



## **MEMORANDUM TO THE HON'BLE FINANCE MINISTER OF INDIA DURING THE PRE-BUDGET MEETING 2019-20**

### **1. Background and Context**

1.1 High and inclusive growth is a stated agenda of the Government of India. In order to achieve a consistent growth of more than 8 per cent for a substantial period of time, the government needs to facilitate two broad reforms: first, facilitate the creation of decent income generation opportunities for individuals; and second, empower individuals to identify and benefit from such opportunities.

1.2 To this end, Consumer Unity & Trust Society (CUTS International) calls for following actions under the forthcoming budget:

- 1) Adopt and implement the National Competition Policy of India to correct and prevent competition distortionary policies, facilitating private and public sector to operate on the same field.
- 2) Institutionalise Regulatory Impact Assessment with job creation as a key objective in policy design and review.
- 3) Empower and capacitate the third tier of governance to partner with private sector for innovations in the design of social services.
- 4) Facilitate the creation of high quality and reliable digital infrastructure for efficient delivery and consumption of social services.
- 5) Create adequate incentives for efficient performance and implementation, and dis-incentivise non-performance.

1.3 While the first two suggestions will contribute to the creation of adequate income generating opportunities, the next two will contribute to ensuring that individuals are capacitated to benefit from opportunities so created. The last one will ensure effective implementation of reforms.

1.4 These suggestions are described in detail below.

**1. Adopt and implement the National Competition Policy of India to correct and prevent competition distortionary policies, facilitating private and public sector to operate on the same field.**

1.1 For long, the policy architecture (including laws, regulations, executive actions) in our country has remained skewed. While some regulations unduly benefit public sector by providing them access to public finances (unlike private sector), others prevent them from attracting merit or benefit from professionalism. This is particularly true in social sector. The resultant inefficiencies in public health, education, and social security services, and scarcity and expensive nature of such services by the private sector are well documented.

1.2 Consequently, there is a need to identify and remove policies that make artificial and unreasonable distinction between public and private sector, and enable them operate on same field.

1.3 Adoption and implementation of the National Competition Policy of India<sup>1</sup> (NCP) can provide an institutional framework to identify competition distortionary provisions across policies, test their relevance, and correct those which are not needed. It can also prevent introduction of competition distortionary policies in the future. An NCP can also enable monitoring implementation of policies and prevent unfair treatment to entities in the market.

1.4 The resultant freedom available to public and private sector can help them realise their potential in creation of adequate income generating opportunities, particularly in social sectors. An NCP can not only reinvigorate public and private sector, but can also enable crucial private and public investment in the process. This can boost consumption and kick start the virtuous cycle of growth and development.

***Action point: Adopt and implement the National Competition Policy 2011 with appropriate review and modification***

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<sup>1</sup> Draft of which is available since November 2011 on the Ministry of Corporate Affairs website at [http://www.mca.gov.in/Ministry/pdf/Revised\\_Draft\\_National\\_Competition\\_Policy\\_2011\\_17nov2011.pdf](http://www.mca.gov.in/Ministry/pdf/Revised_Draft_National_Competition_Policy_2011_17nov2011.pdf)

## **2. Institutionalise Regulatory Impact Assessment with job creation as a key objective in policy design and review**

2.1 There is a need to create adequate income generating opportunities at the grassroots. Unavailability of adequate disposable income has restricted expenditure to basic necessities and emergencies, resulting in muted demand across sectors, including social services. Consequently, private sector is left with little incentives for investments, adversely impacting growth.

2.2 Given the criticality of problem, there is a need to ensure that all actions of the government are targeted towards job creation. Institutionalisation of a Regulatory Impact Assessment (RIA) framework can ensure this. An RIA helps in design and review of policies and practices, to achieve specific objectives. It necessarily requires comparison between different options, and aids in adoption of such measures which are most likely to achieve its objectives.

2.3 With the institutionalisation of RIA, the government will get a clear picture of nature and number of jobs/ income generating opportunities its policies and practices are likely to generate. A periodic review can help ascertain if its actions are on the right track and design course correction. A RIA can also help fix accountability across levels in the government and promote good performance.

***Action point: Enact and implement a Regulatory Productivity Act to institutionalise Regulatory Impact Assessment with a focus on job creation***

## **3. Empower and capacitate the third tier of governance to partner with private sector for innovation in design of social services**

3.1 The local governance model was originally conceptualised to improve delivery of public services and provide inputs from the grassroots on policy design and implementation. However, due to policy and capacity constraints, the potential of third tier has not been realised as yet.

3.2 Being closest to the intended beneficiaries, local government bodies are best placed to appreciate and understand their unique and diverse requirements and socio-economic conditions. They ought to be knowledge repositories about community customs, practices, and traditional knowledge; unique health and nutrition habits; local language and dialects; socio-economic milieu; climate and weather nuances; livelihood practices and income variations; among others.

3.3 All these could prove extremely useful for innovation and structural flexibility in design of customised social services. For instance, digital tools for imparting education in local language using local anecdotes and customs for learnings can positively impact learning outcomes. Similarly, design of preventive, proactive, and emergency healthcare services on the basis of information about community customs, practices and climatic conditions, could go a long way in improving health related indicators. Customisation of social security and pension schemes based on livelihood practices and income variations across periods could help greater uptake and benefits for the communities.

3.4 While local governance bodies might be closest to relevant information, their capacities would need be built to appropriately collect and record relevant information, and unlock its value by entering into partnerships with private sector (including start-ups) for data driven analysis, and design of customised social service delivery models, primarily through use of cost effective digital technology. The local government organisations will also need to be capacitated to put in place appropriate checks and balances to ensure privacy, protect data and prevent its misuse. To this end, the government will need to focus on decentralised governance and service delivery models by building capacity of local self-governments.

3.5 Innovation and customisation in design of social services will enable greater number of beneficiaries coming into the fold of social services, preparing them for skill development and advanced training on available income generating opportunities.

***Action point: Set aside resources to build capacity of local governance institutions and enable them to partner with private sector for innovation in design and delivery of social services***

#### **4. Facilitate the creation of high quality and reliable digital infrastructure for efficient delivery and consumption of social services.**

4.1 In the last few years, while India has made some progress on digitalisation of services, it is to be backed by high quality and reliable infrastructure so as to make it more effective. As a result, several intended beneficiaries have not been able to benefit from government schemes in social sectors.

4.2 As we move towards digitalisation of social services, there is a need to ensure that lack of connectivity, authentication errors, failure rates, and rejections, etc. are minimised, and no intended beneficiary is denied services for these reasons. Increase in number of beneficiaries using online digital services will enhance the burden on digital infrastructure. Concerns with regard to privacy, safety and security of data being transferred are also likely to escalate.

4.3 Consequently, there is a need to increase investments in creating safe, secure and reliable digital infrastructure. Government will need to partner with private sector for speeding up coverage and use of world-class technology to avoid glitches in deliver of social services. Efficient delivery and consumption of social services will prepare individuals to leverage relevant income generating that might come their way.

***Action point: Invest in high quality digital infrastructure and partner with private sector for ensuring use of world class reliable technology***

## **5. Create adequate incentives for efficient performance and implementation and dis-incentivise non-performance**

5.1 Efficient implementation is the key to ensure success of any policy. In the past, while government has adopted several policies in the social sector to empower and benefit intended beneficiaries, implementation challenges have hinder benefits from reaching the grassroots.

5.2 Bureaucratic reforms linking career advancements of relevant officials to performance and achievement of desired goals should be the key. Merit based promotion and ensuing later entry and exit will create adequate competition in the administrative services.

5.3 In social sector as well, performance needs to be periodically monitored and linked to benefits. For instance, promotion of teachers must only happen on achievement of pre-determined learning outcomes. Similar key performance indicators could be pre-determined for officers across levels whose performances could be periodically monitored. To conduct monitoring and evaluation, independent third parties could be engaged.

***Action point: Adopt appropriate policy and practices necessary to incentivise efficient performance and implementation and dis-incentivise non-performance***