

Theme 2: Public policy

- Disinvestment in PSUs - structural reforms
- 1991 Moment in agriculture - market model of Marketing
- Performance of schemes : SAGY, DISHA, MGNREGA (MoRD internal review)
- Brief recap: some important post-covid schemes

1) Disinvestment in PSUs - structural reforms

- Budget 2020-21: LIC Disinvestment (paradigm shift): Government to sell a part of its holding in LIC by way of Initial Public Offer (IPO).
- Issue
 - Will the sovereign guarantee remain under sec37 of act . Lic chair said will remain
- Should profitable PSUs disinvested?

- Benefits

- 1. Ms. Sitharaman said that listing would bring discipline while giving retail investors an opportunity to participate in wealth creation.
- 2. The listing would usher in benefits including increased accountability, transparency and due process.
- 3. There would be independent directors on board who could question the rationale for investments.
- 4. Further, shareholders too could question the company on its investments
- Eg ongc bailout in past.. 5pc disinvestment in ongc, over 90pc brought by lic... But since 100pc ownership of govt, couldnt question the rationale.. now can be questioned

Radical change in disinvestment policy post covid

- In strategic sectors, at least one enterprise will remain in the public sector, but private sector will also be allowed.
- In non-strategic sectors, PSEs will be privatised (timing to be based on feasibility etc)
- In order to minimise wasteful administrative costs, the “number of enterprises in strategic sectors will ordinarily be only one to four; others will be privatised (or) merged (or) brought under holding companies”.

Breaking down walls

Finance Minister Nirmala Sitharman announced a set of structural reforms across sectors as a part of the efforts to boost a sagging economy



COAL

Commercial mining on a revenue sharing basis to be introduced. Companies in the private sector will be allowed to carry out exploration



MINERALS

Composite exploration-cum-mining-cum-production regime for minerals to be announced. 500 mining blocks will be auctioned



DEFENCE

A list of weapons/platforms for ban on import will be notified. FDI limit in manufacturing under automatic route to be raised to 74%



CIVIL AVIATION

Restrictions on utilisation of the airspace will be eased so that flying becomes efficient. Now, only 60% of the airspace is freely available



POWER

Power departments/utilities and distribution companies in U.T.s to be privatised. It will be in line with the tariff policy which is to be announced



SPACE

Privatisation to be introduced. Planetary exploration, outer space travel to be opened to the private sector



ATOMIC ENERGY

Research reactor in PPP mode to be set up for the production of medical isotopes



Need of such radical disinvestment

- raise resources for the government
 - for post-covid reconstruction of economy
- Improve corporate governance
 - provide checks and balances over populist decisions like LIC
 - promote Listing of PSUs on stock exchange improving disclosure requirements, transparency and accountability
- realise the productive potential of CPSEs through improved efficiency and profitability
 - bring in best private sector practices
- providing the public to participate in wealth creation
- ideology: Min govt, max gov
- sector specific benefits (previous slide)

Criticism

- dilution of public interest for profit concerns: goal displacement
- reduced government presence will hamper governments ability to steer market
 - eg. PSBs
- privatisation is no guarantee of efficient performance
 - irctc catering: CAG found it unfit for human consumption
- even private sector fails
 - telecoms: reliance, idea, Vodafone
 - airlines: Jet airway, Kingfisher

Sector specific – Space sector

- **Indian National Space Promotion and Authorisation Centre (IN–SPACe or INSPACE)** is an upcoming organisation under the Department of Space of the Government of India. The centre will act as a facilitator and regulator of space activities in India
- Need of space sector privatisation
 - Allow ISRO to focus on core strategic activities like RND, missions
 - Rising demand for space services
 - 10 times more service in future. Price hike still better than no service
 - Price rise not much issue. Isro still there. But overburdened.
 - Increased availability and access will reduce inequality, give more choices, competition, R&D and upgradation
 - Space junk management can be a new avenue for private participation
 - Increase in exports
 - Atmanirbharta - Less dependence on outside
 - Eg. GSLV episode... Not shared..
 - Eg. USA - Elon Musk. No more dependent on Russia
 - New employment, scientific temper promotion

- Space privatisation issues
 - Strategic sector
 - Increased cost of service for poor like agriculture
 - Increased inequality
 - Rise in space junk and debris
 - Regulation- monopoly of big players InSPACE

Coal sector

- What is commercial mining?

- Commercial mining allows the private sector to mine coal commercially **without placing any end-use restrictions**. The private firms have the option of either gasification of the coal or exporting it. They can also use it in their own end-use plants or sell them in the markets.
- Further, with **100 per cent foreign direct investment** allowed in the coal sector, global companies can also participate in the auctions.
- The complete freedom to decide on sale, pricing, and captive utilisation is expected to attract many private sector firms to participate in the auction process.

- Coal sector reforms – Benefits Private participation
 - The government expects more than Rs 33,000 crore of capital investments over the next five to seven years in the sector.
 - Reduce reliance on coal imports
 - More employment opportunities for tribal communities and local populations
 - Increase in revenue due to commercial coal mining
 - Private sector - bringing forward and backward linkages
 - Entry of latest global mining tech, management and competition
 - Quality energy - reduce environmental impact taking precautions, latest techs etc. - balance energy grid
 - Related Infra development
 - Multiplier effect on other sectors
 - Cluster development

- Issues of coal mining
 - Causes displacement
 - Disturbs forests, wildlife and biodiversity
 - Increases man animal conflict
 - Contaminates water
 - Affects health
 - Deepens climate crisis
- Way out
 - Consult stakeholders like civil society, gram Sabha who are stakeholders as per Vedanta case, community, state govt
 - Opposition ruled maha, jharkhand, chattisgarh all raised issues

Possible questions

- Critically discuss the new disinvestment policy of PSUs
- What is IN-SPACE? Examine the decision of government to privatise space sector
- Discuss the pros and cons of commercial coal mining with special focus on environment

2) 1991 Moment in agriculture - market model of Marketing

- Ashok Gulati on whether the agri reforms in FM's package are a 1991 moment for agriculture and also on doubling farmers income
- Marketing reforms done so far (3 out of 11 point package of FM for agri are related to reform)
- 1) Essential commodities Act:
 - put storage limits... Context world war second.. Defence of India rules 1943, it was scarcity era legislation of 1950s n 1960s.... PL480 episode... Ship to mouth economy status....but created prob of storage... Disallowed private investment in storage... Therefore on excess production, farmer suffer by distress sale... On scarcity, consumer pay high price to intermediary
 - REFORM: Govt has now removed cereals, pulses, onion, potato, oil and oilseeds from the act

2) APMC act- our farmers suffer more in marketing process than production activities

- REFORM: allow farmers to sell produce anywhere outside APMC Mandi and provide for free movement in the inter State transport and sale

3) Contract farming

- REFORM: provide legal framework for contract farming and allow farmer to sell based on future price

- Issues/criticism
- From those supporting reforms
 - 1. APMC reform -
 - present reforms address intrastate issue as agriculture is a state subject and state can protect. May not be useful as milk experience shows..
 - 2. Essential commodities -
 - exception of extraordinary reasons like war, famine natural calamities and extraordinary price rise...100pc rise in case of perishables (onion potato) and 50% in case of non perishable..(cereals pulses and oil)
 - Therefore if price of onion increases from 15 rupees per kg to 30 rupees essential commodity act can be imposed. (Note: Extraordinary price rise... Wrt averages of last 12 months ..or avge of 5 years... Whichever is lower)This defeats entire exercise.
 - It doesn't include sugar which is a major export good

- 3. Contract farming-it is based on trusted and business is usually a reluctant to negotiate with multiple individual farmers nd prefer middle men
- From those opposing it
 - Distrust amongst Farmers:
 - Bihar experience
 - Ideology: welfare vs market model

- Solution
- 1. Essential commodities: include sugar... Rationalise exception of price rise
- 2. Apmc - gst like mechanism
- 3. Contract farming - promote FPO... SHG as FPO... Confessional loan like 7pc interest crop loan instead of current dependence on MFI at 25pc interest rate... FPOs will enhance quality scale and bargaining power
- 4. Consultative approach: cooperative competitive cumulative federalism

Possible questions

- Do the current agriculture reforms constitute a 1991 moment for agriculture? Give your view and justify
- Agriculture sector reforms will do more harm than good. Critically examine
- Discuss the recent reforms in agriculture marketing. Also suggest ways to overcome their drawbacks

3) Performance of schemes : SAGY, DISHA, MGNREGA (MoRD internal review)

- CRM (Common review mission) 2019, commissioned by MoRD: an audit of rural schemes (report released in 2020)
- Features and Important findings

SAGY (Sansad Adarsh Gram Yojana)

- features
 - launched in oct 2014
 - goal was to develop 3 villages by 2019 by each MP and next 5 model villages by 2024
 - no budgetary allocation: works on convergence and MPLADs fund
- findings
 - states did not find any significant impact of these schemes
 - in many of the SAGY villages, MPs did not give any money from MPLADs
 - In isolated cases, where MPs spent money in SAGY villages, some infra development but no substantial impact
 - not serving purpose, needs a review
- causes of failure
 - picking one village would incur wrath of other villages
 - lack of funds

DISHA

- features/background
 - for years DVMC(District vigilance and monitoring committee) had oversight over few MoRD schemes
 - in 2016 it was superceded by DISHA (District development coordination and monitoring committee)
- Findings
 - unweildy and overfunctional
 - irregular meetings
 - poor processes
 - lack of action on its recommendations
 - stopped short of disbanding it

MGNREGA

- Features (governance specific)
 - **social audit (Section 17 MGNREG Act)** to be undertaken by gram sabha
 - The village community has the right to choose works under 8 permissible categories of works
 - At least 50% of works will be allotted to Gram Panchayats for execution
 - funding to panchayats: Rs 37lakh per year per GP
 - approx 3 lakh per month resolve fund crunch, one of 3Fs
 - Provisions of RTI Act shall be applicable in Letter & Spirit
 - Grievance redressal mechanisms have to be put in place through ombudsman

- findings
 - work generated under MGNREGA remains half of the entitled 100 days despite higher demand by states
 - average days of work under MGNREGA
 - 2019 - 48
 - 2018 - 50
 - 2017 - 45
 - cause
 - structural issue: MGNREGA wage rates are much smaller than corresponding minimum wages of state

Possible questions

- Discuss the relevance of MGNREGA post-COVID 19
- Evaluate the performance of MGNREGA
- Sansad Adarsh Gram Yojana has lost its early thrust over the period of time. Elaborate
- DISHA initiative to provide actionable accountability has been largely a failure. Assess its performance

4) Brief recap: some important post-covid schemes

- 4.1) PMGKY (Pradhan Mantri Garib Kalyan Yojana)
- 4.2) GKRA (Garib Kalyan Rozgar Yojana)

4.1) Pradhan Mantri Garib Kalyan Yojana (PMGKY)

- features

- The **₹1.7 Lakh Crore relief package – named PMGKY-** was announced by Union government to alleviate the distress caused by COVID-19 pandemic.
- government extended free ration to 80 crore Indians upto Nov 2020 under PMGKY the beneficiaries will get 5kg rice or wheat per family member and 1 kg of gram, an important source of protein
- Healthcare Workers: Insurance cover of ₹50 lakh
- Food grains to Poor: 80 crore poor people under National Food Security Act will receive five extra kg of wheat or rice and 1 kg of pulses
- MGNREGA workers (13.63 crore): Wage increased from ₹182/day to ₹202/day
- Jan Dhan Women Account holders (20.4 crore): DBT of ₹500/ month for next three months

- Senior Citizens, disabled & Poor widows (3 crore): Ex-gratia of ₹1000 (through existing pension schemes)
- Farmers (8.7 crore): Front loading of ₹2000 to them under existing PM Kisan Yojana
- Ujjwala Beneficiaries (8.3 crore): Free cylinders for next three months
- Wage earners: Those earning below ₹15000/month in firms having less than 100 workers will receive 24% of their monthly wages into their PF accounts for next three months
- Construction workers: Centre has directed States to use Construction worker's welfare fund to give relief to 3.5 crore registered workers

- benefits of PMGKY
 - PMGKY will boost demand in the economy
 - 80 crore beneficiary (60pc population covered)
 - 50pc of income spend on food by poor.
 - These Savings will boost non-food demand
 - Improve their bargaining power in negotiating wages
 - Provide a market to farm produce and prevent drop in agri prices

- criticism
 - too little too late
 - old wine in new bottle. eg PM KISAN
 - Rajan: not the time for fiscal discipline. Generation lost will be lost forever
 - other countries: Japan, Germany, US have higher relief

4.2) Garib Kalyan Rozgar Yojana (GKRY)

- Features
 - 50k crore funding
 - Provide 125 days of employment to the migrant workers in the 25 fields for creating durable and productive assets
 - In the 116 districts with most migrant returnees in six states - Bihar UP MP Jharkhand Odisha Rajasthan
 - Covering 2/3rd of the returnee migrants ie 6.7 million workers will benefit

- Analysis of GKRA
- benefits/strengths/positives
 - Much needed and urgent intervention to provide immediate livelihood to returnee migrants who lack such avenues home
 - No burden on budget. Existing employment generation schemes of various ministries repackaged and their funds used
 - Focus in not just sops but durable asset creation
 - Identification of sectors Based on skill mapping and zoning which will enhance productivity to maximum
 - Important sectors like village road, National Highway, railways, lying down optical fibres for internet connections, water conservation projects, Panchayat offices, anganwadis, etc will help rural economy in long run

- Drawbacks/criticism of GKRA

- Excluding a state like West Bengal is wearing while giving dominant focus on state like Bihar give rise to fears of electoral considerations becoming factor in decision making
- Problems of over centralisation. Centre could have delegated the authority of planning to the local districts instead of central ministries is doing it
- Adverse impact on labour dynamics. Scheme can prevent and prolong the return of migrant workers back to cities affecting economic recovery

Possible questions

- Evaluate the effectiveness of Pradhan Mantri Garib Kalyan Yojana (PMGKY) in tackling the challenges of poverty
- The Garib Kalyan Rozgar Yojana (GKRY) while aiming welfare can adversely impact the labour dynamics in India. Examine

End of theme 2