



BREXIT IS BLAIR'S RE-ENTRY

Former UK prime minister Tony Blair

"This Brexit thing has given me a direct motivation to get more involved in the politics. You need to get your hands dirty, and I will. ... I really do feel passionate about this"

NITI AAYOG ACTION AGENDA

THE RESPONSIBILITY OF IMPLEMENTING NITI'S RECOMMENDATIONS LIES WITH BOTH THE UNION GOVERNMENT AS WELL AS THE STATES

A practitioner's guide to policy reforms

THE MUCH-AWAITED three-year action agenda by the NITI Aayog has been put in the public domain. NITI, appointed by the Cabinet Resolution on January 7, 2015, was envisaged to act as a "knowledge and innovation hub and provide research inputs by undertaking and accessing globally available research". One of the major mandates of the Aayog is "...the formulation of strategic vision and long-term policies and programme framework both for the macro-economy and for different sectors of the economy". Accordingly, the Aayog has embarked on preparing the 15-year vision, a seven-year strategy and a three-year action agenda. While the vision and strategy documents are under preparation, the three-year action agenda document has been put out for public discussion last week.

The action agenda put out by the Aayog is a comprehensive list of policy and institutional reforms in various sectors of the economy that need to be implemented by the government to accelerate the pace of development. The report has been produced after extensive research and consultations, and covers the entire spectrum of policy and institutional issues requiring reform. The focus is to unleash the creative energies of economic agents by removing impediments, redefining the role of the government as an enabler rather than a producer, facilitating increases in productivity, stimulating competition, strengthening regulation, improving governance, establishing the rule of law, achieving faster human development to reap the demographic dividend and protecting the environment to ensure sustainability. The agenda is for the three remaining years, covering the 14th Finance Commission's recommendations beginning 2017-18.

The Aayog must be complimented for the well-researched document identifying the policy and institutional constraints on growth and development requiring reform. It has 24 chapters, spread over seven parts. The overview chapter provides a succinct summary—a bird's-eye view of major reform proposals. In the first part, a medium-term framework is developed, in which the resource envelopes are worked out under different growth scenarios to ar-

M GOVINDA RAO

Emeritus professor, NIPFP, and chief economic adviser, Brickwork Ratings



rive at sectoral expenditure allocations. The framework maintains the overall target of containing the fiscal deficit at 3% and reducing the revenue deficit to 0.9% by 2019-20 from the prevailing level of 2.1%. The chapter recommends enhancing the share of development expenditures from 53% in 2015-16 to 59% in 2019-20 and the share of capital expenditures by one percentage point from 1.6% in 2016-17 to 2.6% in 2019-20. Commensurately, revenue expenditures, more particularly, the expenditures on the food and fertiliser subsidies, should be reduced.

Part II of the document identifies policy and institutional reforms required to transform agriculture, industry and services. In agriculture, these relate to enhancing productivity, extending irrigation and ensuring remunerative price to the farmers, expanding the crop insurance coverage, reforms in marketing and facilitating land leasing and pooling. In industry and services, the proposed policy reforms include encouraging an exports orientation which *inter alia* will be achieved by creating Coastal Economic Zones and making the factor markets more flexible. The chapter emphasises the need to focus on labour-intensive, export-oriented manufacturing and services sectors to take advantage of the rising wages in China.

The regional development issues, including urban development, rural industrialisation, reform of the land market, regional disparities and decentralised development are addressed in Part III. The five chapters in Part IV (Chapters 10-15) bring out the enabling reforms for accelerating growth in agriculture, industry and services. The important component of reforms under this rubric includes infrastructure development, digital connectivity, public private partnerships, energy, technology and innovation ecosystems.

Part V is devoted to addressing issues of governance, taxation, competition and regulation, and rule of law involving legal, police and judicial reforms. This part begins with a discussion on the role of the government, civil services reform, reforms to minimise corruption, electoral reform and reform related to the federal fabric of the country. In this regard, the strategic disinvestment in 74 central public sector enterprises identified by the NITI Aayog is an important recommendation. The importance of ensuring reasonable tenure of senior officers and the need to enable lateral entry of experts at the policy-making level are emphasised in the civil services reform. In the case of tax systems, policy and administration reforms are intended to broaden the base, minimise evasion and the creation of black money and make the tax system stable and predictable. The reforms to encourage competition, strengthen the competence and capacity of the regulators and amendments in public procurement systems are also discussed in this Part. Ensuring the rule of law and protection of life and property are basic public goods which governments must provide, and this requires an effective legal system, efficient police force to ensure security of people and properties and an efficient and speedy dispute resolution mechanism.

Part VI, comprising Chapters 20-22, addresses the issue of preparing the country to reap demographic dividends through reforms in social sectors. These include the reforms in education and health sectors. In the education and health sectors, the at-

tempt is to reorient the focus towards outcomes, provide tools of effective learning to the students and teachers and improve the governance mechanism. Separate reforms have been recommended in school and higher education and skill development. The health sector reforms meant to reduce infant and maternal mortality and improve life expectancy and address issue of malnutrition. The recommended policy measures include ensuring adequate public spending, prioritising preventive healthcare, efficient management of public health facilities, improve the number and quality of human resources in the sector and facilitating convergence of programmes. The action agenda for sustainable development

highlighted in Part VII.

NITI recommends enhancing shares of development and capital expenditures by 2019-20. Revenue expenditures, more particularly, the food and fertiliser subsidies, should be reduced

It must be stated that the first time, a comprehensive reform agenda has been placed before Union and State governments for implementation. The report, thus, provides practitioners' guide to policy reforms. It is difficult to do justice to the comprehensive reform agenda in this column and the attempt here is only to generate interest among readers on the reform agenda. This connection, three important issues must be

in mind. First, there is a need for enlightened debate on the proposals put forth in the report. Second, a basic problem with the government—the politicians or bureaucrats—this is true for every sector of the economy, is one of having a proper system of incentives and accountability. And finally, these reforms involve actions by the Union as well as individual states. This requires them to own the agenda. As Jackson and Mills, in their review of Mirr report on tax reform in UK stated, those who lose from the reforms tend to be vengeful and those who gain from them tend to be ungrateful, and this can lead to "a tyranny of status quo". Hopefully, government will have the necessary political will to break the status quo.