

# Centre for Effective Governance of Indian States (CEGIS) – Concept Note<sup>1</sup>

## 1. Problem Statement

While many of India's post-independence achievements are commendable, the Indian state still struggles to adequately perform several of its core functions including delivering basic services, such as education, health, and social protection programs. Weak state capacity is exemplified by metrics such as [high absence rates](#) of government teachers and doctors, high leakage rates in flagship welfare programs like the [PDS](#) for food security and [NREGS](#) for employment security, and the exodus of citizens to the private sector for basic services like [health](#) and [education](#). These weaknesses disproportionately affect the poor who are highly dependent on public services and often end up paying a higher fraction of their income in seeking private solutions.

These problems cannot be solved simply by increasing sector-specific public spending – both because of fiscal constraints and because of the [weak relationship](#) between “business as usual” expenditure and improvement in outcomes. Academic research has increasingly recognized the importance of [building “state capacity”](#) in developing countries like India. Calculations suggest that in many cases, improving governance would be over [10 times more cost effective](#) at achieving the same level of effective increase in the presence of a program on the ground than spending more on the program itself.

**We believe that (a) improving the effectiveness of public expenditure is the most leveraged way of achieving improved development outcomes at scale, and (b) there is a clear need for an organization that will support this mission in a systematic way.** We also believe that such an effort is most likely to be successful if driven at the state level for several reasons. First, service delivery issues are mainly in the domain of states – including control over budgets and personnel. Second, the scale of Indian states (average population of ~50 million) is large enough to be meaningful but small enough to be manageable. Third, states are often best positioned to lead the country through valuable [policy experimentation](#). Different states are likely to try different ideas, which can promote quick diffusion of successful ideas and enable dropping of less effective ideas. Fourth, the majority of India's think-tank and intellectual policy infrastructure is based in Delhi with very little corresponding capacity focused on states. As a result, the social returns to supporting state-led governance and policy reforms are likely to be very high.

## 2. The Organization

The Centre for Effective Governance of Indian States (CEGIS – *pronounced See-Jis*) aims to enable a transformative improvement in the functioning of the Indian state in the coming decade. Informed by cutting-edge research and

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<sup>1</sup> Prepared by Prof. Karthik Muralidharan, Tata Chancellor's Professor of Economics at University of California, San Diego and Honorary Adviser, NITI Aayog with inputs from several stakeholders. Version as of July 2022

evidence as well as a practical orientation toward implementable ideas, CEGIS aims to provide Indian states with both an analytical roadmap for governance and expenditure reforms as well as strategic implementation support to deliver on this vision.

The organization has a sharp focus on improving the quality of public expenditure, and through it, develops templates for achieving a step-function improvement in development outcomes across India. We strive to produce high-quality economic analysis to inform state-level policy-making and work closely with the Chief Secretary, and Principal Secretaries of Finance/Planning, with guidance from and close coordination with the Chief Minister and Finance Minister. Based on consultations with top officials in several states, we believe that there is a very high demand for such support – especially when backed by world-leading technical expertise and a deep understanding of service delivery in India.

CEGIS works with state governments to achieve this vision through a dedicated state office that is co-created with the state and integrated with the Finance and Planning Departments of the state. The staffing model includes CEGIS personnel as well as staff seconded by the state. Thus, instead of being another Delhi-based ‘policy think tank’, we are building the organization in a “state-led” way, where we focus on deep partnerships with states with an iterative cycle of “thinking” and “doing”. We support states in implementing evidence-based ideas for improving state effectiveness while also continuously learning from state-level experiences of implementing these ideas. Each state-level CEGIS engagement features some core themes that are common to all state-level engagements (see below), and others that vary by state. State-level delivery teams are supported by central technical teams that curate ideas based on both evidence and experience, support state-level experimentation, and accelerate adoption of successful practices across states.

### **3. Approach, and Theory of Change**

Four key characteristics of high-performing organizations are (a) measuring outcomes for goal setting and monitoring progress towards these goals, (b) strategic use of personnel policy – including competency based hiring and training, skilling, and performance appraisals to determine job assignments, pay, and promotions – to achieve the goals above, (c) strategic budgeting where resource allocation is based on evidence and cost-effectiveness; (d) and creating efficient systems to leverage external actors (including for-profit and nonprofit organizations). The Indian state performs weakly on all four fronts above. CEGIS helps to improve the functioning of the Indian state by focusing on the four principles above. Specifically, CEGIS supports state governments in:

- i. **Outcome Measurement**: Identifying and designing key metrics for both outcomes and processes in core areas including education, health, jobs and livelihoods, crime and safety, water and sanitation, financial inclusion and access, access to social safety nets, and experiences of availing public services. Measurement is done through a combination of independent field surveys, phone-based “high-frequency monitoring” of beneficiary experiences, and audits to improve administrative data quality. CEGIS helps states in procuring and quality

controlling partners/vendors to collect independent data on these indicators and create easily understandable summary reports for use in goal setting and performance monitoring.

- ii. Strategic Personnel Management: CEGIS works with state governments to implement a strategic competency driven human resources framework that aims to improve both the pipeline of new hires as well as improve the capacity and performance of existing staff. A core principle is to improve the autonomy of front-line staff and managers on how they do their job, while increasing accountability for outcomes. The latter is facilitated by using the independent data collected above on key metrics of government performance.
- iii. Strategic Public Finance: CEGIS works with state governments to improve the quality of public expenditure, through a “strategic budgeting” framework that aims to reward line departments for performance, efficiency, and cost-effectiveness; move expenditure from less to more cost-effective ways of achieving outcomes, and identify options for raising revenue in economically efficient ways. Specific areas of support include a detailed analysis of revenues and expenditure, as well as the economic costs and benefits of major line items to provide concrete suggestions for improving the quality of expenditure. We also pay attention to the distributional and equity implications of suggested reforms with a greater weight on the welfare of the most vulnerable.
- iv. State and Market: While service provision is increasingly market-driven, there is limited state capacity to manage its market interfaces. CEGIS helps the state governments identify the optimal mix of provision/procurement, policy, and regulation for cost-effective service delivery and assurance, in view of both market failures and government failures. CEGIS helps governments clarify their roles as policymaker, regulator, and provider, and to optimally leverage market actors in the pursuit of the broader public good.
- v. Evidence-based policy roadmaps: In addition to the four core themes above that are present in every state-level partnership, CEGIS also works with state governments to develop policy roadmaps for reforms in key sectors such as education & skilling; health & nutrition; social welfare programs; public safety; justice; and agriculture & rural development. These policy roadmaps (based on both theory and evidence) typically lead to the design of policy pilots, which are carefully evaluated and recommended for scaling up based on the evidence generated on impacts, as well as beneficiary feedback.

Further details on the first four components above are provided in the (forthcoming) book “Reimagining Governance: A New Roadmap for India” by the Founder and Scientific Director of CEGIS – Prof. Karthik Muralidharan. These four elements will be the core components that CEGIS will undertake in any state that we work with. In practice, implementation of these ideas takes place in the context of specific sectors. These sectors are decided in consultation with states. The specific evidence-based reform ideas that are prioritized are also decided in consultation with specific states.

## **Operating Model**

### *3.1 Organizational Structure and Vision*

CEGIS has a relatively small but very high-caliber team that owns a strategic relationship with the top policy-makers in the state and brings on board best-in-class partners for specific domains. CEGIS has created both national-level technical teams with expertise in ‘verticals’ such as outcome measurement, strategic public finance, strategic personnel management and states and markets as well as state-level delivery teams to drive the implementation of these ideas. Further, we discipline all our efforts with quantifiable metrics of success (and metrics of failure) based on independent data – to enable iteration and course correction. Our five-year goal is to have the organizational strength and credibility to staff such a relationship with 5 (or more) large states in India. We started with 2 states in the first 2 years beginning with the state of [Telangana](#) (started in Q4 2019), where CEGIS signed its first 5-year MoU, after which CEGIS signed a [second 5-year MoU](#) with the Govt. of NCT of Delhi (in Q4 2020) with an initial focus on improving revenue collection. We have since then signed 5-year MoUs with the [Bodoland Territorial Council](#) in Assam (December 2021) and the [Govt. of Tamil Nadu](#) (May 2022).

The funding model for the organization is that states pay for primary data collection, depute personnel from the Finance/Planning departments to work with CEGIS, and provide office space in the Finance or Planning departments, while CEGIS covers costs of its own personnel and technical inputs through its corpus of philanthropic funding. Based on a successful first year in Telangana and growing demand for engagement with CEGIS from multiple departments, the Govt. of Telangana (GoTS) launched the [Kakatiya Governance Fellowship program](#) in December 2020, under which over 15 governance fellows have been hired (on GoTS payroll) and are seconded to work with the CEGIS team.

### *3.2 Structure of state-level engagements*

Each state-level engagement begins with an MoU between CEGIS and the State Government that aims to complete the following key activities in the first 15 months:

- i. At least one round of independent outcome data collection to set baseline performance benchmarks for goal setting and tracking
- ii. In-depth analysis of personnel policies to identify levers for improving performance management, and make recommendations to the government
- iii. In-depth analysis of the state budget to identify levers for improving the quality of allocations and cost-effectiveness of expenditure, and make recommendations to the government
- iv. Provide evidence-based policy reform roadmaps and work with concerned departments to develop implementation protocols for pilots and evaluation
- v. These work streams typically start in a few departments based on mutual

agreement between CEGIS and the state government and expand over time based on mutual agreement.

CEGIS commits to the following at no cost to the state government:

- i. Providing technical support and staff to accomplish the goals above
- ii. Ensure world-leading technical standards in achieving the tasks above
- iii. Working closely with individual departments to achieve each of the tasks above
- iv. Identify best-in-class partners for specific work streams and provide oversight of the partners to quality control the output
- v. Providing quarterly updates to all key principals

The State commits to the following:

- i. Sign off on the partnership by all key stakeholders including Chief Minister, Finance Minister, Chief Secretary, and Principal Secretaries of Finance, and Planning
- ii. Co-located office space for CEGIS staff in the Department of Planning or Finance
- iii. Seconding staff members and/or appointing nodal officers from key departments as required for the success of various projects
- iv. Facilitate data access on budgets and staffing at the department level
- v. Quarterly review meetings with top political and administrative leadership, and concerned department Principal Secretaries
- vi. Commitment to using data on outcomes for goal setting and performance management

#### **4. Partnerships**

**4.1 NITI Aayog & Govt. of India:** CEGIS's goals are aligned with those of the NITI Aayog, and the Founder and Scientific Director of CEGIS (Prof. Karthik Muralidharan) also serves as an Honorary Adviser to the NITI Aayog. The idea of CEGIS has been discussed with the leadership of the NITI Aayog (Vice-Chairman, CEO, and DG, DMEO) and has their strong support.

CEGIS coordinates closely with the NITI Aayog in its functioning with a focus on building an effective knowledge partnership. Examples include coordinating with the Development Monitoring and Evaluation Office (DMEO) to develop and share best practices for measuring last-mile service delivery and outcomes and working with the NITI Aayog to accelerate the deployment of best practices in governance developed and tested at the state level.

CEGIS may also take up specific projects with the Govt. of India that pertain to the core CEGIS mission of improving the quality of public expenditure and/or public-sector personnel management through improving hiring, capacity building, and management.

**4.2 JPAL:** The Jameel Poverty Action Lab (JPAL) is the world's leading organization in conducting randomized controlled trials (RCTs) to generate evidence on the efficacy of programs and policies to improve human well-being, and its co-founders (Prof. Abhijit Banerjee and Prof. Esther Duflo) were recently awarded the Nobel Prize in Economics. Prof. Karthik Muralidharan (CEGIS Founder) serves on the JPAL Board of Directors, is the Chair of JPAL's global education program, and is a Principal Investigator of several JPAL studies in India.

CEGIS coordinates with JPAL in two ways. First, it seeks to accelerate the deployment of ideas and evidence generated by JPAL studies around the world, by using the principles from this evidence to design implementable policy ideas at the state level. Second, CEGIS works closely with JPAL to evaluate the reform ideas that CEGIS helps states to implement. While not all reform ideas are amenable to evaluation using randomized controlled trials (RCTs), many of them are and we expect to partner with JPAL to lead these evaluations.

**4.3 Technical Advisory Group:** CEGIS has built a technical advisory group of senior and junior researchers and scholars, as well as sector experts in areas relevant to our mission, and draw on these experts to both generate new ideas that states can implement, and review ideas generated by the CEGIS team.

**4.4 Governance Advisory Group:** CEGIS is also building a governance advisory group of retired and current senior government officials to advise us on feasible pathways to implement governance reforms in specific states and sectors.

**4.5. Other partners:** Based on requirements in individual states (and the interest of the state government), CEGIS also identifies and partners with a carefully curated set of organizations for specific verticals and functions. In particular, CEGIS does not expect to replicate capacities that already exist in the Indian policy ecosystem. There are a lot of strong existing think tanks and civil-society organizations with domain expertise in specific areas. However, what is missing is the translation layer that can take good ideas and embed them within the government. CEGIS helps to build the capacity within state governments to implement the best ideas based on first principles and evidence in a systematic way.

## **5. Team**

### **Ashish Dhawan, Founder and Chairperson**

Ashish Dhawan is one of India's leading philanthropists. He is the chairperson of Central Square Foundation and Chairperson, the Board of Trustees, Ashoka University. He worked for twenty years in the investment management business and ran one of India's leading private equity funds, ChrysCapital. In June 2012, he left his full-time role at ChrysCapital to start the Central Square Foundation. Ashish holds an MBA with distinction from Harvard University and a dual Bachelor's (BS/BA) with *magna cum laude* honors from Yale University. He is on the India Advisory Board of Harvard and a member of Yale's Development Council.

He has co-founded and funded CEGIS because he believes that improving state capacity is the most leveraged way to help India improve development outcomes at scale.

*Prof. Karthik Muralidharan, Founder and Scientific Director*

Karthik Muralidharan is the Tata Chancellor's Professor of Economics at the University of California, San Diego. Born and raised in India, he earned an A.B. in Economics (*summa cum laude*) from Harvard, an M.Phil in Economics from Cambridge (ranked first) and a Ph.D. in economics from Harvard. He is a Research Associate of the National Bureau of Economic Research ([NBER](#)), a Board member and co-chair of the education program at ([J-PAL](#)) and an affiliate of several other global research organizations. Prof. Muralidharan has conducted extensive research on improving service delivery in developing countries and is actively engaged in policy advising and capacity building in India at both the central and state levels – serving as an Honorary Advisor to the NITI Aayog, Govt. of India.

He co-founded CEGIS to help state governments improve the quality of governance and public expenditure based on high-quality research evidence and a deep understanding of the ground realities of public service delivery in India.

He is close to completing a book (tentatively) titled *Reimagining Governance: A New Roadmap for India* (forthcoming in 2023) that will set the intellectual roadmap for CEGIS in the coming years. Chapters of the book are being used to guide the CEGIS work plan as we go along.

*Vijay Pingale, President*

Vijay comes to CEGIS with over 20 years of experience working with the government as well as the private sector. After serving as an Indian Administrative Service (IAS) officer at Central, State, Local Body as well as PSU levels for over 14 years, Vijay Moved to EY India LLP as a Partner leading various projects in urban infrastructure and health sectors. He also has experience working with media organizations of the Government of India for 3 years as an Indian Information Service (IIS) officer before joining IAS. Vijay is a medical doctor by training and moved into government and public-sector work to have a positive impact on a larger scale.

*Matangi Jayaram, Head - People and Partnerships*

Matangi has over 25 years of experience in corporate HR and the development sector. Before transitioning to the nonprofit sector, she worked as an HR generalist, mostly in technology and IT enabled services organizations. Having served as a Senior Program Officer with Avahan, the Bill and Melinda Gates Foundation's flagship HIV prevention program in India for 9 years, she has worked with multiple stakeholders such as the government, non-governmental organizations, community groups, community-based organizations, and other donor partners. She holds a Masters in Personnel Management and Industrial Relations from XLRI, Jamshedpur.

*Staff*

As of June 2022, CEGIS has a team of over 70 staff including direct employees as well as staff seconded from technical partners, and state governments.

The CEGIS senior team includes several staff members with 10-25 years of experience across a range of domains including development, policy, research, data

journalism, and organization development; and spanning a range of organizations.

## **6. Examples of CEGIS's work**

Over the past year, CEGIS has supported the state governments through several projects, such as:

- **Designing and instituting processes for staff performance measurement and management with the Panchayati Raj and Rural Development Department in Telangana:** CEGIS has worked closely with the Panchayati Raj and Rural Development Department (PRRD) to help co-create solutions to improve performance definition, measurement, and verification. These have helped improve the governance of Departmental human resources across levels (Panchayat Secretaries and Mandal Panchayat Officers in particular).
- **Early Childhood Development (ECD) Mission in Telangana:** CEGIS works on pathways to improving governance with the Women Development and Child Welfare Department, by designing contextualized solutions such as a bundle of interventions to improve monitoring, capacity building, and decision-making practices. Over the last year, CEGIS has supported the Department on identifying gaps in service-delivery of the ICDS scheme, designing and testing the ECD Mission (solutions to improve ECD outcomes in the state), and supporting analysis of relevant datasets and processes, as required by us. CEGIS is currently testing the ECD mission's impact in 2 (of 33) districts in the State and will scale across all projects by 2024.
- **Revenue augmentation project with the Government of National Capital Territory of Delhi (GONCTD):** This engagement is so far focused on the express purpose of leveraging analytics to increase tax collections. The embedded presence of CEGIS within the government was sought because of our focus on governance and ability to:
  1. Leverage administrative data (GST has generated a lot of actionable data, but there is very little capacity within the government to analyze this)
  2. Rigorous testing of key interventions and ongoing support for institutionalization
  3. CEGIS's focus on internal administration and efficient deployment of personnel. These corresponded to the gaps that the government had already identified and therefore a natural fit was easy to find.

During the course of the last year, CEGIS has worked on all these and other aspects, helping the government not only recover to its pre-pandemic levels of revenue collections, but in some cases exceed them. Several ongoing pilots and significant tax design changes are expected to improve both the quantity and quality of revenue over the coming year as well.

- **New states - Tamil Nadu (TN) and Bodoland Territorial Council (BTC)**

CEGIS has commenced work on the following five projects in Tamil Nadu -

- Public procurement (value for money in procurement) and building an integrated financial and Human Resource Management System (HRMS) with the Finance department
- Revenue enhancement project with the Commercial Tax department

- Improving learning outcomes under FLN Mission and practicum-based teacher training with the School Education department
- Early Childhood Development Mission with the Social Welfare and Nutritious Meal Programme

The CEGIS team in TN completed a study of 14 Municipal Corporations on service delivery outcomes, revenue enhancement and HR/governance capacity, for the Tamil Nadu State Finance Commission (SFC).

In the Bodoland Territorial Council CEGIS has commenced work on the Early Childhood Development (ECD) Mission to improve nutritional outcomes in an area characterized by high rates of poverty in the first year of the engagement.

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## **7. Summary and plans for next 3-5 years**

Since our founding in August 2019, CEGIS is on track with regard to where we wanted to be (despite the enormous challenges posed by COVID) on the following major goals:

- Building trust within government as a trusted partner who can provide both thought leadership and implementation support on key governance reforms. CEGIS's position as a non-profit that does not take any funding from the government (other than in-kind contributions of office space/staff) has been a key enabler of earning this trust.
- Expanding at the rate of one state per year, as per our initial plans
- Building a core team of committed and capable senior staff
- Building on this base, we are now positioned for a step function increase in reach and impact in the coming 5 years. Key enablers of this expansion will include:
  - The release of Prof. Muralidharan's book on a roadmap for state-led governance reforms for India in 2023
  - Prof. Muralidharan's moving back to India in Sept 2022
  - Increasing demand for CEGIS from other states that we have put on hold till we build our team further and diversify/expand our funding base beyond that provided by co-founder Ashish Dhawan
  - Based on our interactions with senior government officials, CEGIS has the opportunity to be in 8-10 states by 2025 and become an institution of national importance in driving deep data and evidence-driven governance reforms in India.