Consequently, their views as well as views of the trade unions supported by them have become important in government policy making.

Policy oriented research cannot be complete without considering the existing political economy context i.e. interrelations between political and economic institutions and processes, particularly related to policy suggestions and reforms. Presenting the technical or economic rationale for any policy reform is not enough; it is necessary to spell out the transition process, institutional constraints and its impact on all relevant stakeholders such as intended beneficiaries, and key decision makers in bureaucracy and politicians. As Williamson (1998) notes "Most economists tend to assume that most market-oriented reforms will benefit most the people, including most of the poor, most of the time. The case for such reforms often seems so overwhelming to the economists, on both efficiency and equity ground, that we have trouble to comprehending why we need to argue the case rather than first identify what needs to be done. Yet the case does need arguing because reform may seem less compelling to politicians than it does to most economists".

Policy reform basically involves change: transforming one set of policies and institutions to another in order to bring about improvements in socioeconomic conditions. But, the existing set of policies and institutions involve a particular distribution of costs, benefits and power. Policy reforms are likely to be threatened by the interest groups associated with the existing system. In the case of India, labour Unions perceived themselves as losers from liberalization of labour laws without sufficient social welfare measures or protection. So, it was natural that they resisted any change and blocked labour reforms.

An effective policy research is guided by four key factors viz. (i) the rationale and relevance of reforms, (ii) the process of policy making, (iii) people and political players as stakeholders and (iv) institutions involved in implementation. In general, policy issues are complex, encompass many variables which are dynamically interrelated, involve stakeholders with conflicting and multiple interests and combine diverse institutions that play varying and interdependent roles in policy implementation. There is generally no single (or a group of) stakeholder who has full control of the policy environment. It is unlikely to have a single incentive framework that can reconcile diverse conflicts. It involves mutual compromise and accommodation by a set of stakeholders. Therefore, involvement of all relevant stakeholders in the research and policy formulation process is essential for effective interlinkages between research and policy.

A key stakeholder in policy reform is the people, and their co-operation and continual support are essential for any reform. Policy reform is to a large extent political in nature, and is primarily a domestic game, even if it conforms to international best practices. Political consensus is necessary for ownership and permanency of reforms. Therefore, a critical analysis and appraisal of the role of people as stakeholders and political players in the policy reform process must form an integral part of policy-

oriented research. There is a need for a fundamental change in policy research and a shift towards a political economy approach, particularly for studies on privatization and labour reforms.

## **9.2 Bridging Research and Policy in External Sector Reforms**

As in the case of privatisation and labour reforms, political context played an important role for bridging research and policy and initiating reforms in the sphere of external sectors. However, there was a significant contrast in the influence of political economy on reforms. Whereas in the case of labour reforms, most of the political parties blocked well-researched policy prescriptions for liberalization of labour laws and labour markets, there was general political consensus for external sector reforms.

There was less resistance by the left parties and trade unions for liberalization of exchange rate and exchange control regime, removal of quantitative restrictions on imports accompanied by the drastic reduction of import duties, as the working class was not affected adversely by these measures. On the contrary, they enjoyed the fruits of external sector reforms in the form of increased supply through imports at lower prices and higher quality of essential goods and services.

However, there was some resistance for allowing foreign direct investment in some sensitive sectors such as real estate, print media and retail trade, although research studies indicated substantial benefits in terms of higher growth and employment from these reforms. For ideological reasons, the left parties did not allow majority equity holding by foreign investors in insurance and natural resource based sectors such as mining and plantations. They also resisted proposed entry of foreign players in private pension and provident funds.

Although FDI regime was significantly liberalized and foreign equity up to 100% was allowed in many sectors, government's intention for increasing FDI limits in some sectors faced severe protests from the left parties. The present Finance Minister announced in the Budget for 2004-05 that FDI limits will be raised in civil aviation up to 49%, telecom up to 74%, banking up to 74% and insurance up to 49%. FDI limit was raised from 40% to 49% in civil aviation, from 49% to 74% in telecom and banking, but FDI limit could not be raised from 26% to 49% in insurance due to opposition by the left parties, which provide political support to the present coalition government. The Pension Bill 2004, which proposed the entry of foreign players in domestic pension and provident funds, could not be passed and the ordinance on the proposed changes in the sector was allowed to lapse simply because of the reservations expressed by the left parties.

On the whole, reforms in external sectors and associated linkages of research with policy were highly successful. The following broad lessons can be drawn from both forwarding looking and backward looking studies in external sector:

- (a) Researches that focus on development in a particular time frame are able to build better theoretical base compared to researches that are open ended. In fact, researches that capture the quantitative analysis restricted to the recent past are more dependable than others.
- (b) Researches that make use of comparative economic situations in other nations and present international best practices are more useful for the policy makers.
- (c) Quantitative analysis of an economic issue with alternative policy options is more acceptable to a policy maker due to its high degree of reliability and credibility.



- (d) The research is more acceptable to policy makers, when the research team is headed by some well-known academician or when the research is conducted by a well known research institute of international repute and academic integrity.
- (e) Bridging research and policy becomes more feasible, when the research outcome is backed by a well-known member of the policy making team.
- (f) Different types of research and varying aspects of the policy-making process may lead to research products of varying quality, style and policy relevance.
- (g) By contrast to resources at the disposal of western governments and international development agencies, many developing countries like India lack both in-house research capacity and administrative skill to utilize research findings.
- (h) Academic institutes tend to focus on workshops, conferences and the publication of books or scholarly articles, rather than on the dissemination of policy relevant ideas. There tends to be little communication across disciplines, or even within sub-fields of the discipline.
- (i) Existing practices and standards of excellence in the social science disciplines encourage scholarly abstract and theoretical research that may not be of immediate relevance to policy makers.
- (j) Most important, the policy impact of research is constrained by political factors such as censorship, political disinterest, an intolerant political culture, resistance by vested interest groups or a lack of public support.

### **9.3 Bridging Research and Policy in Privatisation Strategy and Labour Reforms**

While China drastically reformed its previous employment relations pushing the workers to a more insecure regime and transferring substantial bargaining power to the employer within a decade of reforms, India virtually did nothing to change its labour laws even after 14 years of reforms (Saha 2005). In the absence of labour reform, the only avenue of downsizing is the voluntary retirement scheme pursued by the enterprises, which results in high costs and long adjustment period. The methods of recruitment are also predominantly contractual, and where that is not possible, firms resort to outsourcing. This has led to dualism within firms, slower growth of permanent employment and abnormally high share (82 per cent) of unorganised employment in total labour force.

Various studies (Das 1996 and 1998a, Debroy 1997, Debroy and Kaushik 2005, Anant 2005 and Fallon and Lucas 1993) indicate substantial gains from privatisation and labour markets reforms in terms of employment, investment and overall economic growth. Despite these arguments, Indian government has lagged behind in privatisation and Indian labour laws still remain highly restrictive due to political economy constraints comprising restricted land and labour markets and strong resistance by the communists and socialist political parties due to ideological reasons.

Investors perceive high risks due to political economy constraints. Government resists selling public enterprises to foreigners because of political ideology. Private entrepreneurs including foreign investors are reluctant to take an equity position in public infrastructure companies unless government establishes flexible labour laws and rational pricing and tariff structures. These serious obstacles delay or dilute reforms for privatisation despite various studies indicating positive effects of privatisation.

Political constraints have hindered privatisation of well designed privation programs by the government. Left parties held the view that privatisation may be allowed only in loss-making enterprises, but unprofitable units have no buyers. Many times, government has to back track on privatisation due to pressure from political parties or trade unions. Foreign direct investment could not be allowed in retail trade and real estate, and limits of foreign equity holding could not be raised in insurance due to opposition by the left parties who are providing political support to the present coalition government.

India has not achieved remarkable improvement in manufacturing growth. Although industrial output has grown at a faster rate than before, employment growth has decelerated in the recent years. This suggests that labour reforms are necessary to allow for larger investments in manufacturing. Manufacturing growth is crucial for the absorption of semi-skilled and unskilled workers and to reduce the dependency of labour on agriculture, which employs 58% of labour force but contributes only 20% of GDP.

The different courses of reforms taken by India and China can be explained partly by their policy history, political institutions and industrial relations framework. In the case of China, the history of extreme employment security compelled a complete reversal of labour policy to attract foreign capital, which was very important, as there was very little entrepreneur class within the country. Political institutions and one trade union policy further restricted the Chinese workers from conducting true collective bargaining. Hence, they suffered on the redistribution front (Chen et.al.1996, Kanbur and Zhang 2005).

But, India had no such compulsions for reforming the labour markets. India has a long history of mixed economy with dynamic private sector, competitive product markets, well-established money and capital markets and very peaceful industrial relations among the emerging economies. Only 8% of Indian labour force is employed in the organised sector and almost 60% of manufacturing output comes from unregistered companies. A large number of factories remain outside any labour regulations.

Although certain industries took the advantage and grew in terms of size, profit, skill and technology, most others existed for bare survival. A prolonged regime of import substitution damaged their business instincts. While the organized sector provided too much of job-security for too long, the unorganised sector provided too little to too many. Unfortunately, political parties preferred retaining this dualism in order to preserve their vote banks in organised labour force. Consequently, good research works and policy prescriptions on privatisation and labour reforms remained on paper leading to poor uptake of research by the policy makers.

To speed up the research uptake and reform process for privatisation and labour reforms, the following actions are necessary on the part of the researchers and policy makers:

- (a) They can make extensive efforts for advocacy campaigns to inform the citizens, labourers, legislators and journalists of the high costs of inaction in privatisation and labour reforms. These efforts will mobilize popular support in favour of privatisation and labour reforms and break the opposition of vested interests.
- (b) Government can encourage establishment of broad ownership vehicles such as trust funds and employee ownership options to ensure widespread participation in and approval for privatisation. These methods address fears that only foreigners, the elite or particular groups benefit from privatisation.

- (c) The privatisation process itself need to be privatized by keeping the public agency lean and agile and by contracting out the details of implementation to private lawyers, accountants, investment bankers, both local and foreign.
- (d) Where privatisation is difficult or not yet feasible, particularly for huge capital-intensive and highly risky infrastructure sectors, government may adopt methods for privatizing management – such as management contracts, asset leasing, franchising, concessions and BOT (build-operate-transfer) mechanism.
- (e) Government may also unbundle ancillary or social assets from enterprises and to transfer them to the private sector.
- (f) Government can establish and strengthen severance funds, insurance and social security schemes, training programs and other social safety nets to assist those laid off or adversely affected in the reform process.
- (g) Bilateral and multilateral donors and development agencies can enhance their technical assistance to the countries trying to reforms their public enterprises and labour laws for studies on the social sectors and to provide social safety nets to the poor, vulnerable and weaker sections of the society.

## **9.4 Measures to Strengthen Linkages between Research and Policy**

### **9.4.1 Relevance and Utility of Research**

The basic question is: How can we determine the relevance, utility and influence of research? Even these three terms viz. relevance, utility and influence have different connotations to different researchers. What may well be relevant is not necessarily influential. Research that may not have direct utility today may well be influential a generation later. These dilemmas confound efforts to measure the influence of research. Nevertheless, research organizations need to justify the economic cost of research to donors, users of their research and to taxpayers.

The normative dimension of research and policy making cannot be ignored. Reference to ‘knowledge’ or ‘research’ does not signify a single body of thinking, data or literature that is commonly recognized and accepted. Furthermore, the opinions, beliefs, ideology, culture and history of the researcher inevitably bias theory and research. Theory cannot be separated from practice and objective theory building is impossible. Instead, ‘theory is always for someone and for some purpose

### **9.4.2 Policy and Research Networks**

While there exists significant information flow within the research networks and policy-making bodies, these two are often poorly connected and lack proper communication channel for an effective research-policy linkage. It is often observed that the researchers have a strong bias for theoretical and econometric research, lack practical experience and are less keen on studying the institutional, political and social framework. The government advisors, on the other hand, are too bureaucratic and are guided by the interests of their political bosses while formulating economic policies.

Bureaucratic and political involvement in policymaking is a pervasive condition of modern political economy. A recurring question in the political economy of policy making is the “balance of power”

between legislatures and bureaucrats. Policy making in an advanced democracy like India is fundamentally about establishing proper linkages between these institutions. There are several aspects of this legislature-bureaucracy linkage. In general, in India, Ministers come and go while bureaucrats are permanent civil servants. Ministers are active in relations with bureaucrats and can use oversight to obtain outside information and limit the information asymmetry, while bureaucrats typically know more about what they do than legislators. Bureaucrats care about factors besides government finance, such as reputations and relationships with superiors, while politicians care more about public image and gains for his constituency.

### **9.4.3 Policy dialogue among policy makers and researchers**

The traditional way of understanding the 'research-policy cycle' is to divide it into four stages comprising (i) problem identification and policy agenda, (ii) formal decision-making; (iii) policy implementation; and (iv) evaluation. It is an excessively linear view of policy making. The real world is more complex. Researchers should not expect that policy-makers would systematically trawl the research literature for relevant policies, and use them rationally and objectively. Researchers should try to sell their research through 'better dissemination' and 'active policy entrepreneurship'.

There are different types of researchers such as (a) contract researchers, (b) in-house researchers, (c) political advisors, (d) civil society researchers, and (e) disinterested researchers. They have different abilities to access policy-makers at various levels.

(a) Contract researchers. Government departments, businesses houses, and international organizations contract out research works. This allows external researchers in universities and think tanks to have some impact on policy planning. These researchers may be brought within official domains as consultants, expert advisors, members of government committees or inquiry, or be attached to policy-making units on contract.

(b) In-house researchers are usually public servants, for example those working in various government departments and statistical offices to help the executives. International organizations (e.g. the IMF Institute, World Bank Institute and ADB Institute etc.) and industry associations and chambers of commerce and industry also have in-house researchers for conducting policy-oriented studies to protect their interests.

(c) Political advisors appointed by the political leaders are likely to share their political and ideological interests. They can play a significant role in bridging research and policy by filling in communications gaps between politicians, researchers and bureaucrats.

(d) Civil society researchers influence policy formulation through private think tanks and non-governmental organizations (NGOs). This is an 'out-house' strategy designed to compensate for a lack of government research in a particular field or to present critical alternatives to government policy.

(e) Disinterested research is that of pursuing knowledge for its own sake, particularly at the Universities as part of doctoral or post-doctoral research. Most of these researchers operate outside or on the margins of policy making. They are likely to be unconcerned with the policy applications of their research and focus on scientific discovery, analysis or critique. Such research can still be relevant to policy making, although they are probably not the appropriate agents to disseminate research findings to policy makers.

As mentioned earlier, government committees, working groups and expert groups at various levels play a major role for bridging research and policy. These committees have traditionally been a means to resolve diverse views held by various stakeholders, researchers and policy makers and to arrive at a general consensus regarding the direction and scope of reforms in a democratic set-up like India. The system involves bringing a national perspective into an inter-departmental process and injecting members with requisite knowledge and a high degree of motivation. This institutional mechanism is used by reformers to transmit new information and knowledge (e.g. what happened in other countries) and to create a constituency for reforms.

There exists a significant scope for enhancing interaction between public policy makers and private researchers. Presently mixed expert groups (comprising both bureaucrats, private researchers and other stakeholders) and the lateral entry of professionals as a policy adviser at a senior level in the government are observed to be very effective for bridging research and policy. Government should also encourage the bureaucrats to go to research institutes on sabbatical leave for a specified period to conduct research. The scope and opportunities of training and short-term placements with international organisations can also be explored.

#### **9.4.4 Organizational and institutional set up**

The federal structure of India requires a more regionally diversified research strategy but the same should be coordinated by an apex body like the Indian Council for Social Science Research (ICSSR). This should create the network and organize frequent meetings wherein the agenda should be coordination of research programmes to give them a national perspective. Further, there is a need to integrate both public and private research institutions in the system with effective networking thereby ensuring that each fulfils the role for which it has the comparative advantage. Public sector research should be need based and increasingly address the problems of growth, inter-regional inequality and environment. The roles and responsibilities of various private research institutes at the Centre and States need to be redefined to minimize overlaps and duplication.

There is a need for consolidation of research programs, effective networking, if not amalgamation of some research institutes, redeployment of human resources, and development of a long-term human resources development plan. A rigorous priority-setting exercise for research and policy planning is necessary to ensure that resources are allocated to derive full benefits and to drive future growth and poverty reduction with macroeconomic stability. Priority areas for improvement include: (a) strengthening systems of intercommunications, (b) improving quality of research for policy planning, (d) promoting multi-disciplinary research and (e) strengthening international alliances to access new technologies and knowledge.

#### **9.4.5 System of Communications**

Mobility of professionals between research institutes and government departments is very limited in India. Although some professionals are recruited in the middle and top levels in some government departments, the number of such posts is limited and in general there is one-way mobility from research institutes to the government. As per the results of a comprehensive survey of distinguished researchers and policy makers, setting up working groups with all stakeholders, having regular consultations with researchers and organizing multi-stakeholders workshops are considered to be the most important channels for bridging research and policy. Other effective measures include appointing renowned researchers as consultants to the government for a specified period and commissioning policy-oriented

research studies to the private research institutes. It would also be very productive to allow government officials to join research institutes for a specified period on sabbatical leave or to proceed on study leave or to join a refresher course. Setting up in-house research institute by a government department is not considered to be an effective instrument for linkage between research and policy as it may adversely affect the impartiality and independence of research and may not attract highly qualified professionals to join such research institutes.

Various industry associations and chambers of commerce have in-house research divisions and help in bridging research and policy. Economic reforms have led to new fields of studies and research. Many new organisations and research institutes have been established to conduct studies on emerging areas such as public policy, development management, environmental sustainability and climate change, the role of services trade in the context of the General Agreement on Trade and services (GATS) of the WTO, International Property Rights, privatisation strategy and public-private partnership, outsourcing in information technology, sustainable development, impact of globalization, millennium development goals, human rights and environment, capital account convertibility, role of foreign investment and technology transfer, human rights, new international financial architecture etc.

### **9.5 Factors encouraging uptake of research**

The timing, phasing and speed of policy reforms is constrained and determined by the existing institutional structure, its state (efficiency and quality) and the existing social-political constraints. The last are expressed in a democratic system such as India through the parliament, the media and the court of public opinion. Very often institutional reform has to accompany policy reform though there is no specific institutional reform that is either necessary or sufficient for reform. Success depends on policy adaptation and institutional innovations that take into account the existing reality and the goals and direction of policy reform, while showing tactical flexibility in achieving these goals.

Both the case studies on reforms in external sectors and labour laws indicate that the following factors are relevant for bridging research and policy more effectively:

- (a) Effective links between researchers and policy makers are essential for bridging research and policy. Involvement of researchers in the policy making process from the very beginning encourages policy-oriented research and visa versa.
- (b) Continuous feedback between research and policy not only improves quality of research and openness and transparency of policy making, but also build ownership of both research and policy. In the case of labour reforms in India, research and policy have moved back and forth many times due to socio-political constraints. In some cases, links have not led to concrete policies, but the linkage has been able to remove distrust among various stakeholders such as employers, employees, trade unions, government and researchers.
- (c) The continuous feedback loops between research, policy, implementation and monitoring has also led to setting up or strengthening the existing think tanks and intermediaries e.g. industry, trade and workers associations.
- (d) Institutional credibility is important to have effective influence on policy making. The reputation of a research institute or a think tank has a sustained impact on uptake of research and policy making.

- (e) It appears that research institutions, that have close links with the policy-making institutions due to funding arrangements, have major impact on policymaking process and uptake of research. Indian experiences indicate that public funding of private research institutes does not interfere with independence and quality of research, rather enhances relevance and utility of research for policy planning due to sharpening the scope and focus of research and continual monitoring and evaluation of research by the funding departments.
- (f) Building networks of researchers and policy makers helps bridging research and policy. In India there are various academic associations holding annual conferences on policy issues and recommending policy measures. These associations have informal links with the government departments. It is better to formalize these networks and hold seminars and conferences on regular basis.
- (g) The NGOs, networks and advocacy coalitions also play a critical role of research brokers by taking key research findings to the policy makers, media and the civil society (Mehendale 2006).
- (h) Qualifications and experience of policy makers have major influence in bridging research and policy as they are better equipped to deal with professional and to understand research findings.
- (i) The involvement of individual experts is also equally important for bridging research and policy. In India, the system of appointing experts as consultants for a specified period or as policy advisers on permanent basis has helped in bridging research and policy and encouraging research in new fields.
- (j) The setting up working groups/ expert or specialized groups by the government has also helped bridging research and policy. However, due care should be taken while selecting members for expert groups so that members with diverse views and ideology are represented in such groups in stead of picking up only pro-government members.
- (k) Multilateral and bilateral donors have supported activities and research to a great extent leading to the uptake of their research input. Review of macro-economic, sectoral development policies and poverty alleviation papers have effectively helped the government to formulate its policies. These donors must enhance their grants to the research institutions for policy-oriented studies on a coordinated basis and come out of their narrow objectives of aid effectiveness only for their individual gains and benefits.
- (l) Last, not the least, since political context is the most important factor influencing uptake of research for policy planning, both researchers and policy makers should conduct more studies to educate politicians and other stakeholders about the international best practices and the scope, direction and favourable impact of reforms. It will also be highly rewarding if they have continual dialogue and involve politicians, trade union leaders and other stakeholders in the research and policy making process from the very beginning.

## **9.6 Future Research Agenda**

According to a study on synthesis of findings of all country and sectoral case studies conducted under the Global Development Network's Bridging Research and Policy Project (Livny, Mehendale and Vanags 2006), the following issues are vital for identifying the measures to enhance research-policy interlinkages and feedbacks of policies on research:

- (d) How to encourage the growth of policy-oriented research and research-oriented policy planning?
- (e) How to improve the management of policy research institutes and how to promote think tanks as a good practice of independent research and knowledge provider?
- (f) How to improve the capacity of governments to utilize knowledge through the establishment of knowledge-friendly processes and procedures?
- (g) How to establish an appropriate evaluation framework for discerning and assessing the policy impact of research?
- (h) How to build and sustain relevant capacities in both the government and private research institutes and to engage each other in establishing effective research-policy interlinkages?
- (i) How to formalize the inter-linkages between research and policy and put them as a matter of continual consultation and feed backs on each other?
- (j) How to maintain independence, reputation, impartiality, credibility and professional standards of the research institutes despite being dependent on funds from the government and international funding agencies?
- (k) How can external donors effectively use their peer pressure to improve professional standards in research and policy planning?
- (l) How to make the research institutes financially sustainable over time?

These issues can form the agenda of future research on the subject. We need rigorous process of assessment, planning and implementation for bridging research and policy and encouraging comprehensive and concerned action by all stakeholders- government, researcher, external donors and civil society.

Given resource constraints, researches need to be selective, strategic and purposive. There is also need for effective co-ordination among the donors to avoid duplication of research and to move away from the practice of short-term, ad-hoc and poorly-coordinated donor driven programs and projects towards a long-term and more comprehensive research package.

Within the government, there is need for strengthening the think tank<sup>13</sup> capability and activities to identify the policy agenda, research needs, research domain, gaps in supply, demand and communications of research, and to suggest the most effective ways to address these issues and to fill the gaps.

In India, the Planning Commission already acts as a think tank for research on inter-regional, inter-sectoral and inter-generational equity and growth. It can strengthen its think tank and research coordinating activities and perform the following tasks (only indicative and not exhaustive, and some of which are already being executed by it):

---

<sup>13</sup> Mc.Gann and Johnson (2006) deal with the desired tasks and roles of the Think Tanks for bridging research and policy and how to promote think tanks as a good practice of independent research.



- (a) It can allocate more funds to the research institutes and promote both horizontal linkages among the research institutes and vertical linkages between policy makers and research institutes.
- (b) It can encourage forming research networks on a regional scale and promote regional exchange of best practices and cross cutting ideas.
- (c) It can encourage competition among the research institutes and promote greater transparency and professionalism in research and policy planning.
- (d) It can work towards increasing the quality, practical applicability and political acceptability of both research and policy agenda.
- (e) In association of the Ministry of Finance, it can also serve as a coordinator for donor activities and selection of research fields.

Individual research institutes may have to rely on government support and external donor's funding during the initial phase, but they should prepare plans to achieve eventual self-sufficiency by creating market for their research and cultivating demand from the government. This requires that they need to specialize in a few strategically important areas of research in which they have comparative advantage and expertise. It depends on the ability of a research institute to produce value added research in terms of quality gains, efficiency and research methodology and administration.

### **9.7 Concluding Observations**

The Bridging Research and Policy (BRP) study on policy-research linkage in India has significant value addition to the ongoing research activities and will help in establishing more effective linkages between policymaking and development research. It might be thought that the relationship is straightforward, with good research designed to be relevant to good policy, and its results delivered in an accessible form will help policy-makers. In fact, this is far from the ground reality. The relationship between research and policy is tenuous, quite often fraught. In most cases, research is not designed to be relevant to policy. Even if it is so designed, it fails to have an impact because of problems associated with timeliness, presentation or manner of communication. Sometimes policy-makers do not see research findings as central to their decision-making.

Many research institutes and 'Think Tanks' have conducted in-house analyses of how to 'sell' policy analysis or influence governments. Various studies in this field suggest that bridging research and policy is a part of the process of organizational learning. Although case study on India may result in a duplication of efforts made in other countries, this kind of study helps organizations and individuals to promote research, and to reflect on some of the purposes, successes and failures of that research. This process of self-evaluation can lead to the development of innovative programs. New thinking and new approaches to 'bridging research and policy' are important. However, it is equally important to understand various interpretations of how research feeds into policy, different programs that attempt to 'bridge research and policy', and the wide range of resources already available to build linkages across these two domains.

There had been great evolution in the system of reforms and economic governance in India during last 15 years. Government has tried to rationalize the operations of markets. A wide range of reforms in trade, industry and investment have led to strengthening of existing institutional set up and concomitant establishment of new institutions- notably new regulatory authorities who are expected to govern at arms

length. But more than that, a shift in policy focus is at work to limit the authority of the new institutions and policies. There is slow progress of administrative reforms and still the bureaucracy remains huge and tenacious with unnecessary bureaucratic interference and pursuit of narrow self-interest by officials despite efforts to pare it back.

The net effect has been a genuine limiting of state control and authority over the economy. These effects are not merely economic in nature but have gone hand-in-hand with efforts to improve inter-linkages between development research and policy planning and to strengthen legislative oversight of the executives and policy makers as well as general accountability and transparency.

The linkage between research and policy-making is complex. Policy makers are not 'empty vessels' into which knowledge or research can be poured. The credibility of research cannot be taken for granted. Certain practices are essential to maintain the public stature of knowledge producers. Some research is more rigorous, professional and scholarly, adhering to recognized standards of peer review. Such standards need to be cultivated and protected as policy-makers and other users usually require policy research and analysis produced in a professional manner. In other words, they want research findings that help legitimate policy planning, and these come from recognized institutions and professional experts.

A critical assessment of these aspects on bridging research and policy (BRP) is needed. To some extent a BRP study can be portrayed as part of an endless quest or a random walk to improve 'knowledge' and to seek 'truth', a desire for attaining certainty, perfection and reality, where uncertainty, imperfections and chaos prevail, and an impulse for attaining order and control in 'knowable' world. It is important for the researchers to recognize the inherent normative dimension to the research process and critically reflect their power of knowledge and the interests served by it.

## Selected References

Agarwal, Pradeep; Subir V. Gokran, Veena Misra, Kirit S. Parikh and Kunal Sen (1995) *Economic Restructuring in East Asia and India- Perspectives on Policy Reform*, Macmillan Press, New Delhi.

Ahya, Chetan and Mihir Sheth (2005) *Privatisation policy: missing the big picture?*, JM Morgan Stanley, 15 February 2005.

Anant, T.C.A. (2005) *Labour markets reforms in India: a review*', pp.235-252, in Debroy, Bibek and P.D. Kaushik (2005) ed. *Reforming the Labour Market*, Academic Foundation, New Delhi.

\_\_\_\_\_ and Onkar Goswami (1997) *'Getting everything wrong: India's policies regarding sick firms'*, pp.236-88, in D. Mookherjee ed. *Indian Industry*, Oxford University Press, New Delhi.

Anant, T.C.A., K. Sundaram and S.D. Tendulkar (1998) *Employment Policy in South Asia*, International Labour Office.

Association of Indian Universities (AIU), *'Bibliography of Doctoral Dissertations'*, 1857 to 1993, Delhi.

Besley, Timothy and Robin Burgess (2004) *Can Labour Regulation Hinder Economic Performance? Evidence from India*, *Quarterly Journal of Economics*, 91-134.

Caplan, N. (1979) *The Two Communities Theory and Knowledge Utilization*, *American Behavioral Scientist*, vol. 22 (3), pp.459-470.

Chadha, G.K. and Sahu P.P. (2002) *Post reform setbacks in rural employment: Issues that need further scrutiny*, *Economic and Political Weekly*, Vol.37, No.21, 1998-2026.

Chadha, Rajesh, S. Porahit, A.V. Deardorff, R.M. Stern (1997), *"Analysis of India's Policy Reforms"*, Discussion Paper No. 413, Research Seminar in International Economics, University of Michigan, Michigan

Chan, Anita (2000) *Chinese trade unions and workplace relations in state-owned and joint-venture enterprises*, in Malcolm Warner (ed.) *Changing Workplace Relations in the Chinese Economy*, Macmillan Press Ltd., London.

Chatterjee, P (2002): *Institutional Context of Social Science Research in South Asia*, *Economic and Political Weekly*, August 31, pp 4189-4192

Chen, Jian, Belton M. Fleisher (1996) *Regional income inequality and economic growth in China*, *Journal of Comparative Economics*, Vol. 22, 141-164.

Chen, Kang, Gary H. Jefferson, Inderjit Singh (1992) *Lessons from China's economic reform*, *Journal of Comparative Economics*, Vol.16, 201-225.

Court, Julius and Young, J. (2003) *Bridging Research and Policy: Evidence from 50 Case Studies*, ODI Working Paper 213, ODI London. ([www.odi.org.uk/publications](http://www.odi.org.uk/publications)).

Court, Julius; Ingi Hovland and John Young (2005) *Bridging Research and Policy in Development: Evidence and Change Process*, Intermediate Technology Development (ITDG) Publishing, Warwickshire, U.K.

Credit Rating and Information Services of India Limited (CRISIL) (1999) *Corporate External Debt Management*, edited by Jawahar Mulraj, CRISIL, Bombay, December 1999.

\_\_\_\_\_ (2001) Management of External Debt by Commercial Banks and Financial Institutions, CRISIL, Bombay, January 2001.

Das, Tarun (1993a) Structural Reforms and Stabilization Policies in India – Rationale and Medium Term Outlook, pp.20-56, in Economic Liberalization and its Impact, edited by SP Gupta, Macmillan India Limited, Delhi, 1993.

\_\_\_\_\_ (1993b) Macro-economic Framework and Foreign Investment in India, WG on Investment and Financial Flows, pp.1-75, TD/B/WG.1/Misc.3/ Add.3, UNCTAD, Geneva, 1993.

\_\_\_\_\_ (1996) Policies and Strategies for Promoting Private Sector's Role in Industrial and Technological Development in Asia, pp.1-171, ST/ESCAP/1696, UN, New York, 1996.

\_\_\_\_\_ (1997) Foreign Investment- Technology Transfer- and Growth Nexus in Asian economies, pp.1-158, ESCAP, United Nations, Bangkok, Oct 1997.

\_\_\_\_\_ (1998) Private Sector Development Programmes in Selected Countries in Asia and Lessons for Africa, pp.1-165, Economic Commission for Africa, UN, Addis Ababa, Nov. 1998.

\_\_\_\_\_ (1999a) East Asian Economic Crisis and Lessons for External Debt Management, pp.77-95, in External Debt Management, ed. by A. Vasudevan, RBI, Mumbai, April 1999.

\_\_\_\_\_ (1999b) Fiscal Policies for Management of External Capital Flows, pp. 194-207, in Corporate External Debt Management, edited by Jawahar Mulraj, CRISIL, Bombay, Dec 1999.

\_\_\_\_\_ (2002a) External Sector Related Contingent Liability Management- A Case Study on India, jointly with Raj Kumar, Anil. Bisen and M.R. Nair, pp.1-84, Debt Management Series 2, Commonwealth Secretariat, London, January 2002.

\_\_\_\_\_ (2002b) Implications of Globalization on Industrial Diversification in Asia, pp.ix+1-86, ESCAP, Bangkok, UN Publications Sales No.E.02.II.F.52, March 2002.

\_\_\_\_\_ (2002c) Management of Contingent Liabilities in Philippines- Policies, Processes, Legal Framework and Institutions, pp.1-60, World Bank, Washington D.C., March 2002.

\_\_\_\_\_ (2002d) Management of Public Debt in India, pp.85-110, in Accompanying Document to the Guidelines for Public Debt Management, IMF, Washington, June 2002.

\_\_\_\_\_ (2003a) Role of Agro-based and Resource-Based Industries for Export Promotion and Poverty Alleviation in ESCAP countries, pp.1-126, ESCAP, UN, Bangkok, January 2003.

\_\_\_\_\_ (2003b) Economic Reforms in India- Rationale, Scope, Progress and unfinished Agenda, pp.1-76, Panning Department, Bank of Maharashtra, Pune, India, January 2003.

\_\_\_\_\_ (2003c) UNDP Human Development Index – Some Methodological Issues and Alternative Measures, pp.1-30, UNDP, *UN Plaza, New York*, March 1993.

\_\_\_\_\_ (2003d) Off budget risks and their management, Chapter-3, Philippines Improving Government Performance: Discipline, Efficiency and Equity in Managing Public Resources- A Public Expenditure, Procurement and Financial Management Review (PEPFMR), Report No. 24256-PH, A Joint Document of The Government of the Philippines, the World Bank and the Asian Development Bank, World Bank Philippines Country Office, April 30, 2003.

\_\_\_\_\_ (2003e) Promoting resource-based export-oriented SMEs in Asia and the Pacific, pp.33-76, Investment Promotion and Enterprise Development Bulletin for Asia and the Pacific, ESCAP, United Nations, Bangkok, July 2003.

\_\_\_\_\_ (2003f) General Agreement on Trade in Services – Implications for the Indian financial sector, pp.6-14, July 2003, Bima Vidya, Management Development Centre, LIC, Mumbai.

\_\_\_\_\_ (2005) Role of services production and trade in Asian economies, pp.19-27, January-March 2005, Bima Vidya, Management Development Centre, LIC, Mumbai.

\_\_\_\_\_ (2006a) Management of External Debt- International Experiences and Best Practices, pp.1-46, Best Practices series No.9, UNITAR, Geneva, 2006.

\_\_\_\_\_ (2006b) Governance of Public Debt- International Experiences and Best Practices, pp.1-43, Best Practices series No.10, UNITAR, Geneva, 2006.

\_\_\_\_\_ (2006c) Housing Price Indices- International Best Practices and An Operational Housing Price Index for India, pp.44-54, Bima Vidya, Journal of the LIC Management Development Centre, Borivili West, Mumbai-400003, March 2006.

\_\_\_\_\_ (2006d) The impact of research on policy making: the case of labour market and external sector reforms in India, Bridging Brief Series, Bridging Research and Policy Project, Global Development Network, April 2006.

\_\_\_\_\_ (2006e) Bridging research and policy- a case study of India, pp.14-15, GDN Research Monitor. No.1, September 2006.

\_\_\_\_\_ (2006f) Financing International Cooperation Beyond National Borders- Country Case Study on India, pp.1-50, Office of Development Studies (ODS), UNDP, UN Plaza, New York. December 2006.

\_\_\_\_\_ (2007a) Mainstreaming UN Millennium Development Goals in the National Development Plans and Poverty Reduction and Growth Strategy- Selected Country Experiences from ESCAP, Part-1, pp.1-84, Part-2, pp.1-78, ESCAP, United Nations, Bangkok, May 2007.

\_\_\_\_\_ (2007b) Preparation of Strategic Plans for Sustainable Growth and Poverty Reduction- Scope and General Guidelines for the Line Ministries, pp.1-74, ADB Capacity Building Project on Governance Reforms, Ministry of Finance, Government of Mongolia, Ulaanbaatar, Aug 2007.

Das, Tarun and Arvind Virmani (2005a) Linkages between Research, Policy Analysis and Research Outcomes in India, Vol.1, Country case study on India, pp.1-81, and Vol.2, Annexes, pp.1-66, Global Development Network, Sep 2005. <http://gdn.eerc.ru/details.asp?id=48>

Datt, Ruddar (2003) National Commission on Labor and review of labor laws, The Indian Journal of Labor Economics, Vol. 46, 1:109-131.

Debroy, Bibek (1997) 'Labour market reform', Policy Paper No.12, Project LARGE (Legal Adjustments and Reforms for Globalizing Economy), UNDP, New Delhi.

\_\_\_\_\_ and P.D. Kaushik (2005) Reforming the Labour Market, Academic Foundation, Delhi.

Eichengreen, Barry and Michael Mussa (1998), "Capital Account Liberalization and the IMF," Finance and Development, Vol. 35, No. 4.

Fallon, Peter and Robert Lucas (1993) 'Job security regulations and the dynamic demand for industrial labour in India and Zimbabwe', *Journal of Development Economics*, 40, pp.241-275.

Gangopadhyaya, S. and W. Wadhwa (1998) 'Economic reforms and labour', *Economic and Political Weekly*, 30 May 1998.

Garrett, J.L. and Islam, Y. (1998) Policy research and the policy process: Do the twain ever meet? Gatekeeper series No.74, International Institute for Environment and Development.

Ghosh, A.K. (1999) 'Current issues of employment policy in India', *Economic and Political Weekly*, pp.2592-608, vol.34, no.36, September 7.

\_\_\_\_\_ (2004) 'The employment challenge in India', *Economic and Political Weekly*, vol.39, no.48, November 27.

Global Development Network (2004) in association with Economics Education and Research Consortium (CIS) and Overseas Development Institute (ODS), *Bridging Research and Policy: Research Guidelines and Clarifications*.

Goyal, A., Jha, A.K. (2004) Dictatorship, democracy and institutions: Macro policy in China and India, *Economic and Political Weekly*, Vol. 39, No. 42, Oct 16, 4664-4674.

Government of India (GOI), Ministry of Disinvestment (MOD) (2003) *Disinvestment, Policy, Procedures and Progress*, New Delhi.

Government of India (GOI), Ministry of Finance (MOF) (1992) *Economic Survey 1991-92*, New Delhi.

Gupta, S.P. (1999) 'Globalization, economic reforms and role of labour', International Labour Office, New Delhi.

Henley, John S. (2004) Chasing the dragon: accounting for the under-performance of India by comparison with China in attracting foreign direct investment, *Journal of International Development*, vol. 16, 1039-1052.

Indian Association of Social Science Institutes (2005): 'Member Listing' on website

Indian Council for Social Science Research (ICSSR) (1997) 'Directory of Social Science Research and Training Institutes in India', Delhi.

Institute for Studies on Industrial Development (2005): 'Online Databases' on website.

Jain, S.K. (1993) Some important issues before the labour economists, the *Indian Journal of Labour Economics*, Vol.36, No.1.

Kanbur, Ravi and Xiaobo Zhang (2005) Fifty years of regional inequality in China: a journey through central planning, reform and openness, *Review of Development Economics*, Vol. 91, 1:87-106.

Kohli, Renu, (2001). "Capital Flows and their Macroeconomic Effect in India", International Monetary Fund Working paper No. 01/192, Washington.

Livny, Eric, Archana Mehendele and Alf Vanags (2006) *Bridging the research policy gaps in developing and transition countries: Analytical lessons and proposals for action*, 3 December 2006.

McGaan, J. and E. Johnson (2006) *Comparative Think Tanks, Politics and Public Policy*, Edward Elgar Publishing.

- Mehendale, Archana (2005) Right to Education and Constitutional Amendment: A Case Study of India. <http://gdn.eerc.ru/details.asp?id=43>.
- Mitra, Siddhartha, Vishal Handa (2003) What India has to learn from China, Indian Journal of Development Economics, Arthavijnana, Vol. 45, 24-41.
- Nath, Surendra (2005) 'Labour policy and economic reforms in India', pp.173-234, in Debroy, Bibek and P.D. Kaushik (2005) Reforming the Labour Market, Academic Foundation, Delhi.
- Nagaraj, R. (2005) Industrial growth in China and India: A preliminary comparison, Economic and Political Weekly, May 21, pp. 2163-2171.
- Nelson, Stephanie (2001) Knowledge Utilization and Public Policy Processes: A Literature Review: IDRC Evaluation Unit, [http://www.idrc.ca/uploads/users/10468843590litreview\\_final1](http://www.idrc.ca/uploads/users/10468843590litreview_final1)
- Ostrovsky, Andrey V. (2003) Social aspects of economic reform in state owned enterprises in China, China Report, Vol. 39, 1:57-69.
- Rangarajan, C. (1998), "Rationale of Reforms in the Financial and Trade Sector", Indian Economic Journal, Vol. 47, No. 8, New Delhi.
- Rao, C.H. Hanumantha (1994) Economic reforms and the prospects of rural labour, the Indian Journal of Labour Economics, Vol.37. No.1.
- RAWOO (2001) Utilization of research for development co-operation, linking knowledge production to development policy and practice, Publication No.21, Netherlands Development Assistance Research Council, Hague.
- Reserve Bank of India (RBI) (1999) External Debt Management- Issues, Lessons and Preventive Measures, edited by A. Vasudevan, RBI, Mumbai, April 1999.
- Sacks, Jeffrey, A. Varshney and N. Bajpai (1999) edited, India in the Era of Economic Reforms, Delhi: Oxford University Press.
- Saha, Bibhas (2005) A Comparative Study of the Labour Laws and the Labour Markets of China and India, a Report prepared for the Ministry of Finance, Government of India.
- Sen, Abhijit (1996) Economic reforms, employment and poverty: trends and options, Economic and political Economy, Vol.31, Nos.35-37.
- \_\_\_\_\_ and Ghosh, Jayati (1993) Trends in rural employment and the poverty employment linkage, ILO-ARTEP, New Delhi.
- Sharma, Alakh N. (2004) Globalization, labour markets and poverty: emerging perspectives in India, DT Lakdawala Memorial Lecture at the 87th Conference of the Indian Economic Association, Benaras Hindu University, Varanasi, 21 December 2004.
- Shyam Sundar, K.R. (2004) Industrial relations in China, Indian Journal of Industrial Relations, Vol. 40, 1: 70-93.
- Singh, Montek (2001) Report of the Special Group on Employment Opportunities in the Tenth Five Year Plan (2002-2005), Planning Commission, New Delhi.

Srinivasan, T.N. (2001), "India's Reform of External Sector Policies and Future Multilateral Trade Negotiations", Discussion Paper No. 830, June 2001, Yale University, New Haven.

Stanley Fischer (2000). "Indian Experience with Capital Account Convertibility", The Indian Economic Journal, Vol. 48, NO 4, April-June 2000-01, New Delhi.

Stern, Nicholas (2001) A Strategy for Development, World Bank, Washington D.C.

Stone, D. 2006) Think tanks and policy advice in countries in transition, paper presented for the Asian Development Bank Institute Symposium on "How to strengthen policy-oriented research and training in Vietnam", 31st August 2005, Hanoi, Vietnam.

Stone, D., Maxwell, S. and Keating, M. (2001) Bridging research and policy- critical examination of the current thinking on the research to policy process, Bridging Research and Policy Workshop, Warwick University.

Sundaram, K. (2001b) Employment and poverty in 1990s: Further results from NSS 55th round Employment Unemployment Survey, 1999-2000, Economic and Political Economy, August 11, pp.3309-3326.

Sutton, R. (1999) the policy process: An overview, ODI Working Paper 118, Overseas Development Institute, London.

University Grants Commission (2000), 'Basic Facts and Figures - Doctorate Degrees Awarded', 1995 -2000, Delhi.

\_\_\_\_\_ (2003): 'UGC Annual Report 2002-2003', Delhi.

Vaidyanathan, A (2001a): Social Science Research in India, January 13, p 112.

\_\_\_\_\_ (2001b) Employment in India, 1977-78 to 1999-00: characteristics and trends, journal of Indian School of Political Economy, Vol.13, No.20.

Virmani, Arvind (1988), "Planning for Faster Growth and Employment Generation: A Suggested Approach", Planning Commission, March, 1988, New Delhi

\_\_\_\_\_ (1990), "Rising BOP Deficit", The Economic Times, Jan 10, 1990, Mumbai

\_\_\_\_\_ (1991a), "Demand and Supply Factors in India's Trade", Economic & Political Weekly, Vol. XXVI, No, Feb 6, 1991, Mumbai

\_\_\_\_\_ (1991b), "Trade Policy Reform: De-Licensing, Tariff Reform & Exchange Rates", Development Policy Research, Planning Commission, Sept 1991, New Delhi

\_\_\_\_\_ (1992) "Trends in Current Account Deficit and the Balance of Trade: Separating Facts From Prejudices", Journal of Foreign Exchange and International Finance, Vol. VI, No. 1, April-June 1992.

\_\_\_\_\_ (1994) "The Effect of Exchange Rate Change on the Fiscal Deficit", Department of Economic Affairs, Ministry of Finance, September 1994, New Delhi.

\_\_\_\_\_ (1997) "India: Crisis, Reform and Growth", Economic & Political Weekly, Vol. XXXII, No. 32, august 9-15, 1997, Mumbai.

\_\_\_\_\_ (1999a) "Capital Account Convertibility: Timing and Phasing", Chintan Policy Paper No. 16, December, 1999, New Delhi



- \_\_\_\_\_ (1999b) “Agenda For Reform: External”, Chintan Policy Paper No. 14, December, 1999, New Delhi
- \_\_\_\_\_ (1999c) ‘FDI Policy for Media’, Chintan, Policy Paper No. 10, Dec 1999. (<http://www.icrier.org/mediafdi99d.pdf>)
- \_\_\_\_\_ (2001) ‘India’s 1990-91 Crisis: Reforms, Myths and Paradoxes’, Planning Commission, WP No. 4/2001-PC, December 2001. (<http://planningcommission.nic.in/reports/wrkpapers/rpwpf.htm>).
- \_\_\_\_\_ (2002a) ‘India’s BOP Crisis and External Reforms: Myths and Paradoxes’, ICRIER Public Policy Workshop Paper, December 2002. (<http://www.icrier.org/word/AVonBoPcrisis.doc>)
- \_\_\_\_\_ (2002b) ‘Towards a Competitive Economy: VAT and Customs Duty Reform’, Planning Commission Working Paper No. 4/2002-PC, April 2002. (<http://planningcommission.nic.in/reports/wrkpapers/rpwpf.htm>).
- \_\_\_\_\_ (2002c) ‘Report of the Steering Group on Foreign Direct Investment’, Planning Commission, August 2002. ([http://www.planningcommission.nic.in/aboutus/committee/strgrp/stgp\\_fdi.pdf](http://www.planningcommission.nic.in/aboutus/committee/strgrp/stgp_fdi.pdf))
- \_\_\_\_\_ (2003) “India’s External Reforms: Modest Globalization, Significant Gains”, Economic & Political Weekly, Vol. 37, No. 32, August 2003.
- \_\_\_\_\_ (2004a) ‘Economic Reforms: Policy and Institutions Some Lessons From Indian Reforms’, ICRIER Working Paper No. 121, January 2004, ICRIER website: [www.icrier.org/wp121.pdf](http://www.icrier.org/wp121.pdf)
- \_\_\_\_\_ (2004b) Accelerating Growth and Poverty Reduction: A Policy Framework for India's Development, Academic Foundation, New Delhi, 2004.
- \_\_\_\_\_ (2004b) ‘India’s Economic Growth: From Socialist Rate of Growth to Bharatiya Rate of Growth’, Working Paper No. 122, ICRIER, February 2004.
- \_\_\_\_\_ (2004c) ‘Foreign Direct Investment Reform’, ICRIER Occasional Policy Paper, April 2004. ([www.icrier.org](http://www.icrier.org))
- \_\_\_\_\_ (2004d) ‘Sources of India’s Economic Growth: Trends in Total Factor Productivity’, Working Paper No. 131, ICRIER, May 2004.
- \_\_\_\_\_ (2004e) ‘Impact of Tariff Reforms on Indian Industry: Assessment Based on a Multi-Sector Econometric Model’ (with Bishwanath Goldar, Choorikkad Veeramani and Vipul Bhatt), Working Paper No. 135, ICRIER, June 2004.
- \_\_\_\_\_ (2004f) ‘Economic Growth, Governance And Voting Behaviour: An Application to Indian Elections’, Working Paper No. 138, ICRIER, July 2004.
- \_\_\_\_\_ (2004g) ‘Economic Performance, Power Potential and Global Governance: Towards a International Order’, Working Paper No. 150, ICRIER, December 2004
- \_\_\_\_\_ (2004g) ‘Economic Performance, Power Potential and Global Governance: Towards a International Order’, Working Paper No. 150, ICRIER, December 2004
- \_\_\_\_\_ (2006) Propelling India from Socialist Stagnation to Global Power, Volume 1: Growth Process, Volume 2: Policy Reforms, 2006 Edition, Academic Foundation, New Delhi.

Warner, Malcolm (2000) *Changing Workplace Relations in the Chinese Economy*, Macmillan press Ltd., UK.

Williamson, J. (1998) *Economists, policy reform and political economy*, Keynote address at the Rajiv Gandhi Foundation, New Delhi on 6 December 2005, Institute for International Economics.

World Bank (1996) *India: Five Years of Stabilization and Reforms and the Challenge Ahead*, Washington, D.C.

\_\_\_\_\_ (1998a) *India: Five Years of Stabilization and Reforms and the Challenge Ahead*, Washington, D.C.

\_\_\_\_\_ (1998b) *India Macroeconomic Policy Update: Reforms for Growth and Poverty reduction*, Washington, D.C.

\_\_\_\_\_ (2000) *India: Reducing Poverty and Accelerating Development*, Oxford University Press.

\_\_\_\_\_ (2004a) *India: Re-energizing the Agriculture Sector to Sustain Growth and Reduce Poverty*, Oxford University Press, New Delhi.

\_\_\_\_\_ (2004b) *India Development Policy Review*, Oxford University Press, New Delhi.

World Economic Forum (WEF) (2004) *The Global Competitiveness Report*, Geneva.

Yueh, Linda Y. (2004) *Wage reforms in China during 1990's*, *Asian Economic Journal*, Vol. 18, 2:149-164.

## **Annex-1**

### **Questionnaire for Bridging Research and Policy (Eminent Economists/ Distinguished Policy Makers)**

**Dear All,**

You are aware that India provides a good example of having a wide network of economic research institutions and effective linkages with policy makers. We are conducting a study on the interlinkages between research and policy. The basic purpose of the study is to make a critical appraisal of these linkages in 1990s between the Government and selected Research Institutes. We would like to examine how policy planning was influenced by research and what feedback it had on the research institutes. We would also like to examine how research was influenced by the ongoing economic reforms and what feedbacks it received from the policy makers. We would like to investigate key issues affecting research and policy linkages, identify strengths and weakness, and suggest measures for improving linkages with a focus on practical usage for both policy makers and researchers, and for encouraging policy-oriented research and research-oriented policy planning.

For practical purpose, we have chosen reforms and policy planning in three critical areas viz. capital account convertibility in the balance of payments (a case of significant reforms), liberalization in labour markets (a case of insignificant reforms), and disinvestment of government equity and privatization (a case of partially successful reforms). You are requested to respond to the attached Questionnaire even if your major area of research is different from these areas. Also send a list of your major research works and publications. Please forward this Questionnaire to your colleagues and request them to participate in the survey.

All respondents will be duly acknowledged and the information obtained will be treated with strictest confidentiality. If resources permit, we may hold a Conference on the subject where all the respondents will be invited to participate.

We would very much appreciate for your co-operation without which, you would agree that, such a study couldn't be conducted.

With personal regards and best wishes,  
Yours sincerely,

**Dr. Tarun Das, Economic Adviser**  
**Ministry of Finance**  
**Room 34-A North Block**  
**New Delhi-110001.**  
**TeleFax: (011) 2309-3552 Mobile: 9810924662**  
**EMAIL: [tarundas@nic.finance.in](mailto:tarundas@nic.finance.in)**

## Annex-1

### **Questionnaire on Bridging Research and Policy (for Researchers) (Questionnaire was suitably modified for Policy Makers While keeping the basic thrust and contents)**

1 Name, Designation and affiliation: \_\_\_\_\_  
\_\_\_\_\_

2 Major area of your research (you may tick more than one if relevant)

(a) Liberalization of capital account of the balance of payments

(b) Privatization issues

(c) Liberalization of labour markets

(d) Others (please specify) \_\_\_\_\_

3 Identify and grade motivation of your research (tick the appropriate box):

	Low	Medium	High
1. Basic expertise in the area			
2. Requested by the government			
3. Funded by an organization			
4. Political/ ideological interest			
5. Others, please specify			

4. What is your knowledge about the responses by the policy makers?

(Tick Yes, No, or Donot know)

	Yes	No	Do not know
1. Policymaker's demand- did policy makers actively seek solutions to problems in this area?			
2. Policymakers' consensus- Was there general agreement by all policy makers?			
3. Climate of rationality- Did ideology or rhetoric dominate policy suggestion?			
4. Openness in decision making- Did policymakers seek views of all stakeholders?			
5. Consultation- Did policymakers consult you at any point of time?			
6. Was there transparency in the decision making process?			
7. Was there accountability of bureaucrats for decision-making?			
8. Was there flexibility in the Departments for implementation of policies?			

5. Please grade the following bureaucratic characteristics in policy implementation in the major area of your research (Grade each characteristics on a three-point scale, where Low implies the lowest degree and High the highest degree): (Tick appropriate Box)

Characteristics in policy implementation	Low	Medium	High	Don't know
1. Corruption- using public resources for vested interests				
2. Bureaucratic power- to gain power by policy decision				
3. Bureaucratic fear of losing power by policy decision				
4. Bureaucratic incentives that encouraged to use research				
5. Bureaucrat's capacity to understand research				

6 To what degree, in your opinion, policies in your major field of research are influenced by the following factors: (Tick appropriate Box)

	Low	Medium	High	Don't know
1. General public interest				
2. Interest of the civil servants				
3. Interest of the business groups				
4. Interest of the politicians				
5. Interest of the trade unions				
6. Interest of the urban people				
7. Interest of the rural sector				
8. Others, please specify				

7 Please tick which of the following terms best suits the reforms process in your major area of research?

	Tick appropriate Box
1. Routine- policy makers repeat earlier decisions.	
2. Incremental- policymakers make small changes	
3. Fundamental- policymakers rethink approaches to policy	
4. Revolutionary- policymakers make a drastic policy change	

8 To what extent, the future policy changes in your major area of research are predictable: (Tick the appropriate reply)

- (a) Do not know
- (b) Low
- (c) Medium
- (d) Very much

9 At present, is there a policy window in your major area of research? (i.e. are there ongoing discussions in the government and dialogues with local researchers?)

- (a) Do not know
- (b) No
- (c) Yes

10 To what extent is there a sense of policy crisis in your major field of research? (Tick)

- (a) Do not know
- (b) Low
- (c) Medium
- (d) Very much

11 Please assess the characteristics of policymakers in your major field of research (Grade each characteristics on a three-point scale, where Low implies the lowest degree and High the highest degree): (Tick appropriate Box)

	Low	Medium	High	Don't know
1. To what extent are the policymakers qualified?				
2. To what extent are the policymakers experienced?				
3. To what extent are they open to new evidence?				
4. To what extent are they guided by moral and ethical values?				
5. To what extent are they guided by ideology and personal interests?				
6. To what extent are they guided by political bosses?				

12 Are there government officers doing research in your major area of research?

- (a) Do not know
- (b) No
- (c) Yes

13 If answer to question 12 is yes, please provide your assessment of government research in the area: (Grade on a three-point scale, where Low implies the lowest degree and High the highest degree): (Tick appropriate reply)

- (a) Do not know
- (b) Low
- (c) Medium
- (d) Very much

14 What are the main barriers to use research in policy? Please provide your assessment on the following dimensions: (Grade these on a three-point scale, where Low implies the lowest degree and High the highest degree): (Tick appropriate Box)

	Low	Medium	High	Don't know
(k) Govt's failures- systematic problems				
(l) Policy process is not transparent				
(m) Socio-political constraints				
(n) Contestation, vested interests				
(o) Institutional constraints				
(p) Research failures- evidence not convincing				
(q) Legal/ constitutional problems				
(r) Bureaucrats do not like (or need) research				
(s) Bureaucrat's inability to understand research				
(t) Fear of bureaucrats to loose power				
(u) Others, please specify				

15. What, in your assessment, are the most important measures to enhance policy-research interlinkages? (Choose five among the measures listed below and grade them on a five-point scale where 1 implies lowest degree and 5 implies highest degree).

	Tick five	Grade those five
(h) Government department to set up independent research institute and provide annual grants to it		
(i) To organize workshops/ seminars of both researchers and policy makers		
(j) To set up Working Groups with both researchers and policy makers		
(k) Government policy makers requesting regularly briefings from the research community		
(l) Government officers routinely attending academic seminars organized by research community		
(m) Government commissioning research projects to the researchers and research institutes		
(n) Govt. allowing private researchers to join govt. as Advisers/ Consultants for a specified period		
(o) Government allowing government officers to join research institutes on deputation		
(p) Government allowing government officers to join research institutes on study leave		
(q) Government officers to go on refreshers courses		
(r) Govt. and other donors should provide more funds to the independent research institutes		
(s) Any other measure, please specify		

## Annex-2 List of Research Institutes who participated in the Survey

1. Indian Council for Research on International Economic Relations (ICRIER), Delhi.
2. National Council for Applied Economic Research (NCAER), Delhi.
3. Indian Institute of Public Administration (IIPA), New Delhi.
4. Indian Council for Social Science Research (ICSSR), New Delhi.
5. Indian Institute for Manpower Planning and Education Research, New Delhi
6. Institute for Economic Growth (IEG), Delhi.
7. Institute of Social Studies, New Delhi.
8. Centre for Policy Research (CPR), New Delhi.
9. Research and Information System (RIS), New Delhi
10. Institute of Integrated Learning and Management (IILM), New Delhi.
11. Indian Statistical Institute (ISI), New Delhi.
12. Institute for Studies on Industrial Development (ISID), New Delhi.
13. Rajiv Gandhi Institute for Contemporary Studies, New Delhi.
14. Centre for Development Studies (CDS), Delhi School of Economics.
15. Institute for Public Administration (IPA), Hyderabad, Andhra Pradesh.
16. Centre for Economic and Social Studies, Hyderabad, Andhra Pradesh.
17. Institute for Social and Economic Change (ISEC), Bangalore, Karnataka.
18. Centre for Policy Studies, Bangalore, Karnataka.
19. Indian Institute of Management (IIM), Bangalore, Karnataka.
20. Indira Gandhi Institute for Development Research (IGIDR), Mumbai, Maharashtra.
21. Centre for Development studies, Mumbai, Maharashtra.
22. Management Development Institute, LIC, Mumbai.
23. Credit Rating of Industries and Services of India Ltd (CRISIL), Mumbai, Maharashtra.
24. National Institute for Banking and Management (NIBM), Pune, Maharashtra.
25. Institute for Development Studies (IDS), Lucknow, Uttar Pradesh.
26. Indian Institute of Management (IIM), Ahmedabad, Gujarat.
27. Gujarat Institute of Development Studies, Ahmedabad, Gujarat.
28. Centre for Studies in Social Sciences, Calcutta, West Bengal.
29. Madras Institute of Development Studies, Madras, Tamil Nadu.
30. Madras School of Economics. Madras, Tamil Nadu.
31. Infrastructure Development Finance Corporation (IDFC), Madras, Tamil Nadu.
32. Infrastructure Development Finance Corporation (IDFC), Madras, Tamil Nadu.
33. Pacific Institute of Management Studies, Udaipur, Rajasthan.
34. Confederation of Indian Industries (CII), Delhi
35. Federation of Indian Chambers of Commerce and Industry (FICCI), Delhi.
36. Association of Chambers of Commerce (ASSOCHAM), Delhi.
37. Indian Statistical Institute, Calcutta.
38. Indian Chambers of Commerce (ICC), Calcutta, West Bengal.
39. PHD (Punjab, Haryana and Delhi) Chambers of Commerce and Industry. New Delhi.
40. Planning Commission, Government of India.
41. Economic Division, Ministry of Finance, Govt of India.
42. Labour Bureau, Ministry of Labor, Govt of India.
43. Office of Economic Adviser, Ministry of Commerce and Industry, Govt of India.
44. Office of Economic and Statistical Adviser, Ministry of Agriculture, Govt. of India.
45. Office of Economic Adviser, Ministry of Civil Supplies, Govt of India.
46. Departments of Economics and Regional Science, Jawaharlal University, Delhi.
47. Delhi School of Economics, Delhi University.
48. ADB Office, Delhi.
49. ILO Office, Delhi.
50. IMF Office, Delhi.
51. UNCTAD Office, Delhi.
52. World Bank Office, Delhi.



### Annex-3

#### Synthesis of Analysis of Interlinkages between Research and Policy

<b>1.1 Forward-looking approach:</b>		
Items	Privatisation and Labour Reforms	Reforms in External Sector
1.1.1 Did research contribute to policy change?	Yes	Yes
1.1.2 If yes, list policy changes.	Disinvestments of govt equity in public enterprises, sale of loss making public enterprises, Amendments of Acts relating to bonus, gratuity, minimum wages, contract labour, workman's compensation, emigration, unorganised labour etc.	(a) Full convertibility on current account, (b) Partial convertibility on capital account, (c) Floating exchange rate, (d) Liberalization of foreign investment and foreign technology transfer, (e) Liberalization of long term external commercial borrowing
1.1.3 For each policy, explain the following:		
(a) Type of impact- minor/major /revolutionary	Minor	Major
(b) Extent of implementation- Partial / Full	Partial	Full
(c) Time lag between research and policy	Very long due to complex democratic process and opposition by trade unions	Moderate despite complex bureaucratic procedures and approval by the government
(d) Time lag between policy and Implementation	Very long due to complex procedures	Normal time lag
1.1.4 Constraints in implementation: Grade each as low, medium and high		
(a) Problems in agenda & arguments	Medium	Low
(b) Problems in policy objectives	Medium	Medium
(c) Insufficient laws and regulations	Medium	Medium
(d) Institutional constraints	High	Medium
(e) Insufficient bureaucratic capacity	Medium	Medium
<b>1.1.5 Channels of linkages: (Graded A, B, C, D as indicated in the note below)</b>		
Items	Privatisation / Labour reforms	Reforms in External Sector
(a) Research cited in official documents	A	A
(b) Policy brief included in background materials	B	C
(c) Expert invited to express opinion	B	C
(d) Expert invited to report before committee	B	C
(e) Expert commissioned to do research	C	C
(f) Expert included in a task force	B	C
(g) Expert hired to deliver training/consult government officials	B	B
(h) Expert hired as government consultant	A	A
<i>Note: Grading is done on the basis of the following scale:</i>		
Marginal (A) < 25%	Medium (B) 26 to 50%	Significant (C) 51% to 80%
Great (D) Above 80%		

#### **1.2 Backward-looking approach**

Items	Privatisation and Labour Reforms	Reforms in
-------	----------------------------------	------------

		External Sector
(a) Start with a major policy change	Amendments of Payments of Bonus, Wages, Gratuity Acts; Amendments of Emigration Act, Amendments of Factories Act, Minimum Wages Act, Mines Act, Contract Labour Regulations Act, Employees Provident Fund Act.	(a) Depreciation of rupee in July 1991, (b) Floating exchange rate in April 2003, (c) Liberalization of foreign investment policy in July 1991 and subsequent years
(b) What were the factors contributing to the change in policy?	Recommended by Standing Committee on Labour	Based on bulk of research at the Ministry of Finance, Planning Commission and the RBI
(c) If research has contributed – what research?	Basic research, review and evaluation of earlier policies	Basic research, review and evaluation of earlier policies
(d) What was the extent?	Partial	Major
(e) What was the type?	Minor and incremental	Major
(f) Approaches suggested by research?	Mostly empirical, evaluation and review	Mostly empirical, evaluation and review

## 2. Explanatory variables: context, evidence, links, and external influences

### 2.1 Context

#### 2.1.1 Political Context:

Items	Privatisation/ Labour Reforms	Reforms in External Sector
(a) The macro political context (freedoms, accountability and contestation)	Democratic system with independent legislative, executive, parliament and free press and media.	Democratic system with independent legislative, executive, parliament and free press and media.
(b) The micro political context (structure, relations among key stakeholders)	Peaceful industrial relations among employers, employees, government and trade unions.	RBI took lead in convertibility of rupee with consultations with the Ministry of Finance
(c) Policy implementation (incentives, transparency, openness within the bureaucracy)	Open and transparent, but bureaucrats guided by politicians and trade unions, although there is a distinct change of mind-set.	Open and transparent, and was a distinct change of mind-set in the post reforms period in both the RBI and the MOF.
(d) How policymakers think (rationality, interests)	Policy makers are well qualified but in general are influenced by their political bosses who decide their promotions, postings and transfers.	Policy makers are well qualified and acted rationally as there was less resistance from trade unions and less interference from political leaders.
(e) Decisive moments in the policy process (type of process & windows)	There exist distinct policy windows. Policy changes go through various stages such as approval by a Committee of Secretaries, Group of Ministers and Cabinet Committee on Economic Reforms.	There exist distinct policy windows at both RBI and the Ministry of Finance.

#### 2.1.2 Economic and Social Context

(a) Level of economic development as measured by GDP per capita	US\$635 in 2004
(b) Level of human development (as measured by UNDP HDI)	0.595 (Ranked 127) in 2002
(c) Poverty ratio (Head count ratio)	26 in 2000
(d) Level of consumer expenditure inequality (Gini Lorenz ratio)	0.32

## 2.2 Evidence (research and communication)

### 2.2.1 What characteristics of research and communication tend to influence policy?

Items	Privatisation/ Labour Reforms	Reforms in External Sector
(a) Quantity of research	A whole body of research	Bulk of research done by inside the govt since 1991
(b) Quality of research	Mostly review and analysis,	Mostly review and analysis,

	followed by rigorous data analysis, but very little use of international evidence or international best practices	followed by rigorous data analysis, use of international evidence or international best practices
(c) Classification of research	Timely - 38 per cent Topical - 61 per cent Operational - 1 per cent	Timely - 30 per cent Topical - 60 per cent Operational - 10 per cent
(d) Nature of research	Mostly problem orientation and evaluation without mentioning alternative policy prescriptions	Mostly problem orientation and evaluation without mentioning alternative policy prescriptions
(e) Contribution – New or review of earlier findings? Fill a gap in knowledge?	Generally review of previous findings and fills a gap of knowledge	Generally review of previous findings and fills a gap of knowledge
(f) Type of research:	Basic research - 14 per cent Policy studies – 60 per cent Operational research - 1 per cent Evaluations - 16 per cent	Basic research - 19 per cent Policy studies – 60 per cent Operational research - 10 per cent Evaluations - 20 per cent
(g) Dominant approach (quantitative, qualitative)	Qualitative - 60 per cent Quantitative - 40 per cent	Qualitative - 68 per cent Quantitative - 32 per cent
(h) Contestation of evidence (Supported by international experience?)	Findings are non-controversial in nature, but is not supported by international best practices	Findings are non-controversial in nature, but supported by international best practices.

### 2.2.2 Communication: (Graded A, B, C and D as under 1.1.5)

Items	Privatisation/ Labour Reforms	Reforms in External Sector
(a) Clear communications strategy	D	D
(b) Extent of advocacy efforts Expenditure involved Labor involved	A B	B C
(c) Quantity <ul style="list-style-type: none"> <li>• Number of interactions</li> <li>• Number of publications</li> <li>• Number of meetings</li> </ul>	B C B	C D C
(d) Quality <ul style="list-style-type: none"> <li>• Packaging</li> <li>• Presentation</li> </ul>	A A	C C
(e) Channels <ul style="list-style-type: none"> <li>(i) Paper/ Book/ Report</li> <li>(ii) Web</li> <li>(iii) Personal reporting</li> <li>(iv) Working group</li> <li>(v) Made consultant</li> <li>(vi) Conference</li> <li>(vii) Policy roundtable</li> <li>(viii) Training</li> </ul>	D D A B A A A B	D D B C B B B C
(f) Nature (formal / informal), (Interactive / two way)	Formal Two way	Formal Two way

### 2.3 Links (“bridging”) (Graded as A, B, C, D as under 1.1.5)

Items	Privatisation/ Labour Reform	Reforms in External Sector
(a) Individual incentives (to communicate, to learn)	A	B
(b) Institutional incentives (for research, policymaking, intermediary institutions)	B	B
(c) Mechanisms: (Meetings,	B	C

media, networks, NGOs, WG, advocacy, workshops, courses, textbooks)		
(d) Role of intermediaries (trade unions/ WGs)	A	B
(e) Extent and nature of interactions: Open/ closed; formal versus informal	Open and formal	Open and informal
(f) Legitimacy and trust	C	C
(g) Mobility between research and policy arenas	A	A
(h) Nature of engagement: (i) independence, (ii) mix, (iii) cooption (from inside/ from outside)	Mix	Mix
(i) Social constructs between researchers and policy makers	B	B
(j) Social embeddedness of research	C	C
(k) Funding arrangements of research	C	D
<b>2.4 External Influences: (Graded as A, B, C, D as under 1.1.5)</b>		
Items	Privatisation/ Labour Reforms	Reforms in External Sector
(a) What major external influences affect the research-policy dynamics in your country?	B	D
(i) International agreements with WTO, BIS, others	B	D
(ii) Conditionalties given by IMF, ADB, World Bank	B	D
(b) What is the impact of the following on research?	C	D
(i) Globalisation	C	D
(ii) Rationalisation	C	D
(iii) Technology upgradation	C	D
(b) Impact of donor policies:	C	D
(i) Results-based management	C	D
(ii) Poverty Reduction Strategy	C	D

## Annex-4 **About the Authors**



### **Dr. Arvind Virmani**

Dr. Arvind Virmani is presently working as the Chief Economic Adviser to the Government of India in the Ministry of Finance, New Delhi. His major areas of research include: Macro-economics and Growth, Tax Reforms, External and Financial Sectors and Development Policies.

Dr. Virmani has held various distinguished positions. He was Principal Advisor (Development Policy) in the Planning Commission; Director and Professor in the Indian Council for Research on International Economic Relations (ICRIER); Senior Economic Advisor in the Department of Economic Affairs, Ministry of Finance; Advisor (Policy Planning) to the Finance Minister, and Adviser (Development Policy), Planning Commission. Before joining the government in 1987, he was Senior Economist in the World Bank Research Department and was acting Chief of the Public Economics Division for a part of this tenure.

He was a Member, Telecom Regulatory Authority of India (TRAI), a Member of the Task Force on "Global Strategic Developments: Implications and Suggested Response" set up by National Security Council Secretariat and a Member of the Technical Advisory Committee (TAC) on Money, Foreign Exchange and Government Securities Markets, Reserve Bank of India.

He Chaired the Working Group on Public Debt management (middle office) and Inter-ministerial Group on Customs duty reform and was member-secretary of the Steering Group on Foreign Investment. He was a Member of the Joint Study Group (JSG) on India-China (& India-Korea) trade and economic cooperation. He served as member of the Appellate Tribunal for the Securities & Exchange Board of India (SEBI) and the Depositories Act. He has served as Director of Punjab National Bank & Allahabad Bank and Trustee of the Unit Trust of India (UTI), Member of the Board of Life Insurance Corporation of India, Member of the RBI Technical Advisory Group on Money and Government Security markets, the Steering Group on International Financial Standards and Codes and the UTI committee on reform and stabilization of the US64 scheme.

Arvind Virmani (b. June 22, 1949) holds a Ph.D. degree in Economics from the Harvard University, USA (1975) under the supervision of the Nobel Laureate Prof. Kenneth Arrow.

Dr. Virmani has published extensively in national and international journals of repute including the Journal of Political Economy, Journal of Public Economics, Greek Economic Review, The World Bank Economic Review, Indian Economic Review, Indian Economic Journal, Economic and Political Weekly, Journal of Foreign Exchange and International Finance and RBI Bulletin among others.

His contribution in books include among others, International Trade and Balance of Payments in Eighth Plan Perspectives edited by M S Adiseshiah, Lancer International, Delhi, 1990 and Saving Performance and Prospects: A Historical Perspective in Domestic Savings in India: Trends and Issues, edited by U. D. R. Choudhury & A. Bagchi, Vikas Publishing House, Delhi, 1990.

He has also three Books at his credit published by the Academic Foundation., Delhi. These books include the following:

“Accelerating Growth and Poverty Reduction: A Policy Framework for India's Development”, Academic Foundation, New Delhi, 2004.

“Propelling India from Socialist Stagnation to Global Power”, Volume 1: Growth Process, 2006 Edition, Academic Foundation, New Delhi.

“Propelling India from Socialist Stagnation to Global Power”, Volume 2: Policy Reforms, 2006 Edition, Academic Foundation, New Delhi.



## **Dr. Tarun Das**

Dr. Tarun Das is presently working as Strategic Planning Expert, ADB Capacity Building Project on Governance Reforms, Ministry of Finance, Government of Mongolia. Earlier he worked as Professor (Public Policy) in the Institute for Integrated Learning in Management (IILM), New Delhi, Economic Adviser in the Ministry of Finance and Adviser (Modeling) in the Planning Commission, Government of India.

His specialization and research interests include public policy, structural reforms, strategic planning, output and performance budgeting, accrual accounting, benchmarks setting, transport modeling, poverty, inequality, millennium development goals, privatisation strategy, foreign investment policy, management of public debt, external debt and contingent liabilities.

Dr. Das has worked as Consultant for ADB, World Bank, IMF, UN-ESCAP, UN-SIAP, UNITAR, UNCTAD, UNDP, ILO, GDN and Economic Commission for Africa.

He has working experience in Cambodia, Ethiopia, India, Indonesia, Japan, Lao PDR, Malaysia, Mongolia, Nepal, Philippines, Samoa, Switzerland, Thailand and United Kingdom. He has also traveled to Bangladesh, China, France, Germany, Ireland, New Zealand, Senegal, Singapore, U.A.E. and USA to attend international conferences.

He holds a post-graduate degree in Economics from the Calcutta University and a doctorate degree in Applied Econometrics, as Commonwealth Scholar, from the University of East Anglia, England. He possesses diversity in skills in research, training, teaching, modeling, policy planning and consultancy services.

He has published research papers in the Australian Economic Papers, Empirical Economics (Vienna, Austria), Environment and Planning (London, U.K.), International Review of Economic and Commercial Science (Milan, Italy), Indian Journal of Income and Wealth (New Delhi, India), Indian Journal of Regional Economics (Calcutta, India), and Review of Mathematical Economics and Social Science (Milan, Italy).

His major publications in the form of Books and Reports include the following:

Macro-economic Framework and Foreign Investment in India, WG on Investment and Financial Flows, pp.1-75, TD/B/WG.1/Misc.3/ Add.3, UNCTAD, Geneva, 1993.

“Policies and Strategies for Promoting Private Sector’s Role including Privatization in Industrial and Technological Development in Asian Economies”, pp.1-171, ST/ESCAP/1696, UN, New York, 1996.

“Foreign Investment- Technology Transfer- and Growth Nexus in Asian Economies”, pp.1-158, UN-ESCAP, Bangkok, 1997.

“External Sector Contingent Liability- A Case Study on India”, jointly with Raj Kumar, Anil Bishen and M. R. Nair, Commonwealth Secretariat, London, 2001.

“Implications of Globalization on Industrial Diversification and Technological Complementariness in Asian Economies”, pp.ix+1-86, UN Pub. Sales No.E.02.II.F.52, UN-ESCAP, Bangkok, 2002.

“Economic Reforms in India- Rationale, Scope, Progress and Unfinished Agenda”, pp.1-80, Bank of Maharashtra, Pune, 2003.

“Role of Agro-based and Resource-Based SMEs for Export Promotion and Poverty Alleviation in ESCAP countries”, pp.1-126, UN-ESCAP, UN, Bangkok, 2003.

“Indices for Services Production”, edited jointly with Ashish Saha, Rajaram Dasgupta and Rohit Parmar, pp.1-268, National Institute for Banking and Management (NIBM), Pune, 2003.

“Financing International Cooperation Beyond National Borders- Country Case Study for India”, pp.1-49, Office of Development Studies, UNDP, UN Plaza, New York, 2005.

“Interlinkages between development research, policy planning and outcome- a case study for India”, Vol-1, pp.1-81, Vol-2, pp.1-75, Global Development Network (GDN) and the World Bank, September 2005.

“Mainstreaming UN Millennium Development Goals in the National Development Plans and Poverty Reduction and Growth Strategy- Selected Country Experiences from ESCAP”, Part-1, pp.1-84, Part-2, pp.1-78, ESCAP, United Nations, Bangkok, May 2007.