



Sixteenth
T. A. PAI MEMORIAL LECTURE

**Transforming India into an
Economic Super Power**

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TRANSFORMING INDIA INTO AN ECONOMIC SUPER POWER

(T. A. Pai Memorial Lecture delivered at Manipal, March 5, 1999)

N. Vittal

Central Vigilance Commissioner

1. I feel greatly honoured to have been asked to deliver the T. A. Pai Memorial Lecture this year. Shri T. A. Pai was one of the eminent leaders who had a many splendoured life. Starting with banking and industry, he also brought to the government, a flavour of the result oriented corporate culture. He was also an inspiring leader and had a fine sense of both pragmatism and humour. When I was called upon to deliver the memorial lecture in his honour, I thought the best way would be to reflect on what would be the direction Shri T. A. Pai would have given to our country if he were with us today. After all, as the Gita says, *Yad Yad aacharati shrestaha tat tat deve itarojana sayat pramanam kurute lokah tat anuvartate*. The manner, in which the leaders behave, the others follow. Definitely, late Shri T. A. Pai was one of the eminent Shrestha's this country has produced.
2. Shri Pai contributed in industry, government and politics. Following the inspiration from his life, perhaps one vision we can think of would be to build into an economic super power. To realise this vision of India as an economic super power, we must be able to apply the principles, which Shri Pai practiced and demonstrated in industry, government and politics. Where do we begin ? Perhaps the best method is to start with story which I have heard Shri Pai telling in one of his speeches and which I have quoted umpteen times in practically every speech of mine. There was a rat, which was being harassed by a cat. It went to the owl, the wise bird, to get an idea about how to tackle the cat problem. The owl thought for a while and ponderously said "To tackle the cat problem, you must also become a cat. Once you become a cat, there will be no problem. You are suffering today because you are weak and the cat is strong". The solution sounded right. After considering the suggestion of the owl, the rat went back to the owl the next day and asked how it could become a cat from its position as a rat. The owl replied: "Look, giving policy directions is my job, implementation is your problem!"

3. For realising the vision of transforming India into an economic super power, we cannot just indulge in the owlish fashion of giving policy directions. The fundamental question is how to transform policy into action. One of the great elements of Shri Pai's personality that he was not only a visionary but he also had sufficient pragmatism to implement his vision. To spell out our vision of India as an economic super power, we can begin with a check on where we stand today in comparison with other countries in three areas – corruption, competitiveness and human development. We can then explore how we can improve our position in all these three areas. This will be our roadmap to reach the goal of India as an economic super power.
4. The Transparency International, a German NGO, which makes a ranking of countries according to the degree of honesty and corruption finds that among 83 countries ranked in the increasing degree of corruption India ranks 66th. The World Economic Forum of Geneva which looks into the competitiveness of countries in the global market ranks India 50th out of 53 countries in the global competitiveness index. The UNDP, which makes a list of the Human Development Index, ranks India at 135th out of 175 countries. So if we are thinking of India being transformed into an economic super power, we should recognise these three realities. We are a very corrupt country; we are least competitive when it comes to the global market and even within our country, our success in human development ranks lower than many other countries. If India has to become an economic super power therefore we will have to ensure that we move on these three fronts. We improve our human resources, we improve our competitiveness and we also reduce the level of corruption in our system.
5. Up to this point, the owl would have agreed with us that this is the way to go if India has to become an economic super power. But then we are in the position of the rat. How are we going to implement this vision ? I happen to be the Central Vigilance Commissioner. In the last five months, I have been totally reflecting on this issue of corruption after a 38 years of experience in the IAS both at the State Government and the Central Government. I think our starting point should be to make our country a less corrupt country, if we want to achieve the goal of India as an economic super power. This is because corruption is virtually the AIDS of the body politic in our country. I was shocked to find, as mentioned in the book FOUR PLAY edited by

Shri Vishwanathan and published by the Business India to celebrate 50 years of India's independence by chronicling 50 years of India's corruption, corruption is also linked to terrorism. Normally when we talk of corruption, we think purely from an economic angle. Our whole machinery, whether at the central level or the state level or at the municipal level does not normally seem to move unless it is given the proper grease in terms of bribes. But as this book brings out, the Bombay Blast case shows that by giving a bribe of Rs. 20 lakhs to a customs official, the importing and movement of RDX (kala sabun in the parlance of the smuggler) was made easy. I wonder whether the custom official who took the Rs. 20 lakh bribe ever thought that he was condemning innocent people to death who became victims of the Bombay Blast.

6. That set me thinking that really corruption should be looked upon as the AIDS of our system. AIDS is the acronym for Acquired Immune Deficiency Syndrome. It comes out of uncontrolled indulgence in sex. If we want to take the sexual metaphor further, corruption is nothing but financial rape and financial adultery. Financial adultery is practiced at higher levels. The classic example is the corrupt engineer and the corrupt contractor colluding together to exploit the system. Financial rape is practiced by the pretty official at the clerical level where he can become the abominable no man for the common citizen denying him his rights and the benefits he is supposed to get from the public office with which he is interacting.
7. All discussions about corruption in our country either take the form of emotional outpouring about corruption cases or bemoaning or beating of chests about the helpless situation in which we find ourselves. As a result of all these, what happens is that there is a defeatist cynical acceptance of India as a corrupt country. I spoke to a High Court Chief Justice and he said that corruption would always be there. It was there, it is there and it will be there. When I pointed out that I felt that when I was much younger, the degree of corruption was apparently less than what we find today, he simply explained by saying that 30-40 years ago, perhaps there was more respect for authority and also the press was not so open. If we adopt that attitude, then we will never make any progress so far as fighting corruption is concerned. I think we should look to Singapore where Lee Kwan Yew was able to bring in discipline and make Singapore one of the cleanest countries

in the world. I readily agree that Singapore is a very small country with less than the population of many of the cities of India and it does not have the type of democracy, which we are practising. But the fact at the moment I want to underline is that it is possible to start with a country which is corrupt and move towards a situation where there is less corruption. I am not saying for a moment that we can have zero corruption, though that should be our goal. In another context, Rudolph Juliani has shown in New York that by practising the concept of Zero Tolerance, the crime level can be brought down. Unless we accept that it is possible to improve the corrupt situation, we are not going to make any progress at all.

8. How do we then make progress in checking corruption as the starting point to make our country into an economic super power? Before we go into that, it is worthwhile to see the link between lesser corruption and greater economic clout or prosperity. If you look at the list of the 65 countries, and particularly the countries that are topping the list, we find that they are all more prosperous than India. Part of the reason is also that they are more competitive and are able to thrive in the global market unlike us. Shri Raghuraman of CII has gone on record to say that 40% of the cost of electricity we pay in this country is due to corruption. Many of our major projects are held up as decision making is delayed. This is because of the influence of corruption. This can be obvious also from an apocryphal story. It appeared that Indian authorities were planning to send their rocket to the moon and they were looking for candidates to volunteer to go to the moon in the Indian rocket. First came a Bengali, being patriotic and said he was willing to go provided Rs. 1 lakh was given to him for his family. Then came a Sardarji who said that he was prepared to go if he were given Rs. 2 lakhs – one lakh for enjoying himself before he got into the rocket and Rs. 1 lakh for the family. Then came a corrupt business man who wanted Rs. 3 lakhs. He was asked why when the Bengali was prepared to go for Rs. 1 lakh, the Sardarji for Rs. 2 lakhs, he wanted Rs. 3 lakhs. He explained the situation this way "Look I will give you Rs. 1 lakh I will keep Rs. 1 lakh and with the remaining Rs. 1 lakh we can send the Bengali up. This clearly brings out how corrupt behaviour leads to increasing capital cost of investment and correspondingly poor returns. Let us look at our banking sector. You find that the industries become sick but not the industrialists. There may be many cases of collusion between the corrupt businessmen

and the corrupt bankers. I am not saying that all businessmen and all bankers are corrupt. But, when we look around and find that the industries become sick and the industrialists do not become sick and the industrialists become sick only when they are raided by the CBI, there is every suspicion that in many cases there has been what I call financial adultery.

9. There are people who argue that perhaps of a degree of corruption is an occupational hazard for speedy business development. Sometime back when I was in Thailand I was told that while there was corruption in Thailand as well as in India, what they had in Thailand was honest corruption, whereas in India we had dishonest corruption. By honest corruption what they meant was that if a bribe was paid the work would be done and if the work was not done, the bribe would be returned. In India on the other hand, even if we give a bribe, the work may not be completed and the bribe also may not be returned. But the collapse of the South East Asian tiger economies like Indonesia and Thailand since middle of 1997 has shown that ultimately honesty is the best policy. It is no wonder therefore that about 33 countries of OECD have agreed on a code of conduct of ensuring that their companies do not give bribe in foreign countries. The linkage between lesser corruption and greater economic development can directly be appreciated. We may now examine how to go about improving the degree of probity in public life and which incidentally will bring in the benefit of greater economic development.
10. I have developed what I call a "Panchsheel" approach to tackling corruption. As I see it our system encourages corruption. If you take any sample of our population, the normal distribution curve or the Bell Curve will apply if we want to measure the degree of honesty among the people. 10% of the people would be honest whatever we do. 10% would be dishonest, 80% would depend upon the system. Our system encourages corruption because of the following factors:
- Scarcity of goods and services
 - Lack of transparency
 - Red-tape and delay leading to speed money
 - Cushions of safety we have built for the corrupt by way of elaborate legal procedures and vigilance manuals, which the corrupt officer fully exploits. Many a time the proceedings take a long time. The legal system also creates cushion of safety for the corrupt.

- Tribalism of Biradri of the corrupt in which every corrupt officer will defend other corrupt officer. The expression if “thick as thieves” (and not “thick as honest men”) contains a grain of truth.
11. If we want to make India a less corrupt country therefore, we have to tackle the issue of corruption from these five angles. So far as scarcity of goods and services are concerned, the option is to remove the scarcity or if it is not possible, introduce fair distribution, which is transparent. When I was Chairman, Telecom Commission, I moved for opening up of the Telecom sector so that telephones were more easily available. The policy prevailing then was that the waiting period in the year 2000 for getting a telephone connection will not exceed two years. I raised the issue why not two days and ultimately the Telecom policy announced in 1994 made telephone availability on demand a goal to be achieved by 1997. Even though we may not have reached that goal, definitely we have today reached a situation where in many places telephone connections are more easily available than could have been dreamt of in the past. The Urban Land Ceiling Act is another example of how by law we created an artificial scarcity in urban land and this in turn led to the sky rocketing in the price of urban land, which became a convenient source for parking black money. If the ULCA is scrapped as announced by the government, perhaps the degree of corruption and black money connected with real estate may go down. Cement was scarce and there was a scandal in Maharashtra in the 80s. Once the cement policy was modified and more cement was available, the scope for such scam reduced.
 12. The second factor is lack of transparency. I found that Department of Telecom (DOT) was handling purchases to the tune of Rs. 8,000 crores. I used to call DOT, Department of Tenders. Many a time in implementing the telecom policy, the expression used was that the decision would be taken on a “case by case” basis. The cynical joke among the public was that it was going to be “suitcase by suitcase” basis. After taking over as the Central Vigilance Commissioner, I therefore ordered that all sensitive cases should be publicised on the notice board of the office every month by all offices so that public would know what are the areas where discretion could be exercised like out of turn promotion, out of turn allotment or tenders and what could be kept. The very fact that these decisions

will be publicised will also provide psychological check among the corrupt. I have also issued another order, banning post-tender negotiations except with 1.1. These orders have been issued under Section 8 of the CVC Ordinance 1999, which reads as follows:

The functions and power of the Commission shall be to:

- a) Exercise superintendence over the functioning of the Delhi Special Police Establishment in so far as it relates to the investigation of offences alleged to have been committed under the Prevention of Corruption Act, 1988;
- b) Inquire or cause an inquiry or investigation to be made on a reference made by the Central Government wherein it is alleged that a public servant being an employee of the Central Government or a corporation established by or under any Central Act, Government Company, Society and any Local Authority owned or controlled by that Government, has committed an offence under the Prevention of Corruption Act, 1988;
- c) Inquire or cause an inquiry or investigation to be made into any complaint against any official belonging to such category of officials specified in Sub-section (3) wherein it is alleged that he has committed an offence under the Prevention of Corruption Act, 1988;
- d) Review the progress of investigations conducted by the Delhi Special Police Establishment into offences alleged to have been committed under the Prevention of Corruption Act, 1988;
- e) Review the progress of applications pending with the competent authorities for sanction of prosecution under the Prevention of Corruption Act, 1988;
- f) Tender advice to the Central Government, Corporations established by or under any Central Act. Government Companies, Societies and Local Authorities owned or controlled by the Central Government on such matters as may be referred to it by that Government, said Government Companies, Societies and Local Authorities owned or controlled by the Central Government or otherwise;
- g) Exercise superintendence over the vigilance administration of the various Ministries of the Central Government or Corporations

established by or under any Central Act, Government Companies, societies, Local Authorities owned or controlled by that Government.

The persons referred to in Clause (c) of Sub-section (1) are as follows:

- a) Group "A" Officers of the Central Government;
- b) Such level officers of the corporations established by or under any Central Act, Government Companies, societies and other Local Authorities, owned or controlled by the Central Government, as that Government may, by notification in the Official Gazette, specify in this behalf.

Provided that till such time a notification is issued under this clause, all officers of the said Corporations, Companies, Societies and Local Authorities shall be deemed to be the persons referred to in Clause (c) of Sub-section (1).

13. This section gives the CVC power to ensure that the CVC looks into the vigilance function. The orders of the CVC have to be implemented. If they are not implemented then it can amount to misconduct on the part of the concerned authority/official and action could be taken against them. The matter could also be brought to the notice of the Parliament by way of Annual Report of the CVC. If anyone goes for public interest litigation, then perhaps the court will give a directive about implementing the orders of the CVC. Therefore we find that there is today a situation where we can bring pressure on public servants to be more honest.
14. The third factor is red-tape and delay. I have been pleading that we should have in our legal system, the sunset principle. No rule or law should be on the statute book forever and there should be a time limit of five years or ten years; so that automatically there is a process of reviewing the rules and laws. When I was Chairman, Public Enterprises Selection Board, I told the government that the guidelines which have been issued over the last 35 years when we had the socialist approach had crippled the public sector, restricting their discretion in a number of areas. I wanted all the 892 guidelines to be removed. The Government appointed a committee to go into this

issue with me as the Chairman. We recommended that 762 out of 892 guidelines should be scrapped. I am glad to inform you that at least 696 guidelines were scrapped. This was a one-time experiment. But what is needed in our system is an in-built mechanism by which the whole system is on a self-corrective auto pilot mode. The continuous look at our procedures will also help in removing the scope for corruption.

15. The next factor is the cushions of safety. Here the cushions are exploited by the corrupt officers, to escape punishment. I am trying to bring in a certain degree of discipline by insisting on a time limit of six months within which the departmental inquiries should be conducted. I have also insisted on a time limit of 30-60 days for sanctioning of prosecution. The relevant order may be seen in Annexure. The last factor is tribalism or biradri of the corrupt people. To break this I have issued an order that the junior officers can also directly report to me in case the seniors are indulging in corrupt practices. (Annexures).
16. There is always a complaint from the senior officials that pressure is brought from outside be it political, bureaucratic or business in decision making especially when large projects or contracts are involved. In such cases, I am suggesting that the concerned officers can directly inform me. I will then do two things. I will inform them in writing that I have received the information and they should decide on merits. I will also inform the concerned Secretary of the department cautioning that the decision must be taken on merits and they must not succumb to outside pressures. This will be like the CVC blowing the whistle to prevent acts of corruption being perpetrated. I hope you will appreciate that atleast I am trying to remove the alibi's normally given by public servants that they are under political pressure to take wrong decisions or their seniors are corrupt.
17. If there are five causes in our system for corruption, there are four players who make this corruption a vigorous growth industry in practically every aspect of our public life today. These four are the neta, babu, lala and dada. The permit licence raj which grew in the socialist days brought a nexus between the neta, babu and the lala, the corrupt politician, the corrupt official and the corrupt industrialist.

The increasing cost of election probably has also brought the criminal also into our system. As I mentioned earlier, in the case of the Bombay Blast, the criminal today is an important element in the corruption field. We should therefore when we look at the issue of tackling corruption, not forget the criminal element.

18. That brings me to the reason why criminals flourish. As Mario Puzo pointed out in his Godfather, when the legal system of the legitimate state fails, then the mafia takes over. In the story one of the persons whose daughter was raped, could not get justice from the legal system. He therefore goes to the Godfather to get his revenge. In our country we see at different places this linkage between criminals and the politician which has been also explored by the Vohra Committee report.
19. That brings me to the method of how to tackle these four players. I have a three-point plan. The first of course is simplifying the system and eliminating the sources of corruption. I have referred to the ban on tenders earlier. Another area where I found scope for corruption was in the fact that only 5000 of our 65000 bank branches were computerised. As we all know the Harshad Mehta Scam was perpetrated because there was no computerisation in the public debt office of the Reserve Bank of India. I am now directing all the banks to computerise at least 70% of their activities by 1-1-2001. The details are being worked because I find that some banks are already claiming that they have got 60% of the work computerised. This gives me a suspicion whether we are talking about the same subject when we talk of computerisation. For me, one effect of computerisation would mean that if any person goes with an outstation cheque he must be able to get the money credited in his account the same day and there should be also greater velocity in our banking system so far as providing service to customers are concerned.
20. The second element in my strategy to tackle corruption is to empower the people through transparency. I have already mentioned about the orders I have issued about the publicising in every government office the sensitive decisions taken. All the orders I have issued under Section 8 of the CVC ordinance are public documents and they are available freely. I am also asking my office to put them also on the Web so that anybody interested can download the same.

21. I then come to the third point of tackling corruption and perhaps this is the most significant point. We must have an effective system of punishment. Today our judicial systems and our procedures are such that the corrupt escape very freely. In fact if a public servant gets a bribe of Rs.1 crore, he can engage the best lawyers with the same money and laugh his way out of the court and on to the bank. The courts in our country are effective to some extent because they have the "Brahmastra" called the contempt of court. While the orders issued by the court can be indefinitely challenged by repeated appeals, review petitions etc., contempt of court is one instrument, which makes the person comply with the court order.
22. Next to the court, the criminals in our country are equally effective because they use violence. In a recent issue of India Today, there was a report on one of the Dons who was conducting all his operations from jail in solitary confinement. He was using sophisticated gadgets and network of educated unemployed people from middle class who helped him to perpetrate nearly 20 extortion in a year. So if only the contempt of court weapon of the judiciary as well as the violence of the dada are the effective instruments for getting things done, what effective instrument we can have for tackling the corrupt people ? In my view, one such instrument is the Benami Transaction Prohibition Act. In our country, corruption is a low risk, high profit business. If you want to tackle corruption therefore, what we need is to make the risk high. The risk can be made high by having a law, which will effectively confiscate all his ill-gotten wealth. In fact, Justice Jeevan Reddy, Chairman of the Law Commission of India, has drafted an Act called the Corrupt Public Servants (Forfeiture of Property) Act. I have on this New Year Day sent this to the government with a request to enact the same. But looking to the fate of how Lokpal Bill has been under discussion for 30 years I will not be surprised if the Jeevan Reddy Bill is also remaining under discussion for 30 years. Fortunately we have another Act. The Benami Transaction Prohibition Act, passed in September, 1988 which provides for confiscation of benami properties as per the procedure to be prescribed. Section 5 of the act reads as follows:

5(1) All properties held benami shall be subject to acquisition by such authority, in such manner and after following such procedure, as may be prescribed.

5(2) For the removal of doubts, it is hereby declared that no amount shall be payable for the acquisition of any property under Sub-section (1).

23. The significant point is that even after 11 years, the procedure has not been prescribed ! I have therefore asked the government to entrust the Central Vigilance Commissioner to exercise the powers of confiscation under this Act. There is however a question. Even with the empowering of the CVC will there not be stay from the courts ? I understand that while the investigation about the benami property of the public servant may go on, if a freeze or seizure order is issued, there cannot be any stay. This can be a sort of "Brahmastra" like the contempt of court and the gun power enjoyed by the criminal, so far as the CVC is concerned. The CVC can then be really effective in increasing the risk for the corrupt people.
24. In the fight against corruption therefore there can be two players. One is the CVC, which is a statutory authority, and the other is every patriotic Indian who wants India to become a less corrupt country and hopefully an economic super power. Then we will achieve our single goal which is the subject of our exploration today namely India as an economic super power.
25. Tackling corruption is only one aspect of the three-point strategy we have to follow to make India an economic super power. The second is focusing on human development. The awarding of Nobel Prize to Amartya Sen has brought into sharp focus of public debate the critical role of education in developing better human resources. Kerala has been praised many times by Amartya Sen others for achieving 100% literacy, which in turn has brought better life for the women. There are also incidental benefits like low infant mortality rates. I also understand that thanks to general literacy, the level of corruption is also less in Kerala than in any other State in India.
26. We will have to focus on education on all fronts. There are hopeful signs. For example Madhya Pradesh has shown how even in a backward state like an innovative strategy of empowering the people can work. Madhya Pradesh has evolved an Education Guarantee Scheme under which if 25 tribal people or 40 non-tribal people want a primary school and also select teacher, then the government gives

Rs. 8,500 per annum. Under this plan about 30,000 schools have been set up in the last one and a half-year, which is a very healthy development. Perhaps other states should follow this lead. The focusing on human development index and initiating policies which will lead to better education and better health with automatically have a positive spin off benefit in terms of better economic development.

27. We then come to the third point of our strategy – make India more competitive globally. For this we should focus on developing a national competitiveness policy. But if there is a single area where to focus, it is the area of productivity. Have you ever wondered why the Indians when they go abroad do much better than in our own country ? For example the labour in Kerala may indulge in Trade Union Activities, which is generally given as one of the reasons why in spite of all the other positive points, Kerala has not been able to attract the type of investment like some other states. The same Keralities, when they go to the Middle East are very docile workers because the system there encourages effective labour productivity. Intellectuals like Sam Pitroda who cannot afford to get a single patent in India, go and get half a dozen patents in America because the American system issues patents in 22 months whereas in India it takes six years. We should therefore look at how to improve productivity in all our systems.
28. The most valuable resource is time. I have already mentioned about reviewing our rules and regulations from the point of view of corruption. Perhaps they can also be reviewed from the point of view of eliminating unnecessary paper work. When we talk of productivity we should also think in terms of making the best use of the assets we have. For example people are our best asset. If we are able to focus on education, we will be able to build up on our human resource strength. The third aspect would be physical resource. The whole issue of small-scale sector for instance has to be looked from the point of view of better technology and better productivity. More than 800 items are reserved for the small-scale sector. I am told that more than 200 items are not produced in the small scale sector at all. I have therefore suggested to the government that they should use the concept of the “deemed small scale industry” so that even if the investment level is high, they can still encourage investment. We will have to think of such policy initiatives so that we do not cripple our economic activity by artificially restricting the production

of items in our country. If 200 items reserved for the small scale sector are not produced, it means that they have to be imported and to that extent, we are encouraging the foreign manufacturers and not the Indian manufacturers.

29. Competitiveness depends not only on productivity. It also depends on creativity. After all, in the global market, you have to not only satisfy the customer, you have to delight the customer. This will be possible only by coming up with new products and services, new designs etc. This means that we must build a culture of creativity. One method of focusing creativity will be by becoming customer focused. In an area like consumer electronics for instance, a lot of ideas have come from the customers themselves. So, capacity to listen to the customer, to design for the customer will automatically also build in a culture of creativity.
30. So, focusing on quality, creativity and productivity can be the route by which we can give a new shape to our industry to be in a fit condition to compete. Sometimes by policy restrictions we may be crippling our country. Take for example labour. Only about 8% are organised labour. But our labour laws are such that if today any entrepreneur were to start an industry, he would rather have lesser number of people employed and invest more in machines. In a poor country like India where employment is important, we should have labour laws which will be so designed that the prospective entrepreneur would employ more people rather than go for the machines. Looking at the entire economic policy making from the productivity point of view must be an important element of our competition strategy.
31. I have placed before you a vision of India as an economic super power. This I am sure is a vision with which Shri Pai would have heartily agreed. Learning from his contribution in the past and inspired by him, I have placed before you what initiatives we can take to achieve this goal. We will have to focus on three areas – reducing corruption, increasing competitiveness of the country and improving our human resources. I hope the ideas I have placed before you, if implemented, will go a long way realising the vision of India as an economic super power.

No. 8(1)(h)98(3)

CENTRAL VIGILANCE COMMISSION

Jaisalmer House, Man Singh Road

NEW DELHI – 110 011

Dated the 27th November, 1998

Sub: Sanction of Prosecution

1. The Central Vigilance Commission, while reviewing the overall functioning of the vigilance administration of the Departments/Organisations has observed that one of the methods of improving the vigilance functions is to give prompt clearance for sanction for Prosecution under the Prevention of Corruption Act. The Supreme Court has also in the case of Vineet Narain and others Vs. Government of India directed that a time limit of 3 months in grant of sanction for prosecution must be strictly adhered to. However, additional time of one month may be allowed where consultation is required with the Attorney General or any other Law Officer in the AG's Office. Subsequently, the Commission had also issued instructions vide its Letter No.98/VGL/7 dated the 12th March, 1998 directing all Ministries/Departments/Organisations to furnish their comments on CBI reports within 30 days of the receipt of CBI reports in respect of prosecution and disciplinary cases. Notwithstanding these directions/instructions, delays on the part of the disciplinary/administrative authorities in the cases of sanction of prosecution continue to exist.
2. The Central Vigilance Commission Ordinance 1998 under Section 8(1)(f) directs that the power and function of the CVC will be: "*to review the progress of applications pending with the competent authorities for sanction of prosecution under the Prevention of Corruption Act, 1998*".
3. Therefore, in exercise of powers conferred on CVC under Section 8(1)(f) in conjunction with Section 8(1) (h) of the CVC Ordinance 1998, it is hereby directed that:
 - I. In respect of CBI reports/cases in which the Commission's advice is not necessary, the competent authorities may exercise their mind and give or refuse sanction for prosecution under the PC Act,

within the time limit of 30 days from the date of receipt of request from CBI: and

- II. In respect of the cases of Presidential Appointees, in which the Commission's advice is required, the competent authorities may furnish their comments within 30 days to the Commission and give the sanction of prosecution or otherwise, within a period of 60 days from the date of receipt of request from CBI.
4. If at the end of the above said time limits no decision had been given by the competent authorities then the CVC will take an adverse view and deem it as a case of misconduct on the part of the competent authority.
5. This comes into force with immediate effect.

27-11-98

Sd/-

(N. VITTAL)

Central Vigilance Commissioner

To:

- i) The Secretaries of All Ministries/Depts. of Government of India.
- ii) The Chief Secretaries to all Union Territories.
- iii) The Comptroller and Auditor General of India.
- iv) The Chairman, Union Public Service Commission.
- v) The Director, CBI.
- vi) All Chief Vigilance Officers in the Ministries/Departments/PSEs/ Public Sector Banks/Insurance Companies/Autonomous Organisations/ Societies.
- vii) President's Secretariat/Vice-President's Secretariat/Lok Sabha Secretariat/Rajya Sabha Secretariat/PMO.

No. 8(1)(h)98(1)

CENTRAL VIGILANCE COMMISSION

Jaisalmer House, Man Singh Road

NEW DELHI – 110 011

Dated the 18th November, 1998

Sub : Improving Vigilance Administration

1. The Central Vigilance Commission Ordinance 1998 under Section 8(1)(h) directs that the power and function of the CVC will be the following: "*exercise superintendence over the vigilance administration of the various Ministries of the Central Government or corporations established by or under any Central Act, Government Companies, Societies and Local Authorities owned or controlled by that Government*".
2. Improving vigilance administration is possible only if system improvements are made to prevent the possibilities of corruption and also encourage a culture of honesty. In exercise of the powers conferred on the CVC by Section 8(1)(h), the following instructions are issued for compliance:

2.1 Creating a Culture of Honesty

Many organisations have a reputation for corruption. The junior employees and officers who join the organisations hopefully may not be so corruption minded as those who have already been part of the corrupt system. In order to ensure that a culture of honesty is encouraged and the junior officers do not have the excuse that because their seniors are corrupt, that they have to also adopt the corrupt practices, it is decided with immediate effect that junior employees who initiate any proposal relating to vigilance matters which is likely to result in a reference to the CVC can send a copy directly to the CVC by name. This copy will be kept in the office of the CVC and data fed into the computer. If within a reasonable time of say three to six months, the reference does not come to the CVC, the CVC then can verify with the concerned authorities in the department as to what happened to the vigilance case initiated by the junior employee. If there is an attempt to protect the corrupt or

dilute the charges, this will also become visible. Above all the junior officers will not have the excuse that they have to fall in line with the corrupt seniors. Incidentally, the seniors also cannot treat the references made directly to the CVC as an act of indiscipline because the junior officers will be complying with the instructions issued under Section 8(1)(h) of the CVC Ordinance 1998. However, if a junior officer makes a false or frivolous complaint it will be viewed adversely.

2.2 Greater Transparency in Administration

2.2.1 One major source of corruption arises because of lack of transparency. There is a scope for patronage and corruption especially in matters relating to tenders, cases where exercise of discretion relating to out of turn conferment of facilities/privileges and so on. Each Organisation may identify such items which provide scope for corruption and where greater transparency would be useful. There is a necessity to maintain secrecy even in matters where discretion has to be exercised. But once the discretion has been exercised or as in matters of tenders, once the tender has been finalised, there is no need for the secrecy. A practice, therefore, must be adopted with immediate effect by all organisations within the purview of the CVC that they will publish on the notice board and in the organisation's regular publication the details of all such cases regarding tenders or out of turn allotments or discretion exercised in favour of an employee/party. The very process of publication of this information will provide an automatic check for corruption induced decisions or undue favours which go against the principles of healthy vigilance administration.

2.2.2 The CVC will in course of time take up each organisation and review to see whether any additions and alterations have to be made to the list of items which the organisation identified in the first instance for the monthly communications for publicity in the interests of greater transparency. This may be implemented with immediate effect.

2.3 Speedy Departmental Inquiries

2.3.1 One major source of corruption is that the guilty are not punished adequately and more important they are not punished promptly. This is because of the prolonged delays in the departmental inquiry

procedures. One of the reasons for the departmental inquiry being delayed is that the inquiry officers have already got their regular burden of work and this inquiry is to be done in addition to their normal work. The same is true for the Presenting Officers also.

2.3.2 Each organisation, therefore, may immediately review all the pending cases and the Disciplinary Authority may appoint Inquiry Officers from among retired honest employees for conducting the inquiries. The names of these officers may be got cleared by the CVC. The CVC will also separately issue an advertisement and start building a panel of names all over India who can supplement the inquiry officers work in the department. In fact, it will be a healthy practice to have all the inquiries to be done only through such retired employees because it can then be ensured that the departmental inquiries can be completed in time. If any service departmental rules are in conflict with the above instructions they must be modified with immediate effect.

2.3.3 In order to ensure that the departmental inquiries are completed in time, the following time limits are prescribed:

- (i) In all cases which are presently pending for appointment of Inquiry Officer and Presenting Officer, such appointment should be made within one month. In all other cases, the Inquiry Officer and the Presenting Officer should be appointed, wherever necessary, immediately after the receipt of the public servant's written statement of defence denying the charges.
- (ii) The oral inquiry, including the submission of the Inquiry Officer's report, should be completed within a period of 6 months from the date of appointment of the Inquiry Officer. In the preliminary inquiry in the beginning requiring the first appearance of the Charged Officers and the Presenting Officer, the Inquiry Officer should lay down a definite time-bound programme for inspection of the listed documents, submission of the lists of defence documents and defence witnesses and inspection of defence documents before the regular hearing is taken up. The regular hearing, once started, should be conducted on day-to-day basis until completed and adjournment should not be granted on frivolous grounds.

2.3.4 One of the causes for delay is repeated adjournments. Not more than two adjournments should be given in any case so that the time limit of six months for departmental inquiry can be observed.

2.3.5 The IO/PO, DA and the CVO will be accountable for the strict compliance of the above instructions in every case.

2.4 Tenders

Tenders are generally a major source of corruption. In order to avoid corruption, a more transparent and effective system must be introduced. As post-tender negotiations are the main source of corruption, post-tender negotiations are banned with immediate effect except in the case of negotiations with (i.e. Lowest tenderer).

3. Hindi version will follow

18-11-98

Sd/-

(N. VITTAL)

Central Vigilance Commissioner

To:

- i) The Secretaries of All Ministries/Departments of Government of India.
- ii) The Chief Secretaries to All Union Territories.
- iii) The Comptroller and Auditor General of India.
- iv) The Chairman, Union Public Service Commission.
- v) All Chief Vigilance Officers in the Ministries/Departments/PSEs/ Public Sector Banks/Insurance Companies/Autonomous Organisations/Societies.
- vi) President's Secretariat/Vice-President's Secretariat/Lok Sabha Secretariat/Rajya Sabha Secretariat/PMO.

N. VITTAL

Central Vigilance Commissioner

Shri N. Vittal was born on 31st January, 1938 in Thiruananthapuram. He had his early education in Tiruchirapalli and Madras. Graduated with B.Sc.(Hons.) in Chemistry from Loyola College, Madras – 1958. He joined the I.A.S. on 16th May, 1960 and was allotted to the Gujarat Cadre. In his career of more than 35 years, Shri Vittal has held a number of assignments at the State Government, Central Government as well as in a joint sector enterprise. Some of the major posts held by him:

- Development Commissioner, Kandla Free Trade Zone, Ministry of Commerce, Government of India.
- Industries Commissioner, Government of Gujarat.
- Secretary, Food and Civil Supplies, Government of Gujarat.
- Chairman, Gujarat State Civil Supplies Corporation, Government of Gujarat.
- Secretary, Health and Family Welfare, Government of Gujarat.
- Managing Director, Gujarat Narmada Valley Fertiliser Company Limited.
- Additional Chief Secretary (Home), Government of Gujarat.
- Additional Secretary, Department of Atomic Energy, Government of India.
- Secretary, Department of Electronics, Government of India.
- Chairman, Telecom Commission and Secretary, Department of Telecommunications, Government of India.
- Chairman, Public Enterprises Selection Board.
- Central Vigilance Commissioner (Current).

He attended the '89 Fall Senior Executives Programme in the Massachusetts Institute of Technology (MIT), United States.

His experience covers a wide spectrum with the focus on industrial administration as well as administration of the departments connected with science and technology and security. The major achievements during his career:

- Revival of the Kandla Free Trade Zone.
- Opening of Dahej Port in Gujarat.

- Emergence of the Gujarat Narmada Valley Fertilizer Company (GNFC) not only as an efficient business enterprise but also as a model for what a public sector unit can do for backward area development especially in education, health, culture and environment, management. GNFC was a zero pollution plant.
- Setting up the Narmada College of Science and Technology and Commerce, Bharuch the first English medium College in South Gujarat, teaching Electronics Computer Science and Chemistry.
- Setting up of new organisations e.g., when he was Industries Commissioner in Gujarat, Gujarat became the first state in the country to be fully covered by District Industries Centres. He was responsible for establishing : Single window service for industry promotion bureau (Index TB) which was adopted later by other states; Entrepreneurship Development Centre; Gujarat State Civil Supplies Corporation. As Additional Chief Secretary (Home), initiated proposal for setting up the Gujarat Police Housing Corporation.
- As Secretary to the Government of India, initiated policies for boosting software and set up software technology parks and forged a strategic alliance with the industry. Also was successful in introducing the Electronics Hardware Technology Park Scheme, whereby, mini 'Hongkongs' and mini 'Singapores' can be created in India to boost manufacture of electronic hardware. Made Department of Electronics a front runner in adjusting to the new industry friendly policy, encouraging foreign direct investment from IBM, Motorola etc.,
- As Chairman, Telecom Commission initiated the process of liberalisation in the telecom sector and played a major role in getting the National Telecom Policy 1994 approved and announced.
- As Chairman, Public Enterprises Selection Board initiated measures for greater transparency and speed in the functioning of PESB. Headed the committee responsible for cancellation of 696 obsolete guidelines hampering the autonomy of the PSEs.

He has written more than 400 articles on various subjects relating to management, public relations, human resources development, management of technology, public sector management etc, in many journals and magazines.

He has authored three books – (a) India Incorporated: Reflections on the Indian Electronics Industry (1994); (b) The Viscious Cycle of Vittal's Law (1994); and, (c) The Red – Tape Guerrilla (1995). Also edited Export Processing Zones in Asia – Some Dimensions, published by Asian Productivity Organisation (1977). He was a regular columnist for the Economic Times and the Web magazine "Rediff on the Net." (www.rediffindia.com)

Among the honours received :

- **Honorary Fellow**, Computer Society of India (1992).
- **Citation** of gratitude from Electronic Component Industry Association (ELCINA), New Delhi.
- **Data Quest IT Man** of the Year 1993.
- **Honorary Fellow**, Asia Electronics Union (1995).
- **Honorary Fellow**, Institution of Electronics and Telecommunication Engineers (1997).
- **The hidden talent of India** award by the Organisation for Industrial, Spiritual and Cultural Advancement (OISCA) International, a UN Status Category I NGO.
- **The Great Son of the Soil Award 1998** by All India Conference of Intellectuals.

Included in the list of "*Fifty men and women who shaped the economy*" in the fifty years after India's independence by the *Business Today* magazine (August 1997).

Happily married, he has a son and a daughter. Interested in reading, writing, classical South Indian Music and long walks.

T. A. PAI – A life sketch

(17-1-1922 to 29-5-1981)

Born on January 17, 1922, Tonse Ananth Pai graduated in Commerce from Sydenham College of Commerce and Economics, Bombay. He joined the Syndicate Bank as Deputy Manager at the early age of 21 in 1943. A year later, he rose to the position of General Manager of the Bank and held that assignment till 1961. In January 1962, T. A. Pai became the Managing Director of the Bank and retained the position till 1964. Under his stewardship the Syndicate Bank achieved one of the fastest rates of growth for any Bank in India and earned a name for pioneering schemes, innovation in mobilising small savings, financing, agriculture and helping the small man.

In 1965, T. A. Pai was appointed as the Chairman of Food Corporation of India, which he served in an honorary capacity with dedication and distinction. He, however, rejoined the Syndicate Bank as its Managing Director in 1966 and rose to become Chairman in December, 1967.

On March 2, 1970, T. A. Pai was appointed Chairman of the Life Insurance Corporation of India. Under his guidance the LIC made remarkable headway. The Corporation started making larger investments in socially desirable schemes such as housing, urban and rural water supply and rural electrification.

In appreciation of his services he was awarded Padma Bhushan in 1972. In 1973 he was awarded the degree of D. Litt. by the Karnataka University. He was also awarded D. Litt. by the Andhra University in 1975. He relinquished the post of Chairman LIC in March, 1972 and in the next month he was elected to Rajya Sabha from Mysore State. He was appointed Minister of Railways in July 1972 and was entrusted with the responsibility of the newly formed Ministry of Heavy Industry on February 5, 1973. The additional charge of Ministry of Steel and Mines was given to him on July 23, 1973.

T. A. Pai took over the Ministry of Industry and Civil Supplies in the month of October, 1974 and was entrusted with the overall responsibility for industrial development in India. He was known for his enlightened pragmatism in all policy matters. He played a key role in revising the Industrial Licensing Policy and reorienting it to promote full utilisation of installed capacity and encouraging fresh investments in socially desirable sectors of industry.

T. A. Pai founded Manipal Institute of Management in 1980, to set new standards in Management Education, Research and Consultancy relevant to Indian conditions. Renamed as T. A. Pai Management Institute (TAPMI) to perpetuate his memory, the organisation has become a premier institute renowned for its Two Year Post-graduate Programme in Management.

The T. A. Pai Institute of Rural Development, another organisation established in his name is doing pioneering work in education and extension work to accelerate the process of Rural Development in the District of Dakshina Kannada.

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