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Subir Gokarn: A fiscal framework for missions

Three components of a budgetary approach to increase the prospects of missions succeeding

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In response to the broad-based increase in the prices of protein sources during 2009 and 2010, the government allocated funds for a National Mission on Protein Supplements in the budget for 2011-12. One would have imagined that such a mission might have worked to prevent a recurrence of such price surges. The recent behaviour of tur dal prices suggested that this mission had remained on paper. A scan of government announcements and budgetary allocations over the years suggests that this is an often-repeated story.

In their ideal form, missions combine clarity of purpose, accountability for delivery, a clear leadership structure and the guarantee of financial resources over the life of the mission, subject of course to intermediate milestones being met. Through the way in which they are structured, they overcome turf-related conflicts within and across institutions, aligning the capabilities and resources of each institution to the larger objectives and purpose.

But, unfortunately, that is in the ideal state. The reality of missions across the world is that the combination of clarity, accountability, leadership, committed resources and alignment is difficult to achieve and missions fail because one or more of the essential components is missing.

Let that not be a deterrent, however. The government's emphasis on missions reflects the recognition that virtually all significant policy objectives can only be met by simultaneous and co-ordinated action across a variety of institutional structures and well-designed and well-executed missions are an integral component of the policy tool-kit. The focus should be on enhancing their chances of success. In this article, I focus on the financial resources dimension.

India's budgetary allocation process provides funds each year to each ministry and, within it, each department. Within the general allocation, funds are specifically assigned to individual activities, including missions. While there are merits to this approach from an administrative and accounting perspective, the risks to any initiative that straddles multiple domains are clear.

A large mission requires contributions from multiple agencies at all levels of government. From a fiscal perspective, then, the chances of it succeeding depend on the availability of resources for activities related to the mission in all the agencies. Within the central government, if a mission straddles two or more ministries, funds would have to be allocated to each of them for this specific purpose and, importantly, in amounts reflecting the level of activity. If a few states are involved, their budgets would also have to make funds available in appropriate amounts. And so on. It is easy to see how an asynchronous and un-integrated fiscal process can strangulate missions.

The problem is compounded when the time dimension is brought into the picture. Missions are typically expected to achieve their objectives over a few years, with varying financial requirements over their life-cycles. Planning and execution are critically dependent on the commitment and predictability of funds over the entire life-cycle. These need not be unconditional, but the conditions for sustained funding need to be relatively transparent and pre-specified. And, this has to apply to all the participating institutions. With civil servants, ministers and even governments at various levels likely to change during the life-cycle of any large mission, guaranteeing the required level of financial support over the entire duration is clearly impossible.

There are three critical components to a fiscal strategy that will address these risks. Let me label it "mission budgeting". The first is design. The prospects of success of a mission will unquestionably be enhanced by good design. The standard components of design - a clear vision, measurable objectives, identification of participants, articulation of roles and, of course, funding requirements over the life of the mission - are all well known and used by all institutions. But, this is an exercise that must precede the initiation of the mission by way of budgetary allocations. Consultative processes are used at all levels of government for various purposes, so this approach to design is not a departure from standard operating procedures. The question really is: are funds being provided first and then the mission parameters developed, or is the logical order being reversed? If the latter is the case, the risks referred to earlier come significantly into play.

The second component of mission budgeting is institutional alignment. A mission must be enabled with all the main contributors explicitly having budgetary provisions for their activities. Given existing budgetary processes, it is too much to expect that all the entities at various levels of government will make fully aligned budgetary provisions in the required timeframe. Therefore, a process of dedication is required, in which the lead agency for the mission - it could be at any level - is given the overall financial allocation and responsibility and it then ensures that funds are made available to all the participating agencies. Again, this is not a significant departure from the way that many schemes are currently run. In fact, several existing schemes could well fit into the design template for missions. The key here is a degree of financial and monitoring autonomy for the lead agency, based on the design.

The third component is time consistency. A mission budget must be designed over the life-cycle that is specified in the design. This involves a guarantee of funds over the time frame subject to measurable intermediate targets being achieved, which will be specified in the design. In theory, is a mission is delivering, a change of individuals or governments should not pose a threat because, presumably, everybody will benefit from successful implementation. If it is not working, then it being shut down by a new minister or government should not be a great loss. But, the worst case scenario is when a promising mission limps from year to year with no assurance of funds.

In short, the government must use simple and practical budgetary techniques to give the missions it has initiated the maximum chances of success. Tur dal may be an appropriate pilot!

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