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Building State Capacity Through an Ecosystem Approach

Weak state capacity is often cited as a reason for the inferior quality of service delivery and an underperforming economy. Rapid digitisation and data-centric governance have made state capacity building even more urgent. Complex development challenges like climate change, generating high-quality jobs, and making India competitive require competent civil services and an agile state at all levels of government.

How can we build state capacities faster to address the urgent development challenges more effectively through a broader ecosystem approach? The paper proposes a few ideas for governments, especially state and local governments, to pivot to a much higher equilibrium of performance. The paper focuses on how governments can leverage the strengths of the external ecosystem—private sector, think tanks, civil society organisations and academia—to achieve development goals faster. These suggestions complement efforts to strengthen the state capacities from within,

such as cadre rationalisation, workflow improvement, etc.

The traditional approach to capacity building is through in-service training, allowing study leave, rewarding performance, etc. Except for the elite Indian Civil Services, most civil servants, especially frontline workers of the state government and local bodies, get limited opportunities for training. The government has taken steps to improve state capacity through the Karmayogi initiative. The recently constituted Capacity Building Commission has given a strong institutional base for successful capacity-building efforts.

Several constraints of motivation and incentives exist in scaling up state capacity in a 100% permanent civil services structure. In a permanent civil servant model, most are hired at the entry level. They are often promoted based on seniority in a career spanning over 30 years, with limited incentives for upskilling. A few motivated civil servants gain advanced

skills with remarkable impact. Even if special efforts are made to build civil servant capacities through a traditional approach, delivering results at all levels of government will take time, given the scale. It is, therefore, essential to supplement ongoing efforts to build state capacity by tapping capacities in the external ecosystem.

The first step is moving from a 100% permanent civil services model to a more agile one where permanent civil servants can vary from 50% to 90% of the workforce, depending upon the agency, with a higher percentage for regulatory and law-enforcing agencies. The government can convert some vacant positions into contractual positions for lateral fixed-time hiring. Based on the emerging requirements of the government entity, lateral entrants can be hired to undertake particular tasks based on clear job descriptions and deliverables, giving the government the agility to meet the changing skill requirement.

The second step is introducing a standardised lateral hiring process at multiple levels. Lateral entrants hired can augment capacities, especially where specialised skills and knowledge are required. The Government of India and some state governments already practise lateral hiring. However, this practice needs to be scaled up. State governments' personnel and finance departments must take more steps to encourage lateral entry. For example, they can permit concerned departments to recruit qualified professionals as short-term contractual hires using budgets from vacant positions. The finance departments can also permit using an unutilised salary budget as professional fees for contractual lateral hiring. With a good IT and managerial background, lateral hires can improve management and IT practices. The hiring department must familiarise lateral entrants with government processes through well-conceived induction training, regular

mentoring, and performance management. This entails building decentralised human resources capacities at the agency and department levels.

The third step is outsourcing well-defined tasks to knowledge institutions: think tanks, universities, consulting firms, etc. However, this requires capabilities within the government to draft the terms of reference and manage the procurement of technical consultants. Because of severe capacity constraints in both these skills, the outsourcing model is used in a limited manner in most settings. Enterprising governments can break out of low equilibrium status by recruiting lateral entrants with the requisite skills to draft good terms of reference and assist in the procurement process.

The fourth step is to simplify and innovate the procurement. The open tender process is the standard method for procuring consulting services. However, this is time-consuming, entails high procurement capacities, ends in mis-procurement, and leads to re-tendering. The small-scale procurement of consulting services should be agile and innovative to meet governments' time-bound needs. Wider use of limited tender can help government agencies to scale up their work. The General Financial Rules of the Government of India, 2017 provides for limited tender, which allows procurement from an empanelled list of firms through a simplified process for a faster turnaround for small works, goods, and services contracts. Standard guidelines on the use of limited tender issued by the finance departments will bolster the use of the limited tender route. Similar provisions and efforts are required at the state government level. This would help the government onboard the technical expertise without compromising open tenders' fairness and transparency.

The fifth step is to build capacities in procurement. Procurement as a skill is often undermined in governments and relegated to a function of the accounts department. Governments frequently hire external consultants as transaction advisors for sophisticated and complex public-private partnerships. This entails the capacity of the government agency to procure an external consulting firm. This capacity constraint is sometimes overcome by seeking external multilateral or bilateral support. The procurement process can be standardised and simplified by adopting standard bidding documents and standardised procedures. Governments at various levels need to invest in building procurement capacities for hiring technical services, which can manifold increase the output of the government.

The sixth step is onboarding knowledge institutions for government policy and program-related work. Governments should revise the procurement guidelines to introduce a “Knowledge Institutions” open tender process. The Knowledge Institutions open tender process should limit the tender process to a pre-identified, more comprehensive list of non-profit knowledge institutions with a proven track record of serving India’s training and research needs. The Knowledge Institutions’ open tender process differs from a limited tender by removing the financial ceiling. It can mitigate procurement risks, especially for entities with weak procurement capacities, as the tenders are limited to well-established knowledge institutions.

The seventh step is to build strong partnerships to leverage the capacities in the external ecosystem for the government to tap.

Partnerships with knowledge institutions can help tap talent and capacities in universities and institutions of repute and think tanks.

Unfortunately, many existing partnerships between governments and knowledge institutions are ad hoc. External knowledge partners need resources for rigorous analytical work and longer-term commitment to deliver resource-intensive products. The trust-based open tender process and limited tenders can boost the participation of India’s knowledge institutions in the public administration and public policy analysis and formulation process. The lateral entrants and partnerships with knowledge institutions would help build the country’s overall capacities in public service delivery and public policy analysis as talented young minds get exposure to the public policy process.

The eighth step is to use a special-purpose vehicle to undertake technical assignments demanding multidisciplinary skills. Special-purpose vehicles give more flexibility in hiring talent from the external ecosystem and getting experienced government staff on deputation to meet the interdisciplinary requirements. An empowered and well-staffed special-purpose vehicle with exemplary leadership can be transformational: for example, the contribution of the National Highway Authority to India’s national road network, the Unique Identification Authority of India to Aadhar, the Delhi Metro Rail Corporation to Delhi Metro, etc.

To conclude, the traditional approach to capacity-building of career civil servants and other state capacity-building initiatives is critical. This can be augmented further by

building on the strengths of the external ecosystem through lateral hiring, outsourcing, building capacities in procurement, innovations in knowledge institutions'

procurement, forging partnerships with knowledge institutions, and establishing special-purpose vehicles.

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