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Reimagining Federalism in India: Exploring the Frontiers of Collaborative Federal Architecture

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This paper argues that in response to contemporary challenges, the federal governance structure in India requires fine-tuning. A directional shift is required *from a cooperative model* to a *collaborative model* of federal governance in view of various endogenous and exogenous imperatives of change, such as rising assertiveness of civil society; rising "self awareness" of regional and local political elites; globalization, privatization, and retreat of the central state; and increasing reliance of the national government on intergovernmental coordination mechanisms rather than centralized/hierarchical mechanisms for policy making and implementation. Thus, I reflect on the possibility of supplementing the federal practice in India (known for being "federal in form and unitary in spirit") with collaborative institutions and deliberative processes to achieve policy coordination. Institutional reforms are required to generate the right incentives for welfare enhancing, multi-stakeholder engagement and thereby improve the quality of democracy. Three suggestions offered are: (1) expansion of the existing structural and functional horizons of the Inter-State Council (ISC) to engage, *inter alia*, non-state actors, enabling it to function as a quasi judicial "collaborative council"; (2) offer constitutional status to the newly formed "collaborative community of national and international experts, practitioners, and partners" named NITI Aayog because only a "*constitutional mechanism*" can prevent the process/institution(s) of multi stakeholder engagement from being marred by ad-hocism and (3) transfer the financial allocation function of the erstwhile Planning Commission to a permanent Finance Commission because a collaborative federal architecture can develop only in the context of a balanced, transparent, and distortion free system of intergovernmental fiscal relations.

Keywords: India, federalism, collaborative federalism, cooperative federalism, intergovernmental interactions, coordination mechanisms, National Development Council, Inter-State Council, collaborative council

The federal environment in India is evolving in exciting ways. A surge in the urge of non-government stakeholders for more engagement in the policy process is clearly conspicuous. In fact, the national, sub-national, and non-state actors always form a seamless web and the need to treat them as such is urgent in this time of enormous transformations in Indian economy, polity, and society. We can no longer allow national-regional boundary to confound our understanding of Indian federalism.

There is a need to evolve such institutional mechanisms that will not only align resources, competencies, and capabilities of the governments at all levels but also engage civil society, non-governmental organizations (NGOs), and the private sector in the policy making implementation process. This paper demonstrates why a collaborative federal architecture could be a unique artifact of the present era and how it could be installed and institutionalized so that it receives acknowledgement as a virtue to be universally cherished rather than a moral utopia to be feared and avoided.

This paper emphasizes the need to go beyond the concept of cooperative federalism and create a new federal architecture for collaborative engagement of the appropriate levels and actors in the policy making and implementation process. My argument is weaved around the notion of collaborative federalism, which owes its intellectual origin to the view that the essence of federalism lies in a society itself (Livingston, 1956, pp. 1–2). The view that Federalism is a process[1] rather than a design (Friedrich, 1964) and a way of bringing people together through practical arrangements (Watts, 1994, p. 7) further strengthens the case for collaborative genre of federalism.

International experience suggests that federalism is not a rigid structure but an ever-evolving science of flexible, complex, and dynamic intergovernmental interactions. In fact, federations tend to evolve as ongoing contracts; and remain, by their very nature, under constant renegotiation (Grewal & Sheehan, 2003). However, actors tend to behave opportunistically under uncertainty (Williamson, 1985). Thus, in order to realize the potential gains from incompleteness of the intergovernmental contracts, considerable emphasis has to be laid on achieving coordination among the partners of a federation (Hart, 1988; Seabright, 1996; Williamson, 1996). Such coordination can be achieved through collaborative federal architecture. However, to minimize coordination costs,[2] we need to build institutions that can specify and enforce rules.

This present study provides a comprehensive overview of intergovernmental coordination mechanisms and emphasize the need for change especially in the context of the shifts in both "policy environment" and nature of intergovernmental interactions. I offer insights into the changing operating environment for federal and multilevel governance in India and then make recommendations to develop its collaborative federal structure.

The set of questions that inform my inquiry are: How is the prevailing *policy environment* changing with respect to public policies associated with intergovernmental interactions in India? Has it posed challenges that require reforms in governance paradigms and structures? What kind of institutional response may be required to turn the challenges into opportunities?

With these questions in mind, I study the policy orientation of the Government of India in the recent times and find support for my proposition that in the changing policy environment, the national government is demonstrating its willingness and preparedness to engage all stakeholders, including those whose perspectives on specific policies are mutually conflicting at the most fundamental level. In other words, a careful analysis of recent trends indicate that policymakers and practitioners are acknowledging the emerging perspectives (on

intergovernmental interactions) that might differ significantly from existing norms and forms of interactions.

THEORETICAL FRAMEWORK

The theoretical framework that has guided the present work combines executive, cooperative, and competitive models into a collaborative approach to federal governance. The framework is based on four dominant theories of federalism and three fundamental assumptions. The three fundamental assumptions of the theoretical framework are as follows:

(a) The modern state includes not only multilevel governments but also various non-governmental actors, such as interest groups, civic groups, and professional associations. Thus, a multiple partnership arrangement is required as a platform for communication among governments, NGOs, professionals, and the public.
(b) Various "forms" of federalism can easily coexist in a particular federation.
(c) Key tenets of the collaborative approach to federalism have the potential to address the problem of lack of accountability between elections in procedural democracies.

The four dominant theories of federalism are (a) executive, (b) cooperative, (c) competitive, and (d) collaborative. I identify two models of intergovernmental relations as characterising much of the politics of Indian federalism since its independence, namely, executive and cooperative federalism. A more recent arrival on the landscape, especially since the beginning of economic reforms, is the phenomenon of competition among states for Foreign Direct Investment (FDI), without a model for competitive federalism. Finally, the approach-in-waiting (or perhaps "in the making", as we argue) is the collaborative approach to intergovernmental conduct. Based on a survey of the literature, broad conclusions/tenets can be culled regarding each model as an ideal type.

Executive Fedaralism

The model of executive federalism combines parliamentary government with federalism (e.g., in Canada and India). The fusion of executive and legislative powers in the parliamentary system means that the intergovernmental process occurs at the executive level. It is based on the top-down, hierarchical power relationship between the national and sub-national governments. This model has its pros and cons. The term *executive* is used to highlight the lack of any meaningful role of legislatures or participation by citizens or civic organisations. In this system, government officials negotiate behind closed doors, thereby strengthening secrecy at the cost of accountability. However, under the assumption of the pragmatic and flexible approach of government actors, this type of federalism can deliver results by making it easy for the national government to tackle interregional disparities, achieve a level of national equality in basic public service delivery and social welfare, and facilitate the movement of people in the country.

Cooperative Federalism

The cooperative federalism is characterized by an intricate framework of cooperative arrangements among the levels of government.

Theoretically, the cooperative framework preserves the structural integrity of each level of government while enabling them to exercise their autonomous powers "in a cooperative manner." However, what remains behind the veil is the "assumption" that states are cooperative servants and allies of the federal government. This happens because under this model the

national government places its superior resources at the disposal of state and local governments for management of local priorities. In this situation, the hierarchical relation persists because the task of states is not to assert autonomy but to carry out federal programmes and implement federal mandates. The central governments often invoke this concept to justify central government's high-handedness in the name of national interest or welfare of citizens. Any attempt to resist central intervention or assertion of autonomous policymaking makes them outsiders and challengers, giving rise to the so-called uncooperative federalism. Elected officials, at the national level, in relatively centralized federations keep referring to the concept of cooperative federalism because it creates a 'belief system' which allows them to exercise their superiority over their counterparts at the lower levels.

Competitive Federalism

The competitive model is based on the public choice perspective, which presumes that the government is a self-interested, Leviathan-like entity. Thus, decentralisation must be designed to disarm the huge central government of its monopolistic power to extract economic rent for itself; in its place, intergovernmental competition and local governmental accountability to constituents should be promoted. Generally, some forms of competition among units exist in all nations (e.g., to attract labour and capital). However, the competitive model of federalism (in a strict sense) will come to its own only if the following principles are at work:

(a) *Subsidiarity*. Higher levels should undertake only those governance tasks that lower levels cannot manage.
(b) *Fiscal equivalence*. Each government level must generate its own resources to finance its own tasks.
(c) *Exclusivity*. There should be an exclusive assignment of tasks to specific levels (no duplication).
(d) *Rule of origin*. There should be no impediments to free trade throughout the country.

The competition can take the form of a race to the bottom or to the top. When an appropriate policy framework exists to prevent tax wars and subsidy wars (welfare-deteriorating competition), the competition can be manifested in the form of enhanced policy innovation, greater responsiveness, superior infrastructure, and improved public service delivery at a reasonable tax price (welfare-enhancing competition). When a jurisdiction introduces a policy innovation and achieves desirable outcomes, its experiment is copied by others, a phenomenon called *laboratory federalism*.

Collaborative Federalism

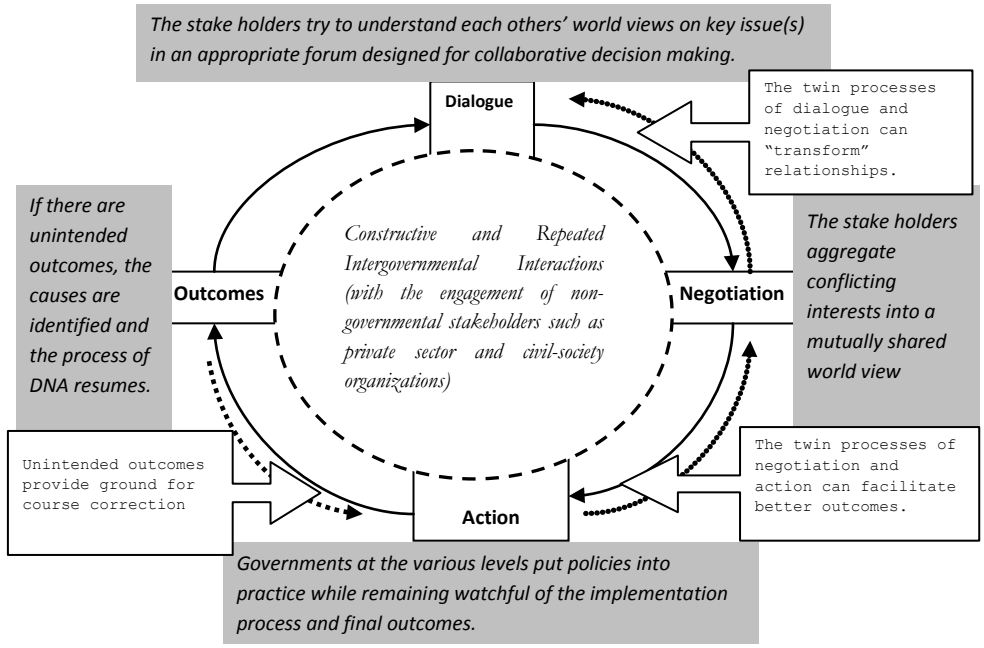
The collaborative model is based on four premises:

(a) A relationship based on partnership and relative parity exists between the national and subnational governments rather than a hierarchical type.
(b) Responsibilities and interdependence among government levels significantly overlap, which calls for joint decision making and collective action.
(c) Transparency and accountability towards people can be improved through deeper engagement of civil society, non-governmental organisations (NGOs), and other actors/stakeholders in intergovernmental policy deliberations.
(d) Solutions to intractable problems can be worked out through learning and innovation in the complex and dynamic world of intergovernmental interactions.

Collaborative and cooperative federalism both represent interdependent relations and are concerned with the management of these interdependencies. The difference is that cooperative federalism manages interdependencies within a framework of hierarchical relations, whereas collaborative federalism entails joint management of interdependencies on a non-hierarchical basis. Furthermore, the collaborative model advances to a direct engagement with non-state stakeholders in a collective decision-making process as equal partners.

The collaborative model combines the *advantages of cooperative and competitive federalism* while keeping at bay their limitations stemming from venturing exclusively and excessively into either domain. This model also steers clear of the difficulties caused by the presence of either a strong central government or a suboptimally high level of local autonomy. "Repeated interactions" are the key to the effectiveness of collaborative federalism.

Sharma (2010) demonstrated how the process of continuous interaction might work (Figure 1). Note that even a theoretically sound policy would require streamlining, considering that ground realities would emerge only during the implementation phase. This possibility can be realised if there are elaborate mechanisms for continued interactions, during both the policymaking and implementation stages. Such mechanisms are required because policy success is *not* a linear process, moving from formulation to implementation, where implementation will take care of itself if the formulated design is robust enough. Policy success requires an environment where the experience generated during implementation immediately enters into the interactive network (with no time lag) and is applied to streamline the policy.



Source: Sharma (2010)

Figure 1. *The Dialogue-Negotiation-Action (DNA) approach.*

COORDINATION THROUGH EXECUTIVE-COOPERATIVE MODEL OF FEDERALISM: AN EXPERIMENT THAT FAILED

Human interactions are at the core of inter-governmental relations. Therefore, certain institutional mechanisms are required to facilitate interactions among stakeholders in order to achieve policy coordination. These are called "coordination mechanisms." Indian federalism, so far, has relied on two major intergovernmental forums, namely, the National Development Council and the Inter-State Council. These forums facilitate interactions among the executives of the two orders of government.

The National Development Council (NDC): From Super Cabinet to Rubber Stamp

The NDC was set up as an extra-constitutional and non-statutory body by a cabinet resolution on 6 August 1952 (Resolution No. 62/CF/50 (06.08.1952), Cabinet Secretariat, GOI, New Delhi). It has been listed as an advisory body whose recommendations are not binding. It is composed of the Prime Minister [as Chairman], all Union Cabinet Ministers, Chief Ministers of all States, Chief Ministers/Administrators of all Union Territories and the Members of the Planning Commission. Secretary to the Planning Commission acts as Secretary to the NDC.

The NDC is an apex forum not only for the approval of the Five Year Plans but also for achieving policy coordination on the matters of national significance. However, the status of the NDC is largely a function of the politics of a particular period. For instance, during the Nehru era it emerged as a body superior to the Planning Commission. From 1952-63, the NDC meetings were convened with a frequency of 1.66 per year. The redefined terms of reference of the NDC issued on 7 October 1967 stated that NDC should meet at least twice every year. However, the trend took a turn for the worse during Indira Gandhi's 15-year rule as the frequency of the NDC meeting got reduced to 0.80 per year.

Mrs. Gandhi's tendency to restructure state legislative elite from above ensured that Chief Ministers of the states ruled by the Congress Party were too weak to do anything more than toeing the line of the Union government in NDC meetings. On the other hand, the opposition Chief Ministers began registering their concerns because everything was largely decided by the union government and the NDC's approval was secured as a matter of formality.

Thus, the NDC, which during the Nehru era had a high profile status (K. Santhanam called it a 'super cabinet), came to be described during the Indira era as a mere "rubber stamp." It thus failed to do justice to its key task of periodical evaluation of the national planning. This trend further intensified during Rajiv Gandhi's rule as he increased the coercive control over his own party governments at the State level. The frequency of the NDC meetings was further reduced to 0.60 per year during his period.

As the NDC could never pick up as an instrument of intergovernmental coordination, its ritualistic role as a rubber stamp seems to have become its default position, so much so that even after the breakdown of the Congress party's dominance and rise of minority/coalition governments in the post 1989 period, there has been no improvement in the quality [less politicized interactions] of the NDC meeting.

Though the frequency of meetings has registered a marginal increase as compared to the all-time low frequency obtained during the Rajiv Gandhi era to an average of 0.73 meetings per year during 1989-2012, the frequency remains lower than the required rate of two per year. Lack of substantial improvement in frequency even in the era of regionalization of Indian politics and the party system is indeed a puzzle. According to Rekha Saxena (2002), this could be due to the regional parties' direct access in

the Union cabinet. Providing an interesting nuance to the argument, I argue that the lack of reactivation of the Council is an indication that the State parties which can influence the central government's decisions by virtue of their being partners in the ruling coalition are reluctant to stand for the "State governments" as a whole. This demonstrates the *scandalous inability* of the States to forget political differences and pose a united front.

The First Administrative Reforms Commission, (set up by the Ministry of Home Affairs, Government of India by resolution no. 40/3/65-AR (P) dated 5 January 1966), in its 13th Report recommended replacement of the NDC with an ISC, which should be established under Articles 263 [b] and [c] of the Constitution of India (26.01.1950). However, the Sarkaria Commission (1983-87) recommended that the separate identity of the NDC should be maintained and it should be entrenched under Article 263 and renamed as National Economic and Development Council.

The Inter-State Council (ISC): Unrealized Potential

The Constitution of India empowers the President to establish a constitutional body for inquiring into and advising upon inter-state disputes under Art 263 (a) and for achieving better coordination of policy and action under Articles 263 (b) and (c) regarding subjects of common interest to some or all of the States, or the Union and one or more of the States. The First Administrative Reforms Commission (1969) in its 13th report recommended the setting up of ISC under Articles 263 (b) and (c) of the Constitution without invoking the provisions of Article 263 (a) which intended to give quasi-judicial powers to the council, complementing the Supreme Court's jurisdiction under Article 131.

The Sarkaria Commission (1983-87) endorsed the view and further recommended that the ISC should be constitutionally entrenched as a permanent and independent national forum for consultation and renamed as Inter Governmental Council. The Government accepted the recommendation without change of the name and notified the establishment of the ISC as a recommendatory body through a Presidential Notification No. IV/11017/3/90 CSR dated 28.05.1990. The ISC Secretariat, headed by a Secretary to the Government of India, was set up in 1991.

Note that the Sarkaria Commission did not support the Administrative Reforms Commission's view that the ISC should be constituted as a single standing body to which all issues of national importance can be referred. Thus, the issues of inter-State and Centre-State coordination and cooperation continue to be discussed in an ad hoc and fragmented manner in NDC, ISC, and a multitude of meetings on specific themes and sectors.

The Punchhi Commission on Centre-State Relations (2007-10) recommended functional independence and quasi-judicial status for the Council. It has also recommended that the ISC should be made a vibrant negotiating forum for policy development and conflict resolution. Once this outcome is achieved, the Government may consider the functions for the NDC also being transferred to the ISC.

There is no provision to make it mandatory for the council to hold its meetings on a regular basis with a constitutionally specified frequency. Thus, the ISC has met for only 10 times so far. The Punchhi Commission has recommended that ISC must meet at least thrice in a year on an agenda that will evolve after proper consultation with States.

The ISC is the only permanent constitutional body created for inter-State coordination. It has a high potential to strengthen vertical and horizontal cooperation in Indian Federalism.

However, this potential remains untapped. During the 10 years rule of the Congress led United Progressive Alliance UPA, the ISC had only two meetings.

IDENTIFYING THE NEED TO MOVE FROM COOPERATION TO COLLABORATION

The federal relations are explained by the levels of development of the bargaining powers of various stake holders [who can affect the stability of the federal order]. This section demonstrates that exogenous and endogenous changes have brought about a profound change in the relative bargaining powers of the stakeholders, the normative culture of Indian federation, and its paramount value system.

Theoretical Imperatives

According to Talcott Parsons (1961), systemic strains can be relieved by being fully resolved, by being isolated or arrested, or by changing the structure itself. India, in the present context, can relieve the strains falling on intergovernmental relations by undertaking institutional reforms to facilitate a collaborative federal architecture, which puts a premium on face to face deliberation among the stakeholders in order to transcend intractable disputes. The collaborative federal architecture will institutionalize the process of dialogue amongst varied groups and thereby improve the "quality" of democracy in India.

The Nobel laureate Thomas Schelling (1956) noted that if the parties take a long perspective and do in fact "interact repeatedly," their common interests may be sufficiently strong to sustain cooperation. In fact, Schelling went further and stated that people can structure their relationships, by extending interaction over time, in such a way so as to reduce the incentive to behave opportunistically at each point in time. Fourçans and Thierry (2001) showed in their game theoretic model that "infinite interactions" prevent strategic behaviours like "race to the bottom."

In this context the insights from the literature on "policy networks"— an idea rooted in political science literature on intergovernmental relations—can be useful in modeling vertical and horizontal interactions and linkage mechanisms among the stakeholders (Rhodes, 1999). Policy networks can facilitate "infinite interactions," thereby revealing interdependencies and inducing collaborative behaviour.

Sustained interactions among the stakeholders can produce desirable outcomes by revealing to them their shared long-term interests. A well-guided rationale can even reveal to more affluent States that it is in their long-term interest to make voluntary transfers to their financially unstable counterparts. Myers (1990), for instance, demonstrated that such contributions can benefit rich SNGs' economies by discouraging inefficient regional migration.

Indeed, as the dividing lines between the public and the private are getting blurred, the government at all the levels—central, regional and local—is increasingly becoming a co-producer of policies together with the private sector and other non-governmental stakeholders. Thus, the collaborative policy networks will provide opportunities to all the stakeholders for meaningful participation.

Exogenous Imperatives for Collaborative Federalism

Globalization. Globalization has created a space for the subnational governments to play a more pronounced role in economic policy decisions. However, strict enforcement of rules to prevent race to the bottom among various state governments of India is required. Collaborative architecture can make the state governments realize the shortcomings of the race to the bottom and can rather induce them to compete for the

race to the top, for example by providing better infrastructure such as power and roads.

Further, the forces of globalization, privatization, liberalization, along with Information technology revolution and knowledge revolution are making the diverse and pluricultural society of India even more complex and interdependent. In such an environment of increasing complexity and interdependency, the contentious policy issues cannot be resolved by the governments alone, following a top down approach. Thus, the challenge for governments is to engage stakeholders, communities and citizens in the process of production of policies and work with them during the process of implementation.

Localization. The contemporary global economic and political conditions are compelling central governments to look forward to more engagement of local levels in the process of economic development. Localization is considered as true decentralization (Fenwick, 2010). Localization is being documented by the development practitioners and decentralization experts as a key to local economic development. Thus, an attempt is being made to build local capacity through collaboration between federal government and local governments (Davidson, 2007). Indeed, in the emerging borderless world economy, the national governments have realized that they are no longer managing a single national economy but a series of distinct local economies (Magnusson, 1996).

Contemporary governance paradigm. The contemporary governance paradigm gives due recognition to all the players relevant for governance. This includes local bodies, various non-governmental organisations, civil society groups, trade unions, private sector, and subnational business associations. Indeed, "Governing", as Andrew Gamble observed, "is not an exclusive preserve of government; there are other agencies and institutions that are involved in governing a social order" (Gamble, 2000, p. 112). Thus, the emerging federalism literature explores the role of central government in the context of multi-level, multi-actor transactions [See Table-1].

Endogenous Imperatives for Collaborative Federalism

Since the impact of exogenous sources of change is felt only through the endogenous

Table 1. *Governance Structure—20th Versus 21st Century*

20th Century	21st Century
▪ Unitary	▪ Federal/Confederal
▪ Centralized	▪ Globalized and Localized
▪ Center manages	▪ Center leads
▪ Bureaucratic	▪ Participatory
▪ Command and Control	▪ Responsive and accountable to citizens
▪ Input controls	▪ Results matter
▪ Top down accountability	▪ Bottom up accountability
▪ Internally dependent	▪ Competitive
▪ Closed and slow	▪ Open and Quick
▪ Intolerance of risk	▪ Freedom to fail/succeed

Source: (Shah, 2004, p. 4)

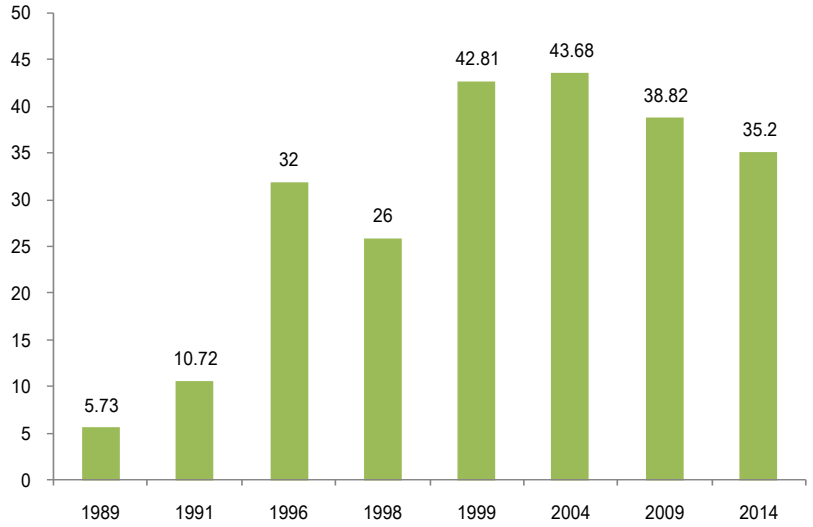
tendencies to change (Parsons, 1961), it is appropriate to highlight the endogenous imperatives. Four key imperatives are detailed below.

Paradigm shift in economic policy making since 1991: In the 1960s to 80s, socialism and command economy model enjoyed discursive dominance. In the 1990s, all political parties came to accept the logic of liberalization policies as the state interventionism and Nehruvian socialism came to be squarely blamed for India's BOP crisis (Sharma, 2011).

With this, began India's engagement with the re-formulation of ground rules. The new economic policies have led to significant "decentering" in the centre-state economic relations (Gent, 2003). In order to provide more fiscal autonomy to the states, the Fourteenth Finance Commission has increased the automatic transfers to the states (from 32 to 42 per cent of divisible pool). However, the intensification of the already existing regional disparities (Ahluwalia, 2000) calls for a more elaborate equalization programme implying fiscal centralization. Similarly, the need to impose greater fiscal discipline on the states to maintain macroeconomic stability also implies fiscal centralization.

In fact, a more collaborative method of fiscal restructuring will ensure that conditionalities imposed by the central government to curb fiscal profligacy and mismanagement do not result in compression of expenditure on essential public services like health and education especially on the part of the poor states (which is exactly what is happening, as shown by Rao & Chakraborty, 2006). The collaborative method of fiscal restructuring means that the key fiscal policy interventions are discussed and determined in such appropriate forums which facilitate greater dialogue, negotiation, and interaction among the stakeholders (Sharma 2010).

Powerful presence of State based parties in national legislature since 1996. The emergence of State-based parties and their success in elections to the national legislature (Figure 2) facilitated transition towards a



Source: Statistical Report on General Elections, Various Years, Election Commission of India, New Delhi (Reports available at: http://eci.nic.in/eci_main1/ElectionStatistics.aspx).

Figure 2. *State parties as % of national parties in Lok Sabha (number of seats) 1989-2014.*

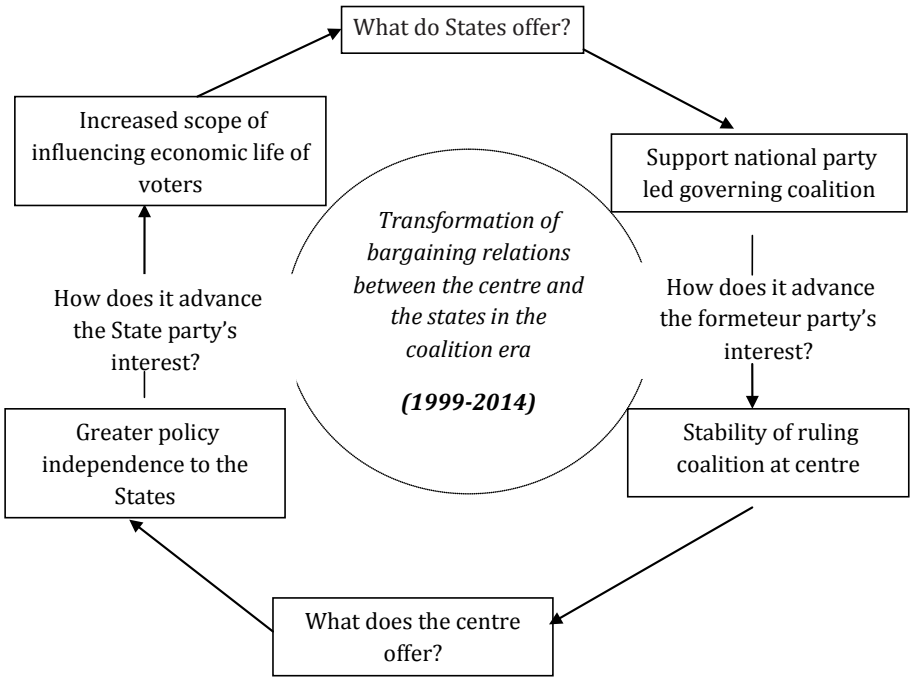


Figure 3. *Bargaining relations in the era of coalition (1999-2014).*

multiparty coalition system (1999-2014). With this transition towards 'binodal system,'[3] a term coined by Prem Shankar Jha (1999), and its highly competitive nature as demonstrated by Arora (2003), the coordination of beliefs and strategies of the political officials at the two levels became more problematic than ever before. This happened because the parties seeking to form a governing coalition at the centre had to bargain with the regional parties. This dramatically increased the bargaining powers of the latter during 1999-2014 (Figure 3). In fact, during this period, the subnational officials began to seek greater policy independence from the center. The political leaders at the center followed their Rikerian incentives and created more policy independence and authority for subnational officials in exchange for their support at the national level.

This form of bargaining may not be required under the currently ruling Modi Government (2014-19). However, it is incumbent upon the present government to derive lessons from the past and take the lead in building self-enforcing institutional design for intergovernmental coordination and collaboration. Only such an approach can ensure long term safeguard because the return of a federally fractured electoral verdict cannot be ruled out.

Diminishing relevance of Sarkaria style executive-cooperative model. For more than four decades (1947-89) cooperative federalism in India simply meant lack of resistance by the states to the programmes and policies of the central government. This view was a product of the world-view in which regional interests were seen as antithetical to the national interest.[4]

The operating environment of Indian federalism today stands in sharp contrast to one that prevailed during the four decades of Indian independence. It may be noted that the framing fathers of the constitution envisioned a leadership role for the central government in relation to the state governments—both in terms of setting

national priorities and providing financial support. In fact, the "Executive-Cooperative model" upheld by the *Sarkaria Commission* reiterated the paramountcy of the Centre to coordinate policy and action between the Union and the States.

However, during the period of the regionalized multi-party coalition system (1999-2014), the State parties emerged as the key beneficiaries of the bargaining federalism. The notion of "competent centre and incompetent states" became the relic of a bygone era. In view of recent economic and political transformations, the states are much less likely to accept central influence and leadership. Rather, it is the centre which is more likely to acknowledge and appreciate the states' role in the national policy making. This calls for a fresh look at the way we understand the federal organisation in India. Not surprisingly, the *second Commission on Centre-State Relations* headed by Justice [retd] M M Punchhi has espoused the "collaborative governance model" as an innovative way of implementing public policies. The collaborative federalism is a concept based on a profound value system which embraces non-centralization as a key feature of the federal organization.

Constitutional recognition of local bodies. The constitutional recognition of the third tier by 73rd and 74th Amendments has added a new dimension to the centre-state-local relations. This has provided a legitimate ground for the participation of local governments in the national policy process, independent from the states. Thus, the view of local government identity as one of fundamental powerlessness is gradually becoming more of a relic.

Widening negotiating space of non-government actors. The unprecedented rise in the political mobilization of the marginalized groups, increased self-assertiveness of the non-governmental organizations and civil society, and the rising reliance of the government on the private sector through public-private partnership has thrown up new challenges. In response to the noticeable negotiating space acquired by these actors, the governments at the centre, state, and local level have begun to streamline their interactions with one another and with the newly emerged players. Thus, institutional reforms have become indispensable to respond to these challenges.

The civil society in India has achieved many legislative milestones. Organized and unorganized non-state entities have played instrumental role in pushing through several recent laws and bills such as Right to Information Act, Right to Education Act, Mahatma Gandhi National Rural Employment Guarantee Act, Right to Food Bill, and Communal Violence Bill.

On 9 April 2011 the Union government went on to set up a 10-member joint panel of ministers and civil society activists to draft an effective Lokpal Bill. The Bill received assent from the President of India on 1 January 2014 and came into force (as Lokpal Act 2013) from 16 January 2014.

The government of India provides grants of more than Rs. 1,000 crores (Rs 10 billion) every year to voluntary organizations for their *partnership role* with government to implement public policies and ensure effective delivery of public services.

IDENTIFYING THE PREPAREDNESS FOR EMBRACING THE CULTURE OF COLLABORATION

The emerging politics of the centre-state relations in India demonstrates that the centre is now allowing state governments to take independent decisions and action in their own jurisdiction. The centre's willingness to compromise is noticeable in case of central

government's interactions with the state governments, private sector, NGOs, and civil society organizations. Recent actions of the national government relating to public policy have signaled its appreciation of the role of subnational levels [state and local] as well as non-governmental stakeholders in the policy making process.

Granting Freedom to the States to Differ and Disagree with Union Government's Decisions

The Union Government (during the closing years of UPA-II) clearly demonstrated its appreciation of the evolving federal political climate and showed no intention to force the states to implement the Union Cabinet's decisions. For instance, in order to resolve intergovernmental disagreement over the government's controversial policy decision to allow 51% FDI in the multi-brand retail sector, the then central government (UPA-II) decided to let the individual states make the final decision. West Bengal, Uttar Pradesh, Tamil Nadu, Bihar, Orissa, Madhya Pradesh, Gujarat, Himachal Pradesh, and Kerala decided not to implement the decision. On the other hand Punjab, Haryana, Maharashtra, Andhra Pradesh, Rajasthan, Assam, and Delhi welcomed the policy decision. A similar approach to tackling contentious policy issues was witnessed during the implementation of fiscal responsibility and budget management Act, 2003. In a similar move, the central government decided not to force the central law related to "Land Acquisition, Rehabilitation & Resettlement" [LARR] on the States. The central government allowed the States to frame their own land acquisition laws.

Rule based Fiscal Control with the Consent of the States

Since the beginning of stable coalition era (since 1999), the political process in India has gradually adjusted and adapted itself to meet the challenge of reconciling the need to implement national priorities (such as controlling rising fiscal imbalances, ensuring macro-economic stability, reforming and rationalizing tax structure and transfer system etc.) while protecting jurisdictional autonomy. This is a unique feature of Indian federalism in the coalition era which has been termed as "federalized fiscal regime" by Sharma (2009) to distinguish it from the "centralized fiscal regime" of the Congress era and "defacto decentralized regime" of the era of minority and unstable coalition governments (1989-99). Sharma (2009) identifies in this regime the symptoms of a 'new federal culture' which is conducive for putting in place a collaborative federal architecture.

In this new fiscal federal culture, the contours of new central fiscal control are rule based (not hierarchical) and are being determined not unilaterally by the centre but with the consent of the States—a phenomena witnessed during the implementation of Fiscal Responsibility and Budget Management Act when all the States were invited to sign Memoranda Of Understandings to avail fiscal reform facility without any undue pressure. The process of implementation of VAT also demonstrated considerable federalization of decision making procedures in the post reform era. Similarly, the coalition government (UPA-II) demonstrated its commitment to obtain States' consent address all their concerns before introducing indirect tax reforms [GST]. On one hand, the centre is committed to compensate the States for losses on account of the reduction in the Central Sales Tax (CST) rate. On the other, states have

reached a consensus on implementing a "dual GST" with a floor and ceiling rate.

Decentralized Monitoring of Centralized Social Sector Schemes

In order to ensure that outlays for social sector schemes such as MANREGA [the UPA government's expensive flagship programme] translate into the intended outcomes, monitoring has to be an important part of centre-state relations. However, instead of adopting a heavy handed approach, the UPA government allowed monitoring to be done by Private CAs, Panchayats, and local communities. The experience of social audits from the state of Andhra Pradesh has produced outstanding results. It is important to note that while audit by the CAG [Comptroller and Auditor General] is also a part of monitoring scheme, the audit jurisdiction of CAG with respect to PRI (Panchayati Raj Institutions) and ULB (Urban Local Bodies) is quite limited because audit of local self governance institutions is a State subject.

Decentralization of Social Sector Schemes

Any policy framework that increases distance between the decision-maker and those affected by the decision may lead to unintended outcomes. In the view of poor outcomes and unintended consequences of implementing social sector schemes (central government's flagship schemes), the UPA-II government had begun contemplating decentralization of these schemes to the States. The new BJP led NDA-II government has also announced its intention to end centrally sponsored schemes and discretionary payments to states. The government has announced setting up of a sub-group of Chief Ministers under NITI Aayog to look into rationalization of 66 Centrally Sponsored Schemes. The Fourteenth Finance Commission has also recommended that those centrally-sponsored schemes which relate to subjects that can best be handled by the states must find place in the fiscal space of states alone. It will greatly help the cause by increasing the stake of the States in the proper implementation of such schemes and allow state-specific solutions to emerge.

Interactions with the State Governments, Local Bodies, CSO, NGOs, and Private Sector to Prepare Approach Paper to 12th Five Year Plan

The consultative process adopted by the Union Government in preparing the Approach Paper to the 12th Five Year Plan was a telling demonstration of its urge to duly recognise the rising relevance of other actors apart from the State governments, such as, urban and rural local bodies and the non-governmental actors such as civil society groups, non-government organisations, trade unions, and state-level business associations.

State-Level Export Commissions in Place of Centralized Export Promotion Councils

The new BJP led government has initiated the process to dismantle defective centralized export promotion councils currently being operated by the Department of Commerce, where a few and limited representatives from exporting community hijack the benefits of the schemes to themselves without spreading the benefits far and wide. The government will set up state-level export commissions to facilitate and promote exports. With state-level export commissions, states can also encourage their manufacturing companies and export units.

Centre's Acquiescence in State Government's Attempt to Amend Archaic Central Laws Using Article 254(2)

Constitutionally, the state governments cannot amend central laws on concurrent list (because in case of conflict, central law will prevail). However, if the centre agrees to give presidential assent to a state law, under Article 254(2), the state's law will prevail in that state. With the cooperation received from the union government, the Rajasthan government has decided to amend three archaic central laws: the Industrial Disputes Act, the Contract Labour Act, and the Factories Act (which states like Kerala and West Bengal cannot do by any stretch of imagination). Thus, Rajasthan has taken a lead in labour reform unleashing the full job potential in the State.

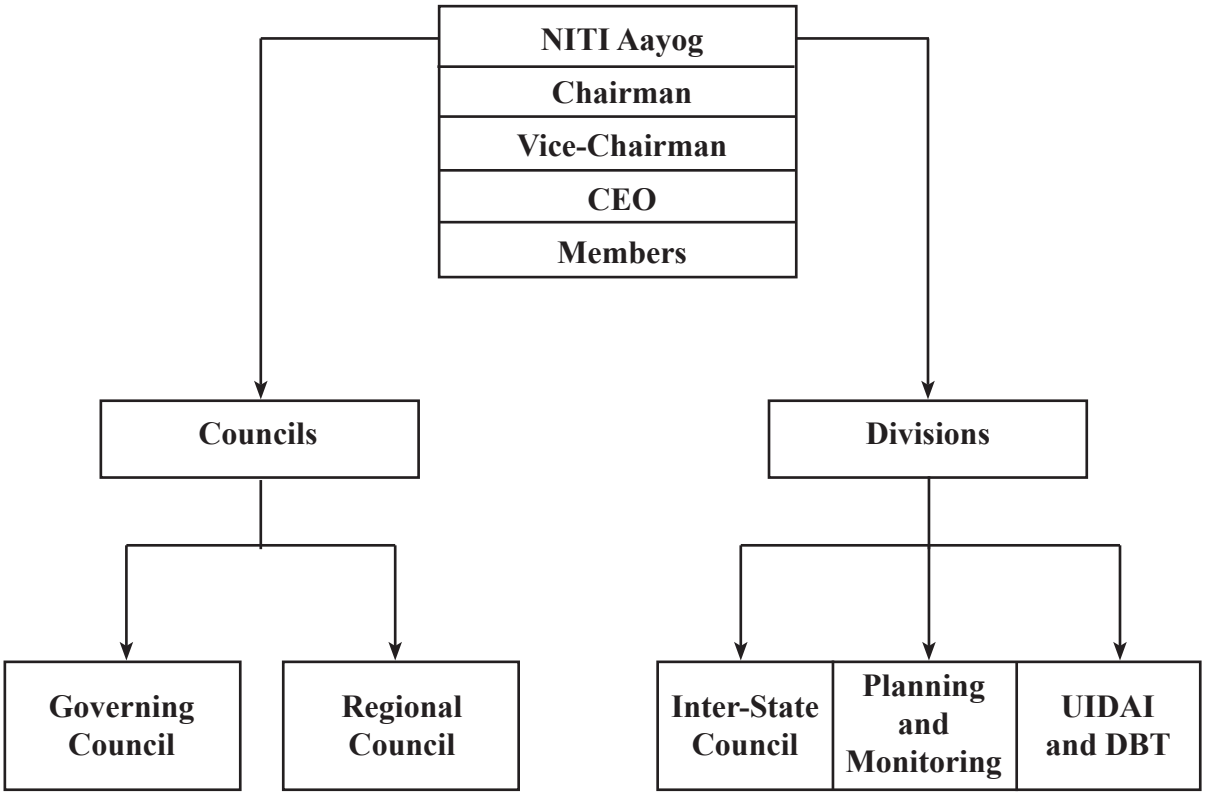
Constructive Competition Among the States to Reform Their Economies

The annual publication, since 2011, entitled "Economic Freedom of the States of India" demonstrates that the States are pursuing economic development in their own ways and reaping the rewards accordingly. The inaugural report demonstrated that the States that have had a large fall in economic freedom indices[5] do not have high growth, and the States that have had a large improvement in economic freedom index have had high growth (Debroy, Bhandari, & Aiyar, 2011). The report brings home the point that the states in a federal country like India are laboratories of democracy and harbinger of a nationwide change. Since a nation is an aggregation of its regions, a healthy competition among the States can serve to improve the investment climate of the nation as a whole. Thus, the report demonstrates that the States can reform their economies without an active involvement of the national government and even launch a "race to the top". Such a constructive competition can eventually pave the way for inter-jurisdictional collaboration by inducing the States to explore innovative ways to build aggregate capabilities by structuring horizontal linkages with the other States.

Partnering Arrangements to Implement Various Schemes, Programs, and Service Delivery

Public-Private Partnership (PPP). Many States have initiated Public-Private Partnership (PPP) mechanism for infrastructure development. Some like Andhra Pradesh, Gujarat, and Tamil Nadu have also developed the institutional framework for PPP projects. The Government of India is now formalizing the concept of PPP as the basic model to meet its policy objectives and to complement other public procurement and public service delivery means for infrastructure projects [e.g. railways, telecommunication, road and power], common resource management, health care, and education. Furthermore, in order to ensure transparency in public private partnership [PPP] projects, the Planning Commission has asked the Finance Minister to disclose project-wise, ministry-wise, and sector-wise information about such ventures in the supplements to the budget proposals. To increase the effectiveness of the social sector schemes, the Government is also considering implementation of the social sector schemes by private corporations through Public Private Partnership.

Public-Private-People Partnership (PPPP). In India, the concept of public-private-people partnership [PPPP] is also taking shape especially in the implementation of development projects. It is also being tried in agriculture and rural development. PPPP is a more collaborative approach in which all the stakeholders have



Explanatory Notes:

- PM is the Chairman; Vice-Chairman is appointed by PM; CEO is an officer of secretary rank.
  Members include: (a) 4-5 domain experts to assist VC (b) 2 part-time members from institutes/ universities,
  appointed on rotational basis (c) 4 council ministers (ex-officio) nominated by PM.
- **Governing council** comprising all state CMs and lieutenant governors of UTs (Headed by the PM) to ensure genuine and continuing partnership of all states in policy making.
- **Regional councils** to address specific issues within a specific time frame.
- **Inter-state council** will carry the development agenda of the states forward to finance and other central ministries (Headed by a Secretary). It will move from home ministry to Yojana Bhawan to oversee development works of the states. Thus, the states will have a greater role in planning.
- **The Planning and monitoring division** will work on a long term plan for the government and evaluate the flagship social sector schemes (Headed by a Secretary).
- **Unique Identification Authority of India (UIDAI) and Direct Benefit Transfer (DBT) division** will coordinate with states for generation of Aadhaar (Headed by a Secretary).

Figure 4. *Structure, composition and functions of NITI Aayog that replaced Planning Commission*

a major role to play. The local communities themselves define their needs. The private sector delivers the services. The government facilitates the matching of a community's need with the appropriate service providers and creates an enabling environment for the implementation of the project.

Planning Commission Replaced with NITI AAYOG

With the creation of NITI [National Institution for Transforming India (Figure 4)], in place of the Planning Commission, it is "hoped" that there will be a genuine and continuing partnership between the centre and the states and among the states. Participation of the states will make planning more inclusive. As per the policy statement of the government, NITI will create a knowledge, innovation, and entrepreneurial support system through a collaborative community of national and international experts, practitioners, and partners. It will offer a platform for resolution of inter-sectoral and inter-departmental issues in order to accelerate the implementation of the development agenda. In addition to being the incubator of ideas for development, the NITI Aayog will provide a critical directional and strategic input into the development process. It will develop mechanisms to formulate credible plans at the village levels (Government of India, 2015).

Recommendations of the Fourteenth Finance Commission (2015-20)

The recommendations of the Fourteenth Finance Commission (FFC) are aimed at providing significantly higher and genuine revenue autonomy to the states. The Finance Commission has increased the states' share in central taxes to 42% from the present 32% while at the same time it has suggested necessary institutional changes to minimize discretion. It also recommended Rs 2.87 lakh crore as grants to local bodies thereby granting them greater fiscal independence from the state governments.

The Commission has also done away with "illogical and dysfunctional" distinction between Plan and Non-Plan which not only increased misallocation and distortion of government expenditure, but also trumped scholarly analyses of the costs and outlays that drew exclusively on Plan. The FFC has also recommended a state-of-the-art indirect tax system (GST) from next fiscal, aiming to create a single tax for goods and services across the country.

IDENTIFYING THE INSTRUMENTS OF COLLABORATIVE FEDERAL STRUCTURE: THE TASK AHEAD

Designing institutions to ensure collaborative governance is indeed a challenging task. However, given the inter-jurisdictional and profoundly local content of the contemporary policy reforms, the concept of collaborative federalism seems indispensable.

In this section, I pick the thread from my discussion of the indicators of the government's preparedness and suggest that much more needs to be done to ensure "genuine and sincere collaborative interactions among the stakeholders."

My assertion is that a collaborative federal architecture can develop only in the context of a balanced, transparent, and distortion free system of intergovernmental fiscal relations. The FFC has indeed taken a few steps in this direction. It has taken into account both Plan and non-plan revenue expenditure requirements of the states in its assessment of state-wise share of the divisible pool. This move has subsumed the block transfers given by the erstwhile Planning Commission.[6] For the same reason, the states have been given 42% devolution instead of 32%.

As a consequence, the Centre will lose out Rs 50,000 crores to states in 2015-16 as compared to 2014-15. In fact, if we include the Central transfers to Local Bodies and grants provided by the Centre under Article 275 of the Constitution, the total transfers add up to about 50% of the Centre's divisible pool of taxes (personal communication with a senior government official dated 03/21/2015).

In order to leave enough fiscal space with the central government to boost public spending, the FFC has recommended restructuring of the central assistance to state and Union Territories (UT) plans. The government plans to retain the overall transfers to the states at around 63% by reducing the discretionary transfers and grants to the states (personal communication with a senior government official dated 03/21/2015). Indeed, the Budget (2015) proposes eight centrally sponsored schemes (CSS) to be de-linked from the support of the centre and 13 to be run in a sharing pattern between the centre and states. Further, the roll out of GST is also expected to boost finances of the central government.

The experts' opinion survey I conducted shows that there is an overwhelming consensus that the Finance Commission and the ISC are the two "constitutional" bodies which have the potential to strengthen federalism in India. There is also a near consensus on the need to install and improve mechanisms for dissemination of information about service delivery and development of a database and a research cell to assist intergovernmental interactions. However, there is an ongoing debate on many other issues related to the role of NDC and the Governing Council of the NITI, and their interaction with the ISC.

The Key Points of Consensus
(70% or above in the experts' opinion poll)

1. Transform the Finance Commission into a permanent body

Transforming the Finance Commission into a permanent body (as it is in Australia) seems to be a reform that is still pending. Such a move would improve coordination and state-level fiscal data collection. It would also enable the Finance Commission to carry out proper monitoring of policy implementations in states. In fact, the Finance Commission, as a permanent body, can make annual projections to allocate funds to the states instead of five-year projections.

2. Encourage dissemination of information about service delivery

Although the collaborative federal architecture can improve transparency and accountability, yet, ushering into such a new way of conducting intergovernmental interactions requires commitment to greater accountability and transparency in the first place. Throughout the executive-cooperative phase of Indian federalism the governments engaged citizens as a way to legitimize their bargaining position (bargaining federalism as described by Morris-Jones (1964) rather than as a way to emphasize greater accountability to citizens.

In order to prepare for the new way of conducting intergovernmental interactions, the need is to develop a culture of transparency and accountability. One way to achieve this is to have in place such mechanisms whereby the information on the performance of public services is disseminated to the stakeholders and public at large. This can be done by making it compulsory for the local governments to formulate, publish, and disseminate Citizen's Charter to let people know the mandate of the concerned departments of local administration and how to seek a remedy. On the other hand, civil society organizations at the local level can produce "Citizen's Report Card" to provide public agencies with systematic feedback on the quality and adequacy of public services from actual users. Both these mechanisms together can impart transparency to the conduct of local affairs and can go a long way in making "village-level planning" (as envisaged by the NDA government) truly participative.

Reinikka and Jakob (2004) showed that in Uganda, information dissemination strategy had a substantial impact in preventing leakage of funds away from purposes intended in public budgets. Keefer and Khemani (2005) noted the success of civil society organisations in playing such a role, which can generate and disseminate information about service delivery with the specific purpose of verifying political promises.

They can also mobilize voters to hold political agents accountable and encourage them to improve public service delivery.

3. Development of a database and a research cell to assist intergovernmental interactions

Establishing a non-partisan and permanent research cell can provide scientific/empirical inputs for collaborative transactions among the stakeholders in an appropriate forum (such as the ISC). However, the problem is that data collection and analysis has the potential to elicit controversy. Moreover, the politicization of such a body is always possible. However, a strong demand for such data, analysis, and information can provide the government with the necessary incentive to establish a technical service or research cell for this purpose. Such a body will provide input functions (e.g., data and research inputs) as well as perform output functions (e.g., preparing unbiased reports on discussions and decisions taken). Finally, the feedback gained from the action taken on the decisions will allow the ISC (as a collaborative council) to offer crucial inputs for further improvements and adjustments (see Figure 1).

4. Establish ISC as an institution of collaborative federalism

The inter-state council is *the only* legitimate constitutional body (under Article 263) responsible for fostering cooperation and promoting engagement with the states. The formation of NITI could prove to be an imperfect instrument to achieve the perfectly desirable goal of collaborative federalism if it diverts attention from the fact that it is the ISC, a constitutional entity, which can provide the institutional backing to the vision of collaborative federalism in India.

Thus, the single most important reform that will assist in strengthening the collaborative federal architecture involves expanding the existing structural and functional horizons of the ISC, enabling it to function as a *"collaborative council."* The ISC shall be entrusted with decision-making responsibilities and tasks, such as policy research and investigation. To achieve this purpose, the council can collaborate or network with research institutions, civil society organizations, and NGOs across the country to receive *research inputs* to resolve issues concerning the states just as NITI Aayog will enter into such collaborations to receive inputs for performing its key role of formulating a vision for the development of the country.

A worthy goal could be to evolve mechanisms (made effective by using information and communication technology) to intensify interactions with the local government bodies, civil society, the private sector, and other such agencies/institutions that are involved in the process of governing the federal order. In order to prevent the ISC from becoming an instrument of political buck-passing, it is essential to strengthen the entity through research inputs by a cell as discussed above. To what extent granting quasi-judicial powers to the ISC can help is a moot point.

The Moot Points

(Based on the experts' opinion poll)

1. The question of granting quasi-judicial powers to the ISC

The Second Administrative Reform Commission (2005-09) and the Commission on Centre-State Relations (2010) have recommended quasi-judicial status for the ISC with a power to enforce decisions and resolve conflicts in a speedy and efficient manner. However, in my survey, 75% of the respondents voted against the idea of quasi-judicial status to the ISC. Prof Nivikar Singh believes that "giving the ISC quasi-judicial powers is a terrible idea."

2. The question of transforming the NITI Aayog into a statutory body

Out of the 55 respondents (including professionals, practitioners, elected representatives, bureaucrats, academics, industrialists, and civil society representatives), 36.96% of the respondents think that NDC has lost its relevance against 50% who think that it is still relevant.

M.G. Rao (Director, NIPFP, New Delhi), responding to my recent survey of opinion, supported the view that the NDC as well as the Governing Council shall be abolished and the ISC be allowed to perform the coordination functions. Prof Sandeep Shastri (the Pro Vice Chancellor of the Jain University) also endorsed this idea. However, for Mohammad Mehmood (retired Professor from the Dept. of Political Science, Aligarh Muslim University) and Suhas Palshikar (Professor and Director of Lokniti), the NDC remains relevant even after abolition of the Planning Commission. Prof. Mohammad Mehmood specifically argued that the NDC is still required as a forum for discussion and approval of centrally sponsored policies by the representatives of the States. Indira Rajaraman (Member, Central Board of Directors, Reserve Bank of India) and Nirvikar Singh (Professor of Economics, University of California Santa Cruz) think that it all depends on what NITI Aayog does, and how it's role develops especially vis-a-vis the ISC. Prof. Nirvikar Singh further argues that, although "it does seem that with the composition of NITI Aayog, the NDC is less distinctive, yet, it may make sense to still separate (to the extent possible) technical analysis from political bargaining."

3. The NDC, the Governing Council of NITI, and the ISC: The question of interaction and the division of responsibilities

Indira Rajaraman would prefer clear demarcation of roles rather than merger of any of these institutions. Her idea is that, "since the Inter State Council presently comes under the Home Ministry, its role could be confined to dispute resolution, and the NDC could exist alongside for long term development policy formulation. The Governing Council could then be charged with monitoring of policy execution."

On the other hand, M. Govida Rao's eminent opinion is to transfer the role of the Governing Council to the ISC. However, Baldev Raj Nayar (Professor Emeritus of Political Science, McGill University, Canada) feels that it is best to have a simple arrangement. "Just keep development to itself and not involve the Inter-state council." Prof. Nirvikar Singh feels that nothing can be said for sure without a clear discussion of current and potential roles and overall institutional structures. The devil lies in the detail!

The survey results show that 48.48% believe that the role of the Governing Council could be transferred to the ISC, while keeping NDC intact.

The experts' opinions can be contextualized in the light of the Punchhi Commission's recommendation on Centre-State Relations (2007-10) which suggested that the ISC should be made a vibrant negotiating forum for policy development and conflict resolution. Once this outcome is achieved, the Government may consider the functions for the NDC also being transferred to the ISC. Note that the first Administrative Reforms Commission, constituted on 5th January 1966, in its 13th Report had also recommended replacement of the NDC with an ISC. However, the Sarkaria Commission (1983-87) had recommended that the separate identity of the NDC should be maintained and it should be entrenched under Article 263 and renamed as National Economic and Development Council.

4. "NITI Aayog": A statutory or a non-statutory body?

While 44.44% of the respondents believe that the NITI shall be granted a constitutional status as against 33.33% who do not, Prof.

Baldev Raj Nayar's simple logic is that "if the Planning Commission can exist for more than six decades (without constitutional status), why is it necessary now for NITI, especially when it has a reduced role in planning?"

On the other hand Prof. Nirvikar Singh feels that, "if India is a constitutional republic, then perhaps it is a good idea to finally give this function a firm institutional basis. On the other hand, if it is not successful, then giving it constitutional status will just entrench a bad idea. The Planning Commission had no constitutional status but was difficult to get rid of; and it took two decades after liberalization!"

5. Shall the financial allocation functions of the erstwhile Planning Commission be transferred to a permanent Finance Commission?

A whopping 81.48% of respondents believe that this function shall go to the Finance Commission, while 50% of them (40.74 per cent of total) believe that a permanent Finance Commission is required for it to take up this function.

However, it is quite interesting to note that the three leading experts, Indira Rajaraman, M.G. Rao, and Nirvikar Singh believe that the Government has made the right move. Although Prof. Baldev Raj does not support the government's move, yet, he is not in the favour of granting this function to the Finance Commission either. His counter question is, "Why not restore the function to NITI, which has domain expertise in development?" Prof. Nirvikar's argues quite emphatically that,

> The Finance Commission should be responsible for tax sharing and horizontal equity across states. Making specific purpose grants for investments is completely different from that role, and should be done by individual ministries, with the Finance Ministry ensuring there is coordination and respecting overall budget constraints. Guidance on prioritization should come from the Cabinet and NITI Aayog. A permanent Finance Commission would be a good idea anyway, but not in the context of deciding specific purpose support for investments.

ANALYSIS—BEYOND THE DEBATE

The analytical thoroughness of this section would remain incomplete without a discussion of my own observations and recommendations, which are based solely upon the merits of the case. Although I mention political factors in my analysis, yet, while making the recommendations I do not factor in the potential reception of my suggestions in the Parliament or with interest groups. I keep myself at a distance from the politically motivated aspects of decision making and make recommendations merely to alert political officials who could then factor it into their discussions and decisions.

1. Grant statutory status to the NITI Aayog

Despite all that has been said and done, NITI Aayog still appears to have been conceived based on the dominant model of executive-cooperative federalism rather than on a collaborative-competitive/laboratory model. It should be noted that NITI Aayog has no "constitutional sanctity." The decision to create NITI Aayog was not taken after a discussion in parliament; however, the entity's framework was discussed in a meeting attended by all the chief ministers and chief secretaries on December 7, 2014. Further, if the "extra-constitutional" NITI eventually overshadows the ISC, it would have to face the charge of another government-decreed body, taking custody of the vital issues by subordinating a constitutional body.

Collaborative federal governance calls for a "*constitutional mechanism*" to engage state and non-state actors to prevent it from being marred by ad-hocism. Thus, a bold initiative is required

to transform NITI into a statutory body; if this does not occur, it will be difficult to hold state/union/ministries/departments accountable for failing to achieve time-bound implementation of quantitative and qualitative targets.

2. Two options on the question of co-existence/merger of multiple forums

Option I: Abolish the NDC and Transform its functions to the Governing Council (if the Governing Council and the Inter State Council are to be retained as separate entities)

I argue that with the abolition of the Planning Commission, the NDC has also lost its relevance as the structure of the Governing Council of NITI almost serves the same purpose. In fact, the Governing Council of the NITI is qualitatively different from the NDC in the sense that it includes States and UTs as equal partners in the policy making process. Earlier, the role of the NDC was just to approve the five year plans as a matter of formality. However, one sensible option is to consider some way to eliminate the risk of multiple bodies trying to achieve the same goal. At present the NDC, the Governing Council, the ISC, and Regional councils addressing specific issues within a specific time frame seem too much.

Option II: Transfer the Functions of the Governing Council to the ISC (if the NDC is to be retained)

In order to eliminate the risk of multiple bodies trying to achieve the same goal, the suggestion of transferring the role of the Governing Council to the ISC (reconstituted as a collaborative council) seems sensible. This merging will sound even more sensible if the ISC is reconstituted to include, *inter alia*, representatives of the local bodies, civil society, non-governmental organisations, and other stakeholders in not just a consultative sense but in a collaborative sense as well.

The technical justification for the suggested move lies in the fact that the ISC, as a division of the NITI (see figure 4) will move from Home Ministry to Yojana Bhawan to oversee development works of the states.

3. Equip the ISC, re-constituted as a collaborative council with quasi-judicial powers

The logic behind this suggestion is that quasi-judicial powers are required to make the Council's decisions legally binding and preventing the stakeholders from deviating. I also believe that the decision to back out from the accords and agreements arrived at in the council should be made as costly as possible. The institution of Auditor General can also play an important role where financial transactions are involved. I would argue that this could be an important part of the collaborative architecture because the agreements represent the common purposes of all the stakeholders and principles to which they all agree. They include commitments to work together to achieve maximum welfare of the citizens.

4. Transfer the financial allocation function of the erstwhile Planning Commission to a permanent Finance Commission

The Finance Commission is a constitutional body provided under Article 280, constituted quinquennially to review the financial needs of the state governments, and to recommend the required financial transfers from the central government. Thus, the financial allocation function of the Finance Commission has been sanctified by the Constitution, however, the Planning Commission since its inception, appropriated this task to itself, thereby, restricting the Finance Commission to determining state-wise share of the divisible pool of central taxes (based on assessment of non-plan revenue expenditure needs of the states).

Thus, the financial allocation function which the Planning Commission had appropriated to itself, against the spirit of the constitution, shall be transferred to the Finance Commission. However, this is not possible unless the Finance Commission is turned into a permanent body. In nutshell, resting the financial allocation function with a permanent Finance Commission will be an eminently sensible move in the view of the abolition of the plan non-plan[7] distinction and the dismantling of the Planning Commission.

Transferring this function to the Ministry of Finance leads us to suspect that the control over the flow of the central funds to states will be even greater under the new dispensation. It will harm the cause of collaborative federalism.

CONCLUSION

In this paper I have reflected on the possibility of supplementing federal practice in India (known for being "federal in form and unitary in spirit") with collaborative institutions and deliberative processes to achieve policy coordination. The contemporary political and economic scenario in India is not conducive to a centralized decision making process. Thus, the central government would better achieve policy goals by drawing all the stakeholders into more collaborative interactions. Otherwise, the union government's unilateral policy pronouncements, given the escalating power and influence of the subnational and non-state actors, will only produce confusion and chaos.

In view of the exogenous and endogenous imperatives noted in this paper, a shift is required not only from a centrally managed cooperation to a more creative and constructive one (engaging the states as equal partners) but also, more fundamentally, from our traditional construct of federalism, working exclusively with governments—national and subnational —to a modern federal construct, giving due recognition to all the players relevant for governance. This includes local bodies and the various non-governmental actors.

In order to make the collaborative federalism work, more institutional reforms are required (as suggested in the previous section) to eliminate the possibility of manipulation by ad hoc political bargaining or by welfare-reducing strategic behaviour by the governments at different levels.

Further research is required to identify more precise mechanisms through which co-decision making among the stakeholders might be made self-enforcing, so that our federal system moves closer to a collaborative model rather than acquiring features consistent either with the centre-constraining federation (Souza, 2002) or with a demos constraining one (Stepan, 2001).

ENDNOTES

[1] The institutional mechanisms for federal governance are contingent and susceptible to revision. A nation's federal structure cannot be built upon a "fixed" distribution of authority between governments, because "there is and can be no final solution to the allocation of financial resources in a federal system. There can only be adjustments and reallocations in the light of changing conditions" (Wheare, 1963, p. 117). Thus, Rodden described federalism as "a process, structured by a set of institutions, through which authority is distributed and redistributed" (Rodden, 2006, p. 31).

[2] Note that the New Institutional Economics [NIE] emphasizes coordination between the parties for realization of the potential gains from transactions between them. However, transactions involve costs. These costs are of two types: coordination costs and motivation costs (Milgrom & Roberts, 1992). The NIE focuses on minimizing these costs by building institutions through which rules are specified and enforced (North, 1990).

[3] Prem Shankar Jha coined the term 'binodal' to portray emergence of stable coalitions around the BJP and the Congress. He states, "India can't have a two-party system because the federal structure that has stabilised two parties or groups in all but one or two states has yielded as many as 35 parties in the Lok Sabha. But it has been moving towards a binodal system in which stable coalitions are emerging a round the BJP and the Congress." (Jha, 1999)

[4] The advent of the coalition era (1999-2014) diluted this view, but it still exists. Thus, the opposition to the national policy stance by a particular state (for example, West Bengal's stand on Teesta River and Tamil Nadu's stand on Sri Lanka) is seen as an attempt to ignore larger interest of the nation as a whole.

[5] The authors measure economic freedom in the 20 biggest states on basis of three parameters: [a] Size of Government [b] Legal Structure and Security of Property Rights [c] Regulation of Credit, Labour and Business.

[6] With the abolition of the Planning Commission the Gadgil formula grants, Special Central Assistance, Special Plan Assistance and additional central assistance given for various purposes have been delinked from assistance. However, the central sector and centrally sponsored schemes (provided under Additional Central Assistance) have been retained.

[7] The plan, non-plan dichotomy meant that in budget accounting the revenue component of a plan project was shown under 'Plan' for the given plan period but under 'non-plan' account thereafter. This added to the states' committed expenditure. This dichotomy also meant that the role of Finance Commission was restricted to meeting non-plan current expenditure requirements of the states.

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