



MEMORANDUM TO THE CHIEF MINISTER OF RAJASTHAN DURING PRE-BUDGET MEETING 2019-20

Background

Consumer Unity & Trust Society (CUTS) has identified following critical issues which must be addressed through forthcoming budget in the State of Rajasthan:

- 1. Promote Skill Development for Rural Non-Farm Livelihoods**
- 2. Undertake Effective Agriculture Market Reforms**
- 3. Promoting Organic Farming**
- 4. Ensure Food Safety to combat Non Communicable Diseases in the State**
- 5. Adopt Regulatory Impact Assessment Framework**
- 6. Ensure Road Safety in the State**
- 7. Improve fiscal efficiency by adopting market based mechanisms**
- 8. Facilitate creation of high quality and reliable digital infrastructure for efficient delivery and consumption of social services**
- 9. Create adequate incentives for efficient performance and implementation and dis-incentivise non-performance**

The issues and key actions required for each of them are described in detail below.

1. Promote Skill Development for Rural Non-Farm Livelihood

The situation of rural non-farm livelihood in the state is abysmal. While Rajasthan has well drafted Rural Non-Farm Policy since 1997 and a dedicated agency named as Rural Non-Farm Development Agency (RUDA), these have been neglected since years. There are several agencies and departments working on the cause of rural non-farm livelihoods in particular and livelihoods in general. However, there is no convergence in these departments resulting in

duplications at all levels. Moreover, a study conducted by CUTS on the status of MGNREGA in Rajasthan highlighted the need for information and awareness generation amongst employment seekers, and improvement in physical and human infrastructure of the Gram Panchayats, amongst other measures.¹ In addition, there is a need to build capacity of individuals to enable them to identify and tap in rural non-farm livelihood opportunities.

Consequently, there is a need to create decentralised working groups and plugging information gaps that have led to mismatch in demand and supply in relation to employment. There is no single platform where all the line departments and agencies can come together to discuss and share their successful and no so successful experiences, neither there is a single portal to capture all job requirements from both government and private sectors. This needs to be fixed. Employment Exchanges require modernisation and must use information technology in their processes.

In addition, rural 'Industrial Training Institutes (ITIs)' and district employment exchanges have to be diversified and modernised and equipped with state of the art equipment, machineries and tools in most of the required trades and streams. Several ITIs are required and public private partnerships can cater to this requirement. A web portal could also be launched to capture and demand of the jobs from rural areas as well as vacancies from the industrial companies and enterprises.

Action desired: Decision to strengthen and modernise RUDA, Employment Exchanges, and creation of state livelihood portal for all the related issues especially job capturing, placement, capacity building, convergence and sharing of intrastate successful not so successful lessons.

2. Undertake Effective Agriculture Market Reforms

The Rajasthan State Agricultural Marketing Board has been constituted in the State for development of agriculture marketing. However, the situation on ground is far from satisfactory. The State recently witnessed large scale protests by farmers owing to remunerative prices for farm produce.

While the State Government has introduced legislative reforms for private markets, contract farming and direct marketing, the impact on private participation and competition has been very limited. No farmer-consumer market is operative in the State and only 2 licenses have been issued for private markets. The failure has been ostensibly due to factors such as (a) heavy

¹ http://www.cuts-international.org/cart/pdf/Final_Report_NREGS.pdf

security deposit requirements, (b) problems in land availability/acquisition or changing usage pattern, (c) minimum distance required from existing APMC markets, (d) logistical issues, like assured water, electricity availability and/or road/rail connectivity, (e) large investment with low incentives (20 per cent of fees), etc. Consequently, the farmers have been forced to sell urad, soyabean, moong and ground nut at rates which were well below the Minimum Support Prices (MSP). Such experience has led to decline in sowing of mustard and in low oilseed cultivation.

There is a need for bringing harmony across multiple policy verticals (both legislative as well as administrative) to have an impact on the sector. The Centre Government has issued a new Model law i.e. Agricultural Produce and Livestock Marketing (Promotion & Facilitation) Act, 2017 (APLM Act). The Model APLM Act of 2017 marks substantial improvement over the Model law of 2003, as far as inducing competition among the buyers of agriculture produce. Enhanced competition among the buyers (traders) will help farmers realise a better price for their produce.

Further, the implementation of online National Agriculture Market Portal (eNAM) has not been complemented with mandi level reforms in the areas of quality assurance, assaying and grading of agriculture commodities. Absence of effective dispute settlement mechanism is also hindering uptake of eNAM platform.

Action desired: A coherent policy to adopt and implement effective agriculture marketing reforms, by integrating reforms suggested under the Model APLM Act, 2017.

3. Promoting Organic Farming

There should be a separate scheme for farmers willing to do organic farming, which will promote and motivate them. This scheme should be separate from the existing PKVY (*Paramparagat Krishi Vikas Yojna*). Besides, the results of the research activities on the same going on should be brought to ground by way of focusing on the extension part.

Government should create a separate budget for the same cause and ensure that the total organic farming land in the state, which is at present 1,55,000 hectares should enhance at any cost and way. *Besides, government should announce in its budget regarding the audit of Dungarpur district, which was declared as the first complete organic district. Subsequently on the basis of the audit report, government should promote other districts as well. At least one division in each district of Rajasthan should be promoted in FY 2019-20.*

Action desired: Government should boost up the functioning of State Organic Farming Directorate, which at present is almost defunct. This will enhance the working of ROCA (Rajasthan Organic Certification Agency) work also.

4. Ensure Food Safety to combat Non Communicable Diseases in the state

Rajasthan state is one of the major contributors in the national burden of Non Communicable Disease. In Rajasthan more than 2.5 Lakh new patients are registered every year while it has already more than 10 Lakh registered patients in the state. Nearly 55 percent of deaths in the state are now attributed to the Non Communicable Diseases (NCD). It is estimated that by 2051, Rajasthan will spend highest among states on Non Communicable Diseases (NCDs) in government facilities, followed by Uttar Pradesh. State Governments will have to plan from today to tackle the problem. This can be done through ensuring food safety.

Action Desired: Measures for ensuring food safety, promoting healthy diets and physical acidity, free door to door screening program for early detection of cancer, heart diseases and diabetes need to be started. Cardiologists, cancer specialist and diabetologists are required to be designated at district hospitals. Food safety standards must be ensured in the state and institutions have to be built as per Food Safety Act.

5. Adopt Regulatory Impact Assessment Framework

Legislations often have apparently conflicting objectives, such as: promoting ease of doing business without compromising on labour welfare; promoting access to renewable energy options without adversely impacting grid connectivity, among others. Consequently, the process of law and regulation making process needs to achieve a balance between different objectives and result in net positive result at least cost. Moreover, sub-optimal regulation has the potential to increase the cost of compliance, have unintended outcomes, and limits the likelihood of achievement of its objectives. Moreover, it can raise complexity and uncertainty associated with obligations, which must be avoided. Only such regulations must be adopted which can achieve intended objectives with least possible distortions.

Adoption of Regulatory Impact Assessment (RIA) framework which comprises ex-ante estimation of costs and benefits of different regulatory options on different stakeholders can aid in achieving the desired balance. A RIA essentially involves structured stakeholder consultation and thus ensures

stakeholder buy-in of the change in legislative and regulatory framework. It also takes into account possible implementation bottlenecks and thus suggests most feasible regulatory options to achieve desired objectives.

The Government of Rajasthan has already implemented a Rajasthan Law Reform Project which intended to repeal outdated laws. It is time that a RIA Framework is also adopted by the Government.

Most recently, CUTS conducted a summary cost-benefit analysis of proposed amendments to the Rajasthan Shops and Commercial Establishments Act, 1958.² Some of the recommendations of the study found resonance in the recently promulgated Rajasthan Micro, Small and Medium Enterprises (Facilitation of Establishment and Operation) Ordinance, 2019. Institutionalisation of RIA across sectors, by creation of a centralised RIA Unit in the state, will enable review impact of existing regulations and estimation of impact of proposed regulations. This will result in adoption and continuation of only such regulations of which costs are outweighed by the benefits on stakeholders.

Action Desired: Adopt and Institutionalise Regulatory Impact Assessment Framework in Law and Regulation Making in Rajasthan by creation of a 'RIA Unit.'

6. Ensure Road Safety in the State

Rajasthan registered 10,465 deaths in road accidents in 2016 compared to 10,510 in 2015, The number of injuries and cases of road accidents were 2,050 and 1,006 respectively in 2016. Among the top 13 states, Rajasthan is at 8th position in terms of accidents and 5th position in terms of death with a 6.9 percentage share. The severity of the accidents has increased in the state as well. Jaipur district recorded the maximum road accident deaths at 1,406, followed by Ajmer (598), Alwar (563), Udaipur (534) and Bhilwara (451) in 2016. Bhilwara, Tonk, Udaipur, Rajsamand, Dholpur and Bharatpur districts registered the maximum increase in road accident deaths. State is incurring almost a 3 to 4 percent of state GDP losses due to these deaths and road accident injuries burden and trauma care.

Action Desired: An electronic monitoring mechanism needs to be developed for checking rash driving and drink & driving and government shall collaborate with voluntary organisations working for road safety for mass reach-out and programme implementation. State need to start a universal ambulance number & services for trauma care, opening up more regional

² More details are available at http://www.cuts-ccier.org/RIA_RajSCE1958/

trauma care centers and strengthening district hospitals by developing separate and fully equipped trauma care units. More and more Awareness Generation camps shall be organised.

7. Improve fiscal efficiency by adopting market based mechanisms

Estimates suggest that while Rajasthan has increased expenditure in social services, education and health as a percentage of gross state domestic product (GSDP) over the years, its expenditure efficiency has remained sub-optimal and below national average. Moreover, Rajasthan has also experienced revenue deficit in recent years, and fiscal deficit above 3 per cent of GSDP, while recording increase in outstanding liabilities of more than 5 per cent of GSDP. As per the current state of its revenue generation and given its expenditures, it would be able to comply with fiscal responsibility targets only in the year 2025-26 and produce a revenue surplus in 2026-27.³

By improving expenditure efficiency focused on good governance, it has been estimated that Rajasthan can achieve its existing level of outputs in education, health and social sectors by reducing the current level of public spending by 35 per cent, 37 per cent and 32 per cent, respectively.⁴ Its village panchayats are also fiscally weak.⁵

Action desired: Rajasthan needs to improve its fiscal efficiency by creating market-based mechanisms for financing state and local governments' expenditures and fixing accountability.⁶ A good start could be creation of an expert 'Independent Budget Office' in the state to monitor income and expenditure practices and provide suggestions, wherever applicable.

8. Facilitate creation of high quality and reliable digital infrastructure for efficient delivery and consumption of social services

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

³ Manish Gupta, Lekha Chakraborty and Pinaki Chakraborty, *Emerging issues in State Finances post Fourteenth Finance Commission*, NIPFP, December 2017

⁴ R.K. Mohanty and N.R. Bhanumurthy, *Assessing Public Expenditure Efficiency at Indian States*, 19 March 2018, National Institute of Public Finance and Policy (NIPFP) Working Paper Series No. 225

⁵ M.A. Oommen, *Local democracy in disarray*, The Hindu, 01 May 2018

⁶ Pradeep S Mehta, *The role of finance commissions in sustainable development*, 04 March 2019, Livemint, at <https://www.livemint.com/opinion/online-views/opinion-finance-commissions-and-their-role-in-sustainable-development-1551629220108.html>

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.

Consequently, there is a need to increase investments in creating safe, secure and reliable digital infrastructure. Rajasthan 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

9. Create adequate incentives for efficient performance and implementation and dis-incentivise non-performance

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

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.

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 in Rajasthan
