

CUTS Inputs for the Approach Paper of the 12th Five Year Plan

CUTS has addressed some of the key challenges that the Planning Commission of India has outlined in its efforts to make the process of formulating the Approach Paper of the 12th Five Year Plan more inclusive. In doing so, the following note covers four sectors, viz. higher education, health, power and agriculture. Some of these suggestions are horizontal – that they are applicable to various sectors. In submitting this memorandum, CUTS has taken note that according to one estimate the loss to the country's exchequer on account of tax holidays and such measures is about 6.5% of its annual gross domestic product. CUTS argues that such policy distortions should be gradually removed so that there is better level playing field among entrepreneurs and states. Furthermore, we would like to argue that most of these suggestions are intended to impart dynamic efficiency into the system – in other words, while static efficiency gains are important, we need to think beyond such short-term gains in order to achieve double-digit growth and concomitant poverty reduction.

HIGHER EDUCATION

| Concerns | Suggestions |
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| <p>Higher education suffers from excessive government control and at the same time and due to lack of regulatory oversight, there are concerns about its quality.</p> <p>There is multiplicity of regulatory agencies with confusing and overlapping mandates.</p> | <p>There should be an independent regulatory authority for higher education (at the centre and corresponding institutions at the state level) whose mandate is to determine the price of and subsidies to higher education and to regulate its quality as per objectives, including, universal service obligations.</p> <p>This regulatory body should be accountable to the Parliament of India and state legislatures.</p> <p>The quality of regulation should be monitored in respect to relevance (of objectives), effectiveness (of quality), efficiency (of demand and supply), impact (of universal service obligations, etc) and sustainability (of regulatory measures).</p> <p>Specific liberalisation commitments should be made under Mode 3 (foreign direct investment) and Mode 4 (mobility of professionals subject to economic needs test) of the General Agreement on Trade in Services (of the World Trade Organisation) to allow the entry foreign educational institutions and they should be subjected to some well-defined social and economic obligations and other regulations so that there is less policy uncertainty in the system. In other words, pre- and post-establishment norms should be defined by the regulatory body and should not be subjected to frequent changes on the part of legislatives, executives as well as judiciary.</p> |

HEALTH

| Concerns | Suggestions |
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| <p>Public expenditure on healthcare services is much below what is needed.</p> <p>There is relatively less emphasis on preventive and social-cultural aspects of healthcare.</p> <p>There is shortage of supply of healthcare professionals, particularly para-medical personnel.</p> <p>There are anti-competitive practices in the delivery of public as well as private healthcare services.</p> | <p>Public expenditure on healthcare services with special emphasis on health vouchers (for households having less than Rs. 10,000 monthly income) should be increased with a mechanism for outcome-mapping and impact analysis in place. Moreover, there should ex-ante and ex-post analysis of value for money (to be spent on such welfare-enhancing schemes).</p> <p>Non-governmental and community-based organisations should be given more support to generate public awareness on preventive and socio-cultural aspects of healthcare and they should be strictly subjected to monitoring and evaluation as per MEALS (Monitoring, Evaluation and Learning System) framework.</p> <p>State governments should be supported to create a separate cadre of rural health practitioners.</p> <p>National Health Policy should have a chapter on anti-competitive practices in healthcare services. Much of such practices stem from the lack of availability and rational use of essential medicines and other medical services and this should be addressed by having incentives/disincentives to the healthcare professionals.</p> <p>There should be a policy to encourage the development of micro health insurance sector.</p> |

POWER

| Concerns | Suggestions |
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| <p>There is a huge gap between the demand and supply of electricity.</p> <p>There is no uniform policy to provide subsidised electricity to certain sections of consumers.</p> <p>The electricity market is fragmented and there is not much competition among the utilities.</p> <p>The price of renewable energy is very high and there is not much emphasis on low-cost, decentralised generation of such energy.</p> | <p>There should be a National Mission on Electricity with policies such as speedy land acquisition for public interest, zero duties on imports of necessary machineries and other items, allocation of captive coal and gas blocs and an average cost-based mark-up price mechanism should be in place by taking these factors into account.</p> <p>Electricity subsidies should be replaced with direct cash voucher to certain sections of consumers.</p> <p>Open access in electricity distribution should be made mandatory along with a special purpose vehicle to take care of costs of implementation and with incentives for further innovation so as to impart dynamic efficiency.</p> <p>The network of electricity transmission and distribution should be declared as essential facilities and there should not be any bar to access them.</p> <p>Decentralised generation of renewable energy (such as micro hydro, biomass) should be encouraged with the involvement of local governance institutions in their generation as well as distribution.</p> |

AGRICULTURE

| Concerns | Suggestions |
|---|---|
| <p>The market for agricultural land is under-developed on account of lack of proper land revenue records, lack of property rights, etc.</p> <p>There is uneven development of big dams and irrigation projects without much complementarities with small and micro irrigation.</p> <p>There are collusive and other anti-competitive practices in wholesale trade of agricultural products.</p> <p>There is lack of incentives to farmers to enhance agricultural productivity.</p> | <p>Compensation to state governments on expected revenue loss on account of the introduction of goods and services tax should be subjected to, among others, their implementation of upgradation of land revenue records, amendments to land tenancy law, development of the market for land lease, etc.</p> <p>Public investment in irrigation should be complemented with private investment (through small and micro irrigation such as drip/sprinkling irrigation) by offering incentives/disincentives such as continuation/withdrawal of tax on agricultural income.</p> <p>The Agricultural Produce Market Committee Act should be amended to impart competition in wholesale trade of agricultural products by allowing the private sector to build, own and operate such markets and the state governments (with conditions to pass those incentives to local governments) will have to be incentivised to take care of expected revenue loss.</p> <p>There should not be any restriction on internal movement and external trade of agricultural products except subjecting them to well-defined price and quantity triggers.</p> |