eSolutions for tackling Demand Supply Gap

An informal, unofficial Paper by Rajesh Aggarwal (www.eGovernance.guru)

The Public Resources are limited, and the demand is high. This Demand Supply Gap leads to cartelization, crony capitalism, middlemen, bribing and so on.

Admissions to any class- from Nursery to Engineering to MBBS to Civil Services see 1000s of candidates per available seat; ditto for jobs of any kind; government lands available for housing or industry or schools or hospitals see applicants much more in numbers than availability of plots; Resources like river waters for power plants or industry, 2G/3G spectrum, coal, sand etc. where usage rights or mining rights are given to private sector; PPP projects like Electricity Generation, Road construction (in lieu of toll collection), Railway Metro (in lieu of some land usage rights) etc. – all these are classic examples of Demand Supply Gap.

How do we ensure that Rules of the Game are well defined, are transparent, are citizen/business/environment friendly, and there is an effective regulatory mechanism? How can Technology ensure there is no hanky panky? This Paper tries to discuss these issues in a very simple, common-sensical language.

There are FOUR ways in which Demand Supply Gap is tackled:

1. **First Come First Served (FCFS or FIFO- First in First Out)**
2. **Auction**
3. **Lottery**
4. **Merit based selection**

First method is **FIFO**.

FIFO is most common in life. Entering a crowded bus, or an airport, or getting a Boarding Pass, purchasing a movie or Air Ticket, even getting into a lift- we are used to standing in lines and waiting for our turn. With computerization, we now do not stand in lines, but software ensures FIFO is working- if you are late on the Railway Portal, you will get a waitlisted ticket, and so on. In Government offices, theoretically FIFO is expected in issue of Ration Cards, driving license, property registration, getting a birth or caste certificate etc. In reality, there is too much rush of applicants, and some government officials use this to delay things, to

grant out of turn favours to some, and so on. Acts like Right to Information, Right to Guaranteed Service Delivery in a certain time, Citizen Charter indicating time to be taken for each service- if these are implemented in letter and spirit, things can be set right. Another, ***more effective way is to STOP all manual processes, and go digital.*** 100% applications should be received online- the time stamp ensures first step of FIFO, and also no office can misplace these papers (deliberately or due to incompetence or due to genuine shortage of staff). If the backend processes are manual, then pasting these printouts on notice board daily and/or putting them on website brings transparency. If the backend is digital, and workflow is defined in the system, it dramatically brings down touch points (peons and inward/outward staff not required), and clever programming can automatically ensure FIFO. This is not a dream- this is happening in Driving Licenses, Treasury Bills and so on. The exception rules for jumping the queue are also built into the software – based on Tatkal fees, or genuine need (if someone is retiring today or is having a surgery tomorrow, his bills need to be fast tracked by the treasury). If someone way down in the queue wants speedy service and greases his way, then it is a lottery to those who are above him and whose cases also get fast tracked (not too bad, eh?). Even in this digital workflow system, mischief happens by rejecting/withholding some applications by raising unnecessary queries. This needs to be tackled by simplifying the Forms, and eliminating most of the attachments/documents required along with applications. (See my papers *eGov 0.0* and *Eliminated Transactions* for more on this.) In Property Registration, Passports, Visa etc. the citizens now fill application online and then get Interview/Test time slot from the portal. This is also based on FIFO.

Second way of meeting Demand Supply Gap is **Auction/Tender**.

(a) If you want to buy a thing, and there are many sellers, you get quotations/estimates for them, and then decide on a combination of Quality and Price (mostly L1- the lowest quote). Government tenders and purchases can be made quite controversy free and we can discover true market price if competition is allowed (better drafted and neutral tender document not favouring a particular vendor or technology), if cartels are not formed (nobody should know who else is filling up the tender), and if the potential bidder is actually allowed to put his bid in (i.e. he does not get beaten up on the way to the manual box kept in the office of the executive engineer). This is possible only if tenders are well advertised, pre-RFP and

pre-Bid conferences are held properly, and most importantly, if eTender software solution is used. Equally important is that this eTender solution itself is not rigged (it needs to be certified by reputed organizations). In more and more Central Government Ministries and PSUs, as well as in many states, eTender is now becoming the norm. Studies show that adoption of eTenders almost doubles the participation (number of bidders) and decreases the cost/price by about 10%.

(b) If you want to sell a thing, you *usually* want the Highest Price. (There is another method- Vickery Auctions- where Second Highest price is charged from the Highest bidder). Usually the bidder has a reserve price in mind, and bidders bid in open auction, increasing the price. Bids may also be received in sealed covers. A Dutch auction is a type of auction in which the auctioneer begins with a high asking price which is lowered until some participant is willing to accept the auctioneer's price, or a predetermined reserve price(the seller's minimum acceptable price) is reached. The winning participant pays the last announced price. This is also known as a clock auction or an open-outcry descending-price auction. Anyway, whichever method is used (sealed bids vs open bids; increasing or decreasing methods etc.), the ONLINE method of auctioning fetches much better prices, because bidders can not be threatened or bought out or cartel formed, as identity of bidders is not known. Government Sand Auctions, Spectrum Auctions, Coal mine auctions, Tendu Patta auctions, land auctions can be made much more transparent and much more revenue generating if ONLINE auction method guarantying full anonymity is used.

THIRD method is **LOTTERY**.

When a Housing Development Authority wants to give affordable houses to the citizens at a fixed price, and number of applicants is much more than the number of houses, what is the best way? It is the lottery. There are many ways of conducting lottery. Now a well-accepted method is that all applicants just fill up online forms, make some token payment online (or through bank counters which later on gives reconciled datasheet to the Housing Authority), and then conduct an online lottery whose results get posted on a website. One has to take care that citizens fill correct data (take their PAN card number, match it through software),

do not fill multiple applications (use various de-dupe methods), and lottery software is not rigged (get code walk through and certification from reputed organization). Lot of paperwork and long lines at counters can be avoided if all paperwork is done after lottery results, and only the winners and waitlisted people are called with original papers for verification.

FOURTH method of tackling Demand Supply Gap is **Merit based selection**, where selection criteria is spelt out in advance, and multiple applicants vie for lesser number of things. This could be admission to IIT or admission to Nursery school, any job recruitment, coal mine allocation, school land allotment, and so on. In this fourth method also, end-to-end computerization is not only efficient way of doing things, but it seems almost a necessity to achieve fairness and transparency. The Application process should be online, and every step of selection process should spell out the rejected applications and accepted applications after that stage, and final results should also be announced on website with as less time gap as possible.

POLICY MIX-UP on deciding which of the four methods to use:

Should Telecom Spectrum be auctioned to highest bidder, or should it be given at fixed, reasonable price to about dozen companies (using Lottery or Criteria based selection) so that customers get low priced service, while sufficient competition in the market also gets ensured?

Should millions of kids struggle for a few thousand seats in IITs, or Civil Services, going through multiple stage selection process? Do you think “standard” will go down, if after preliminary stage, a Lottery is held to decide the final list? Maybe instead of getting only rote-based-learning kids, a much more varied pool of skills and talents will come.

Nursery School Admissions are sometimes FIFO based (a lot of schools follow this method – I see nothing wrong in it – as long as some insiders do not bypass the FIFO). Some schools secretly auction off the seats (“donations”). Some do lottery (especially in RTE free seats). Some do Merit based selection- by interviewing the small kids and/or the parents. What do you think is the best method? Even if we use some method like giving preference to kids living within 5 kilometers, the number of applicants may be far higher than the number of seats.

What about transfers and postings of Civil Servants, engineers, teachers? Which method should be used – FIFO or Auction or Lottery or Merit based?

Autorickshaw or Taxi permits: which method should be used?

Think of many more such examples, and debate in your group which policy should be used. You will find different people prescribing different policy for the same problem.

Thus, there may be no unanimity on which is the best policy in a given situation. However, what is essential is that the policy for tackling demand supply gap in any field should be well thought out, and spelt out in detail in public domain with full justification why a particular method out of four options is being used. After a public debate, and a final decision based on the feedback, an end-to-end computerized process should be used to ensure transparent and fair selection.

ABOUT THE AUTHOR

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