

# Building State Capacity: Reimagining the role Planning Departments

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# Background

- **State Capacity & Governance Bottlenecks** are higher order challenges than availability of Finances in delivery of Basic services such as Education, Health, Nutrition
- **Weaknesses in service delivery disproportionately hurt the poor**
  - They depend on public services
  - They pay higher fraction of their income in seeking private solutions
- **Problems cannot be solved by increasing the sector specific budget**
  - Need to find a way to deliver services **more effectively** and **cost effectively**
- **Building “state capacity” is rewarding**
  - **Improving governance would be 10-20 times more cost effective**
  - Shifting public expenditure from less effective to more effective interventions could *substantially improve outcomes within existing budgets*
  - **Yet not enough Focus on this**

## Background (2)

- **Planning set ups in States could be reoriented on this axis:**
  - Service delivery issues are mainly in the domain of states
  - The locus of democratic accountability is shifting to states
  - Small enough to be manageable; large enough to be meaningful
  - Greater fiscal space through the 14<sup>th</sup> Finance Commission
  - Could become valuable laboratories for experimentation

# Fixing the Indian State

## THEMES

Outcome Measurement

Personnel Management

Beneficiary-Centred Design

Strategic Budget Management

## SECTORS

Education

Health and Nutrition

Social Protection (NREGS, PDS, Pensions)

Agriculture and Rural Development

## MAKING IT HAPPEN

Political Economy

Bureaucracy

Centre-State Issues

Technical Capacity

# Themes - I [Outcome Measurement]

- *"You can only manage what you can measure"*
  - Credible and actionable data on processes and outcomes
  - Reliable, representative, high-frequency, and disaggregated data
- Why does it matter?
  - While we have sources such as **CSO**, **NSSO** & sector specific surveys like **NFHS**
  - While this is useful to show long term trends, it is typically not feasible to use this data for management
    - Not frequent enough
    - Not disaggregated enough
  - The existing measurement infrastructure is poorly equipped to measure the key metrics of the quality of service delivery
    - Both concurrent & impact evaluations are required but are quite rare in practice

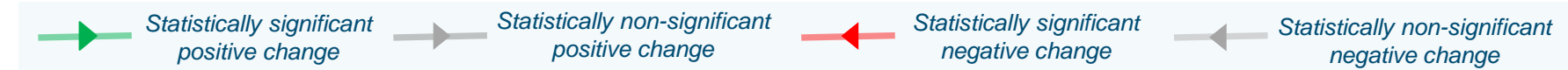
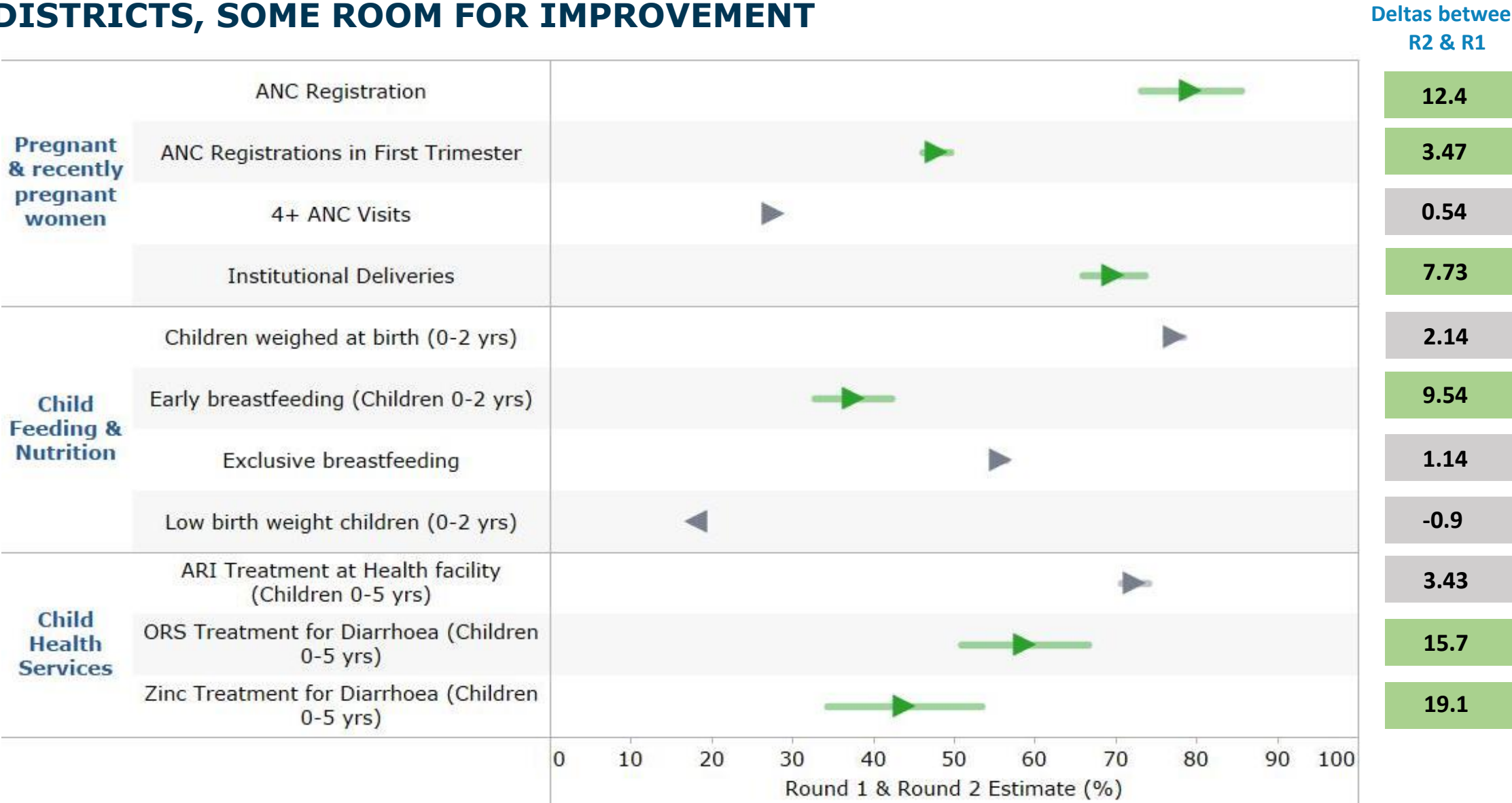
# Themes - I [Outcome Measurement]

- **Reasons that this (systematic outcome measure) does not happen:**
  1. Surveys are perceived as expensive
  2. Not timely enough (time-frame/horizon)
  3. Lack of technical capacity within the government
- **Can be solved and the returns are likely to be very high**
  - Outcome measurement infrastructure be hosted and jointly owned by the Finance and Planning Departments
  - Multi-sector view to outcome measurement will allow for significant economies of scale
    - (1) **Cost ~ 0.1% of Budget Allocations [ Rs 1 crore/ district/annum]**
    - (2) Separates the measurement from the line department whose performance is being measured
    - (3) Key input into Finance/Planning to implement outcome based budgeting

# Themes - I [Outcome Measurement]

- Key Principles
  1. Processes and Outcomes
  2. Independence and Credibility
  3. Ownership by the government
  4. Representative HH-based sampling
  5. Use of technology (cost, speed, quality)
  6. Transparency and Confidentiality
  7. Data Security
- An implementation Roadmap (discuss experiences of both)
  1. Field-based measurement → outcomes
  2. Phone-based measurement → processes

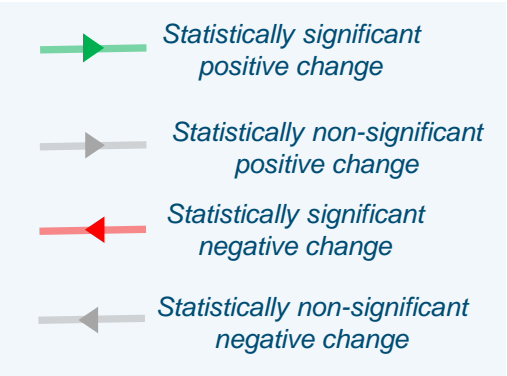
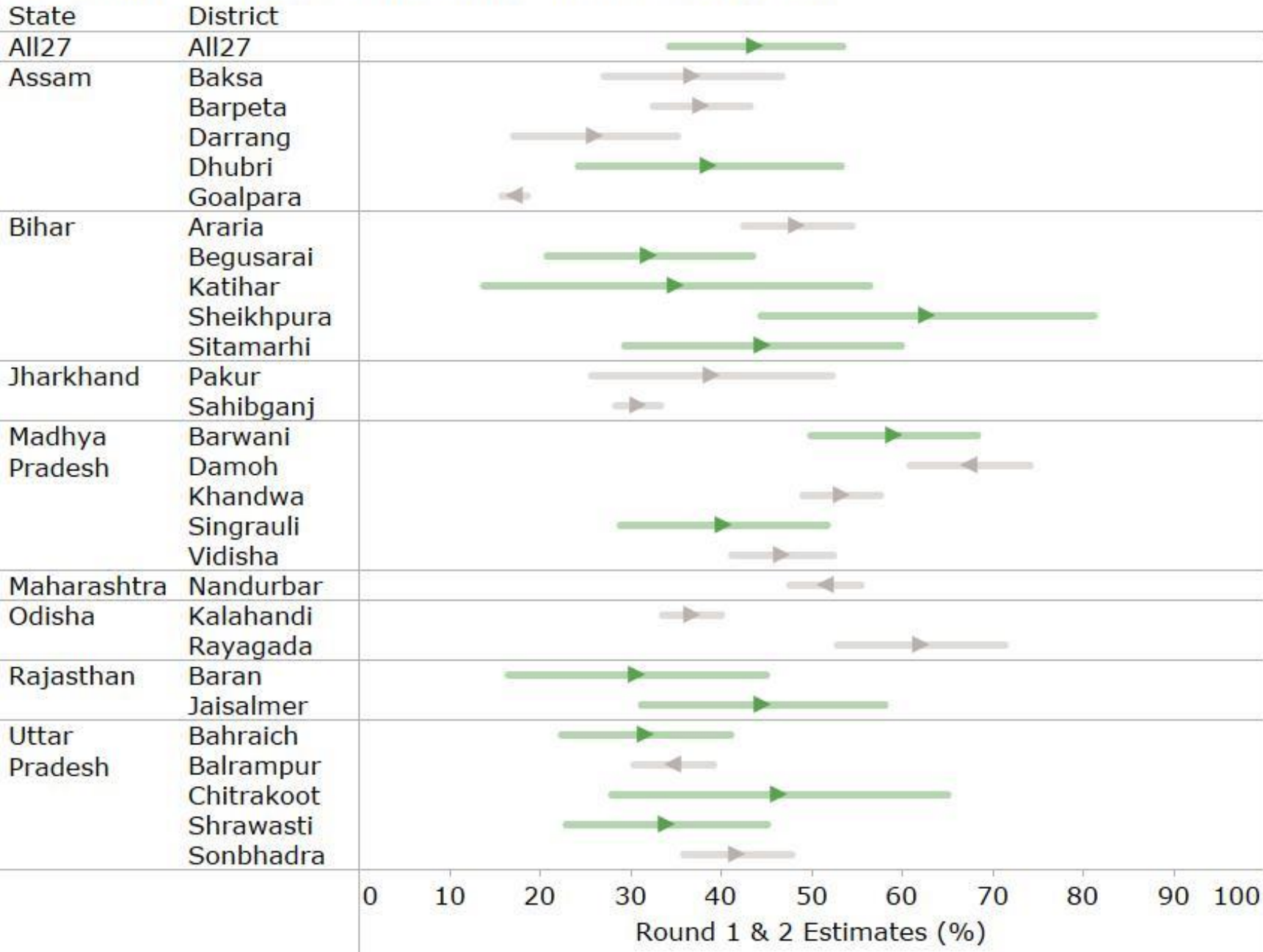
# SIGNIFICANT ADVANCEMENTS IN HEALTH & NUTRITION IN ASPIRATIONAL DISTRICTS, SOME ROOM FOR IMPROVEMENT



Notes:  
(1) Estimates are representative of 27 NITI-Focus Districts; (2) Data is from ADP Surveys in 27 NITI Districts; (3) Statistical significance is at the 5% level



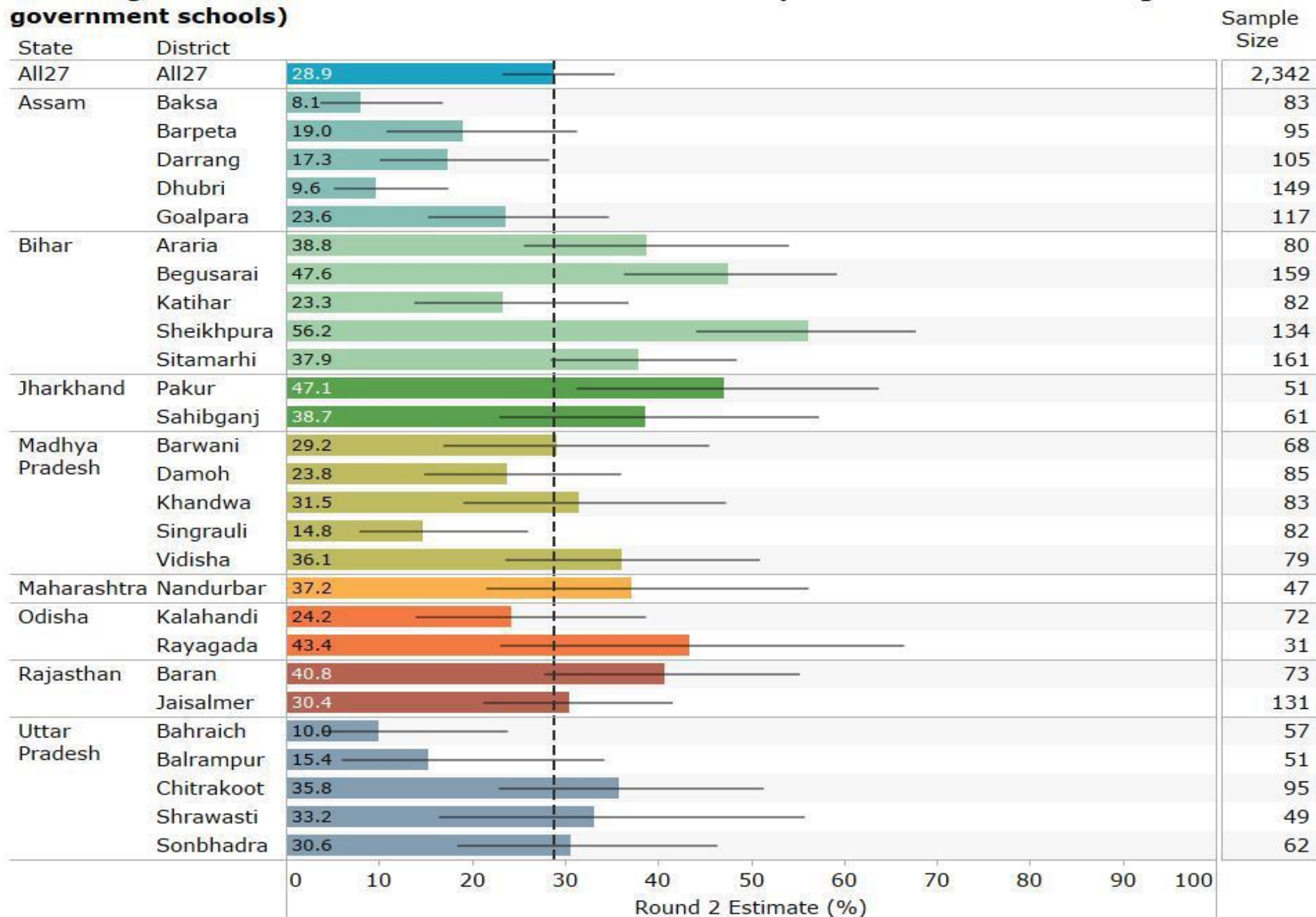
Percentage of children with Diarrhoea treated with Zinc



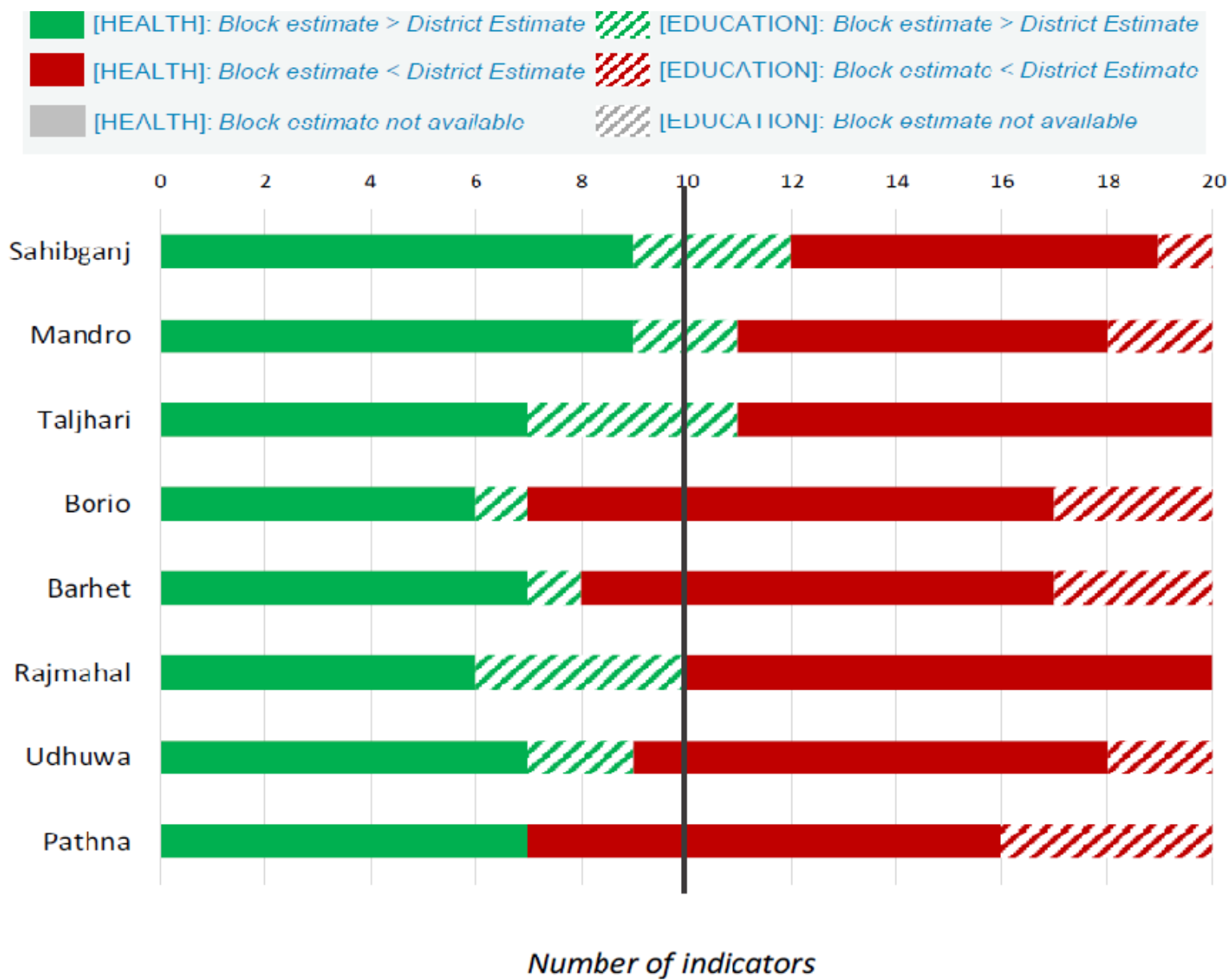
Districts in **Assam, Bihar, Rajasthan & UP** are strong performers in improving Zinc treatment for diarrheal children

Notes:  
1. Estimates are from ADP Surveys in 27 NITI Districts  
2. Statistical significance is at the 5% level

**Percentage of children in Std VI-VIII who can do division (out of all children attending government schools)**



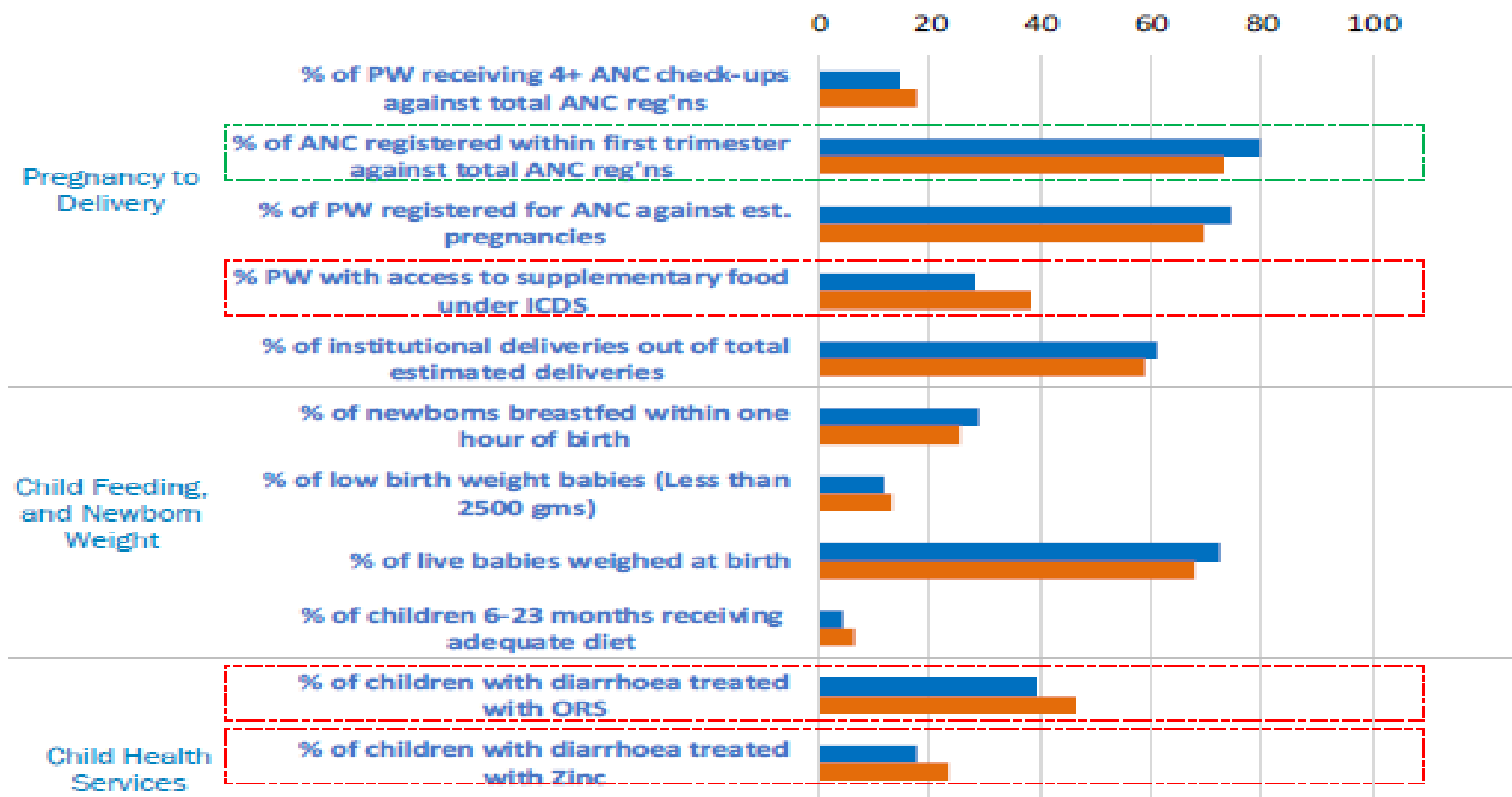
Small Area  
Estimates





## II.Sahibganj Block

■ Block estimate (BE) ■ District estimate (DE) □ BE > DE by more than 5 percentage points □ BE < DE by more than 5 percentage points



# Performance Based Fund Transfer

- Present allocation based on **equalization principle**
- **Need to factor in Performance on Outcomes** in budgetary allocation decisions
- A **composite index** based on 3<sup>rd</sup> party reported indicators. Indicators could be prioritized by States. [ example **Aspirational District indicators**]

# Illustration

Proposed Allocation Formula      **X% existing mechanism (say 95%) + Y% Performance Based**

Performance based allocation  
(i.e. Formula for Y)

Index scores for base year & reference year

$$Y = A + B$$

**A. Incremental performance (delta) over the scope for improvement (say, 3%)**

**B. Historical performance (say, 2%) as measured by score in reference year**

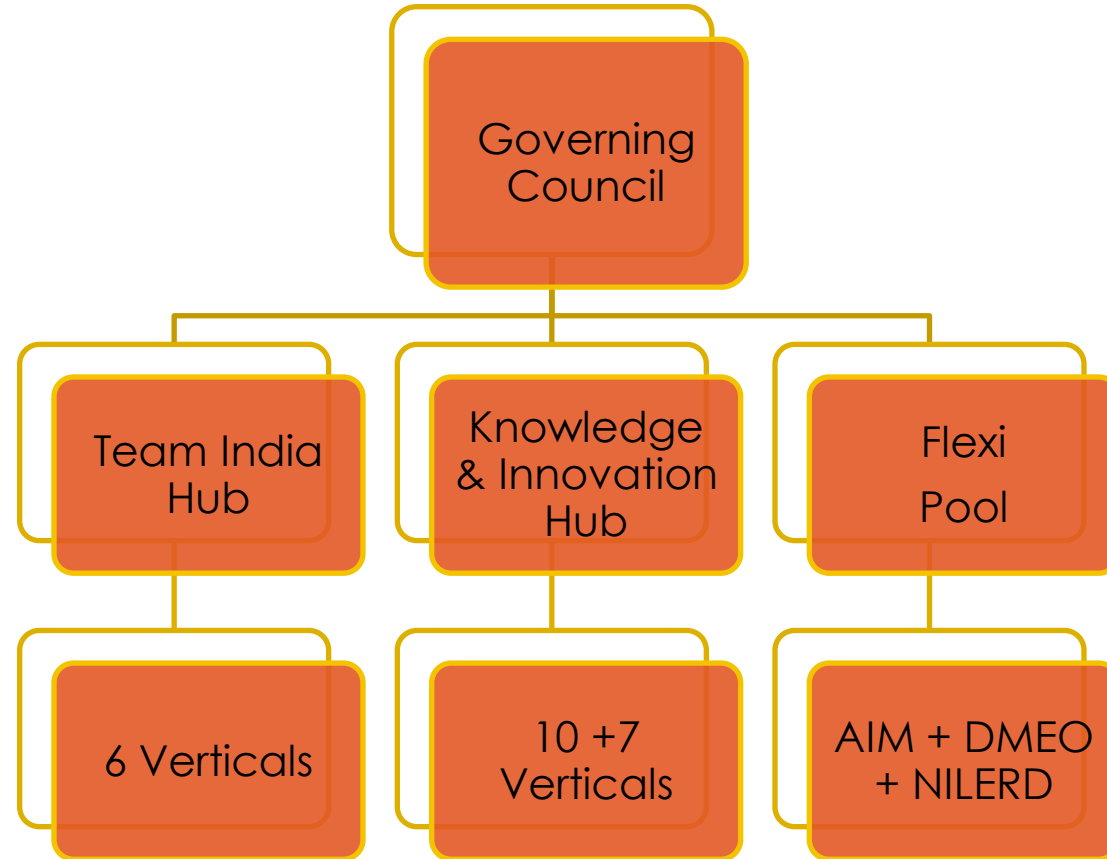
Note: Districts can also be grouped as aspirational & more developed

# 12-month roadmap

- Implement an outcome measurement framework to generate high-quality district-level indicators on key outcomes
  - Cost : Rs 1 crore per district
  - Sample of ~2,000 HH/district (expanding on Aspirational Districts template)
    - Frequency : twice a year
    - Augmented with phone-based rapid responses on key programmatic priorities
  - Add 10-20% samples to better understand key priority areas (employment etc)
- Detailed analysis of personnel and budgets to identify levers where the outcome data can be integrated into follow-up actions
- Demonstrate ideas in a few key verticals (like education, early-childhood health)

# NITI

## Organization Structure





# ATTACHED OFFICES/MISSION/ AUTONOMOUS BODIES OF NITI



# Thank you

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