



Consultancy in Government: Navigating Pros and Cons

This editorial is based on [“Work of consultancy firms with government must be regulated”](#) which was published in The Indian Express on 14/12/2023. The article argues that consultancy firms have gained too much influence and power over the government’s decision-making. It suggests that there is a need for more transparency and accountability.

For Prelims: [Swachh Bharat](#), [Vision 2047](#), [Jal Jeevan Mission](#),

For Mains: Consultancy Firms: Challenges, benefits and Way Forward

Government projects today **heavily rely on consulting support** for initiatives like cleaning the river Ganga, [Swachh Bharat](#) and [Jal Jeevan Mission](#), corporatizing the Ordnance Factory Board, and aiding Uttar Pradesh in its goal to grow the state’s economy to USD1 trillion. The Centre has engaged a global consulting firm to develop a [Vision 2047](#) document to identify the country’s strategic priorities, reflecting a global trend.

Recent news reports have highlighted that the ministries of the Union government have paid around Rs 5,000 million in fees to global consulting firms in the last five years and that the finance ministry has sought details of all such consulting engagements.

What are Consultancy Firms?

- A consultancy firm is a **business that provides professional advice and solutions** to other organizations that face problems they cannot solve by themselves.
- Consultancy firms have experts in different fields, such as management, engineering, finance, healthcare, etc.
 - They charge a fee for their services and usually work on specific projects or goals.
- Some examples of consultancy firms in India are Tata Consultancy Services, McKinsey & Company, Deloitte, etc.

What are the Benefits of Consultancy Firms in Public Policy Making?

- **Specialized Expertise:** Consultants **bring domain-specific knowledge and expertise** that may be lacking within government agencies. This is crucial for effective program formulation and service delivery in sectors such as agriculture, transport, energy, and financial services.
- **Flexibility and On-Demand Skills:** The dynamic nature of public policy challenges, especially in the context of digitization, requires specialized **technical skills that consultants can provide on a flexible, on-call basis**. This ensures that the government can access the necessary expertise when needed.
- **Diversity of Perspectives:** Consultants offer external perspectives and **diverse skill sets**, contributing to a more comprehensive and innovative approach to problem-solving. This diversity

can be particularly valuable in addressing complex issues that may not have clear-cut solutions.

- **Efficiency with Project-Specific Engagements:** Consultant engagements are often project-specific and have predetermined end dates. This allows the government to address **specific challenges without permanently increasing its institutional load**, making it a cost-effective and efficient solution.

What are the Challenges posed by the Consultancy Firms?

- **Hollowing out of Government Capabilities:** Relying extensively on consulting firms **may lead to a depletion of in-house government capabilities**. Over time, civil servants may lose essential skills and knowledge, making the government overly dependent on external expertise.
 - For example, In some rural areas of China, the local governments have outsourced many public services to private or non-governmental organizations, such as education, health care, and environmental protection. This has led to a loss of public accountability, quality control, and social equity.
- **Excessive Dependence and Mission Creep:** There's a risk that government officials may become too reliant on consulting teams, even for routine tasks. This dependency can **lead to mission creep, where the scope of consulting engagements expands beyond their original intent**, potentially blurring lines between the roles of consultants and government officials.
 - The 2018 CAG report revealed that the consultants hired by the Ministry of Railways were found to be involved in activities beyond their scope of work, raising questions about their accountability and efficiency.
- **Lobbying for Repeat Work and Policy Influence:** Consulting firms, having established relationships with government officials, **may exploit these connections to secure repeat work**. There's also a concern that consultants might overstep their boundaries by attempting to influence policy decisions and directions, sometimes for their benefit.
 - In 2019, the **Centre for Policy Research (CPR) conducted** a case study on McKinsey & Company's role in shaping India's health policy. The study revealed that McKinsey had close ties with government officials and stakeholders, using its influence to secure contracts and shape policy in its favour.
- **Distortion of Public Policy Objectives:** The involvement of consultants in policy formulation can potentially skew public policy objectives. The priorities and recommendations of consultants **might not always align with the long-term interests of the public**, leading to a distortion of the intended policy outcomes.
 - In 2017, a research paper by the Indian Institute of Management (IIM) examined the influence of consulting firms on India's education policy. It concluded that these firms had a significant impact, advocating for reforms favouring marketization, privatization, and standardization, which undermined public policy objectives of equity, quality, and diversity in education.
- **Consultocracy and Diminishing Role of Public Servants:** The term "**consultocracy**" reflects the growing influence of consultants within government structures. This phenomenon may result in a diminished role for traditional public servants, impacting the historical functions and capabilities of government institutions.
- **Risk of Corruption:** The intersection of consulting firms with government activities can **create opportunities for corruption**. Cases of corruption scandals related to consultancy services have raised concerns globally, emphasizing the need for transparency and ethical practices.
 - Few years back, the **CBI report revealed a corruption scandal involving a consulting firm and a state-owned enterprise in India**. The report accused the firm of colluding with enterprise officials to manipulate tenders, inflate project costs, and divert funds.

What should be the Way Forward?

- **Regulatory Safeguards:** The engagements with consultancy groups need to be regulated comprehensively. This includes **ensuring fairness and transparency in the onboarding process and curbing rent-seeking behaviours**.
- **Disclosure of Value Added:** To address concerns related to transparency, there should be **mechanisms in place for consultants to disclose the value they add to public policy initiatives**. This transparency is essential for accountability and public trust.

- Independent and impartial oversight bodies, **such as ombudsmen, auditors, and watchdogs can be created** to monitor and evaluate the performance, outcomes, and impacts of government projects and initiatives.
- **Knowledge Transfer and Capacity Building:** Clear protocols for **knowledge transfer from consultants to government** officials should be established. Additionally, there should be a **focus on internal capacity building** to ensure that the expertise gained through consultancy engagements contributes to the long-term development of government capabilities.
- **Stakeholders Involvement:** Engaging and consulting with citizens and stakeholders, through surveys, forums, and participatory budgeting, to ensure that government policies and programs are responsive, inclusive, and accountable to the public.

Conclusion

Consulting firms will continue to assist in public policy, as expecting government officials to constantly update their skills for modern governance and digital service delivery may be unrealistic. Carefully calibrated onboarding of expertise from the private sector would add to the quality and effectiveness of public service delivery, provided they are ring-fenced within a transparent regulatory framework.

Drishti Mains Question:

Examine the challenges posed by excessive dependence on consultancy firms in government projects. How can these challenges be mitigated to ensure the effective and ethical implementation of policies?

UPSC Civil Services Examination Previous Years' Questions (PYQs)

Prelims

Q. Which of the following are the public sector undertakings of the Government of India? (2008)

1. Balmer Lawrie and Company Ltd.
2. Dredging Corporation of India
3. Educational Consultants of India Ltd.

Select the correct answer using the code given below:

Code:

- (a) 1 and 2 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

Ans: d