



MEMORANDUM TO THE CHIEF MINISTER OF RAJASTHAN DURING PRE-BUDGET CONSULTATION MEETING 2020-21

Background

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

- 1. Implement an Integrated Industrial Policy in Rajasthan**
- 2. Make Power Tariffs Competitive in Rajasthan**
- 3. Facilitate Ease of Running a Business in Rajasthan**
- 4. Eliminate Trans Fats from all oils, fats, and foods by 2022 in Rajasthan**
- 5. Invest in Adolescent Health and Reduce Adolescent Pregnancies in Rajasthan**
- 6. Promote Organic Farming in Rajasthan**
- 7. Ensure Road Safety in Rajasthan**

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

1. Implement an Integrated Industrial Policy in Rajasthan

1.1. The Government of Rajasthan released a Rajasthan Industrial Development Policy 2019, with a vision of making Rajasthan a preferred investment destination with conducive ecosystem for inclusive, balanced, and sustainable industrial development.

1.2. Our field inquiries, particularly in textiles and apparels industry in Rajasthan, have highlighted three key challenges to realise this vision:

- Lack of export competitiveness owing to limited product diversification and unfavourable duty structure.
- Inability to tap domestic low cost-high volume market owing to inadequate quality, unfavourable contractual terms, and lack of scale.

- Majority of workforce being characterised by low wages, poor bargaining power, unsafe working conditions and low capability enhancement avenues.

1.3. As a result, there is a need to integrate industrial policy of state with the state export policy, competition policy, and labour policy, and implement these policies in consonance. Scope of these policies have been suggested below:

- Through its export policy, the state will need to incentivise diversification, investment in research and design by small and medium enterprises, and work with the central government (and other states) to reverse unfavourable duties for export, high import duties and good and service tax for inputs.
- Through its competition policy, the state will need to promote competition in the input market, i.e. among domestic producers of man-made fibre; and the output market i.e. among aggregators who could source apparel and handloom products to supply in national and international market. This will reduce input cost, aid in balancing contractual terms, and help in achieving scale.
- Through its labour policy, the state will need to enhance collective bargaining power among workers, particularly contractual and migrant workers, for better wages and safe working conditions. It will also need to provide capability enhancement avenues. This could be possible by leveraging technology to promote worker coordination and interaction, education and skill development, and conveying benefits of collective bargaining.

Action point: The state should formulate export, competition, and labour policies to enhance competitiveness, tap domestic market, and ensure reasonable wages, integrate them with state industrial policy, and ensure time bound implementation.

2. Make power tariffs competitive in Rajasthan

2.1. Our research indicates that average cost of supply of power to distribution companies and end consumers is higher in Rajasthan (by approximately Re 0.5/kWh and Re. 1/ kWh, respectively) than Gujarat despite Rajasthan producing power at a fuel cost which is cheaper than Gujarat. This adversely impact competitiveness of the state.

2.2. We posit following possible systemic inefficiencies for this situation:

- Higher annual revenue requirement of generation companies due to higher fixed cost components, inefficient and outdated power purchase agreements, and higher transmission losses in the network.
- High aggregate technical and commercial losses of around 24.8 percent in Rajasthan, when compared with around 9 percent in Gujarat.
- High cross-subsidy surcharge, state government subsidy and regulatory asset costs.

Action point: There is need to make power tariffs competitive in Rajasthan. For this, the state should commission a detailed and holistic analysis of systemic inefficiencies at each node, review best practices from different states (or even countries), design and implement a time bound action plan.

3. Facilitate ease of running a business in Rajasthan

3.1. The Government of Rajasthan has launched several initiatives to promote ease of doing a business in the state. These include, the Rajasthan Micro, Small and Medium Enterprises (Facilitation of Establishment and Operation) Act, 2019 that introduced the Raj Udyog Mitra Portal which helps the micro, small and medium enterprises escape the initial burden of certifications and approvals for the first three years of operation.

3.2. However, small and medium enterprises would still need to comply with relevant certification and approval requirements after initial three years. In addition, large enterprises have to obtain necessary approvals, certifications and renewals prior to beginning their operations, and during the course of running their business. There is a huge scope for reforming the structure for granting approvals, licenses, registration, and clearances in order to help businesses run efficiently and grow in the state.

Action point: There is a need to facilitate ease of running a business in Rajasthan. For this, the state should implement regulatory guillotine, which is a systematic and transparent approach to review, eliminate, and streamline business regulations. It reverses the burden of proof and requires every regulation to go through the tests of necessity, legality and market friendliness, failing which the regulation is either amended or done away with.

4. Eliminate Trans Fats from all oils, fats, and foods by 2022 in Rajasthan

4.1. Rajasthan is one of the major contributors in the national burden of non-communicable diseases (NCDs). Nearly 55 percent of deaths in the state are attributed to NCDs including cardiovascular diseases (CVDs).

4.2. Trans Fatty Acids (TFAs) in oils, fats, and foods (through vanaspati ghee, margarine and bakery shortening) are key reasons for CVDs. Thus, there is a need to eliminate trans fats from all oils, fats, and foods in Rajasthan.

Action point: Strengthen the legislative and institutional framework of the state for elimination of TFAs from all oils, fats and foods, latest by 2022. Develop a world class food testing laboratory to test TFAs and provide adequate resources for effective implementation.

5. Invest in adolescent health and reduce adolescent pregnancies

5.1. The total adolescent population (10 – 19 years) of Rajasthan is 15 million which constitutes 23 percent of total population in the state. About 35 percent of girls in the state are married before the age of 18 resulting in teenage pregnancies which compromise health as well as education of adolescents and are likely to result in low birth weight, premature deliveries, birth injuries, stillbirth, infant and maternal mortality.

5.2. Apart from the health risks, adolescent childbearing and the conditions associated with it are fundamental factors determining the quality of life and role of women in a society. At present, the Rashtriya Kishore Swasthya Karyakram (RKSK) (implemented in 10 districts of Rajasthan) covers only 24 percent of adolescents in the state. Focused efforts to bring down the issue of adolescent pregnancies are required.

Action point: The overall budget allocation for adolescent health and wellbeing in the state needs to be increased. The state needs to work towards zero teenage pregnancies and invest more on adolescent health especially their reproductive and sexual health.

6. Promote organic farming in Rajasthan

There should be a separate scheme to promote and motivate farmers willing to do organic farming. This scheme should be separate from the existing PKVY (Paramparagat Krishi Vikas Yojna). Besides, the results of the research on organic farming needs to be published.

Action point: This is the right time to announce a revamped Organic Policy in the state with announcements of more districts to be made completely organic. The state government should create a separate budget and ensure that the total organic farming land in the state is increased. The government should also boost functioning of the State Organic Farming Directorate, which at present

is almost defunct. This will enhance the working of ROCA (Rajasthan Organic Certification Agency). Besides, the state government should announce 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 district in each division should be promoted.

7. Ensure Road Safety in Rajasthan

Among the top 13 states, Rajasthan is at 8th position in terms of road accidents and 5th position in terms of consequent deaths. The severity of the accidents has increased in the state. The state is losing almost 3 to 4 percent of state GSDP due to these deaths and road accident injuries, burden, and trauma care.

Action point: An effective implementation of Motor Vehicles Act, 2019 in true spirit without scaling down or reducing penalties as earmarked in the Act is required. An electronic monitoring mechanism needs to be developed for checking rash driving and drink & driving. The government needs to collaborate with voluntary organisations working for road safety for mass reach-out and programme implementation. The state also needs to start a universal ambulance number & services for trauma care, open more regional trauma care centers and strengthen district hospitals by developing separate and fully equipped trauma care units. Awareness generation camps should also be organised.
