



**MEMORANDUM TO GOVERNMENT OF RAJASTHAN
DURING PRE-BUDGET CONSULTATIONS ON FEBRUARY 8, 2016**

Background

Consumer Unity & Trust Society (CUTS) has identified the few critical issues which must be addressed through the forthcoming budget. These include focusing on financial consumer protection, improving governance and transparency etc. Accordingly, few key actions desired by CUTS under the forthcoming budget are set out below:

- 1. Enactment of Rajasthan Protection of Interests of Depositors (in Financial Establishments) Act and Financial Consumer Protection Act**
- 2. Strengthen the Consumer Protection mechanism in the State by activating the functioning of the Consumer Directorate by bringing all link departments under it; provide adequate funding for Consumer Welfare and making the consumer protection councils functional.**
- 3. Adoption of Regulatory Impact Assessment and Competition Impact Assessment tools in policy and regulation making.**
- 4. Strengthening and modernising RUDA, Employment Exchanges, and creation of state livelihood portal for all the related issues especially job capturing, placement etc.**
- 5. Review and do away with anti-competitive practices in the road transport sector and develop and implement a Road Safety and Maintenance Policy.**
- 6. Strengthening the food regulation in the state as per FSS Act (2006) by allocating adequate finding for appoint of required personal, awareness generation and for setting up Food Testing Laboratories with modern testing facilities.**
- 7. Strengthen Urban Local Bodies and improve the quality of service delivery by allocating adequate funds, measures for capacity building of ULBs and creating a space for citizen engagement by constitution of ward committees as per 74th CAA.**
- 8. Creation of an apolitical Indian Chief Ministers' Governance Forum¹ with the initiative of Rajasthan Chief Minister for better coordination among States which can ultimately result in sharing, replication and up-scaling of innovative governance and developmental practices.**

The issues are described in detail below.

¹ http://www.cuts-ccier.org/pdf/Indian_Chief_Ministers_Governance_Forum-Project_Brief.pdf

1. Enhance the state of financial consumer protection in the state

Indian financial sector is rife with instances of illegal money raising activities and ponzi schemes. Such schemes hurt interest of depositors and investors across the country and Rajasthan is no exception. Recently, the securities market regulator has passed an order against illegal collective investment scheme operated by PACL, which had operations in Rajasthan as well. The defrauded investors are yet to be compensation for their loss which financial sector regulators suffer with capacity constraints to get their orders enforced.

In addition, with the increase in number of persons getting connected with formal financial sector, and rise in digital financial transactions, consumers are facing novel risks, such as, unauthorised fund transfers, fraudulent withdrawals from ATMs using duplicate cards, phishing e-mails aimed at extracting personal information, data privacy violations, electronic fraud.

Consequently, there is a need for the state government to take matters in hand and work in the interest of vulnerable investors and depositors in the financial sector. In 2005, the state government had drafted Rajasthan Protection of Interests of Depositors (in Financial Establishments) Bill to regulate the activities of multilevel marketing companies and sent it to the Union government for approval. However, the Centre suggested some amendments and sent it back to the state. Ever since, the bill has not seen the light. If this gets implemented, all the unregulated financial bodies like multi-level marketing companies, proprietorship, partnership firms can be regulated by the state government. Consequently, state government should expedite the process to pass the Act to protect financial consumers and depositors. This is the right time to enact such legislation as the proposed amendments to Consumer Protection Act, 1986, also incorporate provisions with respect to financial sector and electronic commerce. The revised UN guidelines on consumer protection also cover these issues. There are 13 other states, which have enacted similar Acts.

Action desired: Enactment of Rajasthan Protection of Interests of Depositors (in Financial Establishments) Act and financial consumer protection Act.

2. Strengthen the Consumer Protection Mechanism in the state

The general consumer protection implementation and supervision scenario within the state needs to be accorded adequate importance and the much desired fillip. There is a need to empower stakeholders in the consumer protection ecosystem in this regard. For instance, in the budget speech of 2007-08, it was announced to set up a separate Directorate of Consumer Affairs. As part of operationalising it, recently the entire consumer affairs department was shifted out of Secretariate, separating it from Dept. of Food and Civil Supplies, which will benefit consumers at large. Now there is a need to bring all link departments under the Directorate.

In addition, there is a need to strengthen and revive state consumer welfare fund to strengthen the schemes of consumer clubs, giving awards to consumer activists and financial assistance to the organisations working on consumer protection and empowerment issues. The State and District Consumer Protection Councils are not functional, which defeats the very purpose of Consumer protection Act, 1986. Stringent measures in the budget to be provided so that these councils can play a pivotal role in consumer welfare.

Action desired: Strengthen the Consumer Protection mechanism in the State by activating the functioning of the Consumer Directorate by bringing all link departments under it, provide adequate funding for Consumer Welfare and making the consumer protection councils functional.

3. Focus on good governance and transparency

In order to promote transparent governance which takes into account concerns of all stakeholders, especially weaker sections of the society, adoption of process reforms like Regulatory Impact Assessment (RIA) and Competition Impact Assessment (CIA) is essential.

Regulatory Impact Assessment (RIA) enables systematic assessment of costs and benefits of proposed and existing laws, policies, regulations, guidelines etc. and aids in selection of efficient regulatory options, through transparent stakeholder consultation mechanism. It provides clarity in regulatory objective, tools required for achieving it, and enhances accountability. It is a structured process of taking formulation and review of regulations and enables better buy-in of the policies

Similarly, CIA prevents policy distortions to competition and promotes level playing field, by reviewing actions of government and regulatory agencies at the touchstone of competition principles. The draft National Competition Policy advocates adoption of CIA by state governments and its adoption could boost good governance initiatives by the state government.

Several national and sub-national governments have benefitted from adoption of such process related reforms. The state government must engage with think tanks and civil society organisations to build capacity to undertake ex-ante impact assessment and institutionalise these processes.

Action desired: Adoption of Regulatory Impact Assessment and Competition Impact Assessment tools in policy and regulation making

4. Promote 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.²

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

² http://www.cuts-international.org/cart/pdf/Final_Report_NREGS.pdf

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 modernized and equipped with state of the art equipments, 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.

5. Strengthen Road Safety and Maintenance

The State Government of Bihar has launched a unique Road Ambulance Programme under a Road Maintenance Policy, which covers all their cities and district roads and state highways which amount to 9,064 kilometers. 76 well equipped and self-contained road ambulances have also been commissioned which are functioning.³

The Motor Vehicles Act (1939 and 1988) has several provisions that empower state authorities to avert competition from private bus operators. A CUTS study found that certain measures adopted by the Rajasthan State Road Transport Corporation resulted in prohibition on private bus operators to provide services on the Nathdwara route. While the state is not providing any services on the said route, mushrooming of illegal private operators, that give free pass to security and often ply overloaded vehicles, has put security of commoners at risk, while charging exorbitant rates.⁴ Thus, there is an urgent need to systematically identify and remove such barriers to competition that have direct adverse impact on consumers.

In addition, the state of Rajasthan is also suffering from poor conditions of roads, which often need repairing, resulting in huge traffic jams and accidents. States like Bihar have implemented Road Maintenance Policy, which include measures such as road ambulances to maintain district roads and highways. Rajasthan need to follow suit.

Action desired: Review and do away with anti-competitive practices in the road transport sector and develop and implement a Road Safety and Maintenance Policy and setting up a corpus fund for maintenance of potholes exclusively.

6. Strengthening the Food Regulation Mechanism in Rajasthan

Food Safety and Standards Act, 2006 consolidates various acts & orders that have hitherto handled food related issues in various Ministries and Departments. FSSAI has been created for laying down science based standards for articles of food and to regulate their manufacture, storage, distribution, sale and import to ensure availability of safe and

³ <http://indianexpress.com/article/india/india-others/highway-patrol-a-day-in-the-life-of-lakshmibind/>

⁴ CUTS Policy Options note on anti-competitive provisions in the Motor Vehicles Act, available at http://www.cuts-ccier.org/pdf/Anticompetitive_Provisions_in_the_Motor_Vehicles_2011.pdf

wholesome food for human consumption. The responsibility of implementing various provisions of this act lies with the State government. A licence is compulsory for any food business operator (FBO) with an annual turnover of more than Rs. 12 lakhs. Those with the lower turn-over must register with the department. Out of the 3,41,081 estimated FBOs in the state, just 1,09,758 have been issued licenses and registrations. Another data shows that there is a need of 341 Food Safety Officer in the state but the actual number of food safety officers stands at 87 only. This shows that three-fourth of the positions have been lying vacant calling for immediate actions to fill these positions. In addition, those who are designated hold multiple charge and not in a position to give much time for FSSA. A comparative product testing and laboratory examination of fake and adulterated products like eatables and drinks is an important aspect of consumer's protection. Earlier, mobile lab system for analysing and testing few products had started, which now is nowhere seen. The only government recognised lab is based in Jaipur.

Action desired: Immediate steps to strengthen the food regulation in the state by allocating adequate finding for appointment of required personal, awareness generation and for setting up Food Testing Laboratories with modern testing facilities.

7. Strengthening Urban Local Bodies

Growing urbanization has greater potentials to contribute in GDP as well as overall growth of the state. Schemes such as Smart Cities Mission and AMRUT are focused on pressing needs to improve the quality of life for citizens. But there is no formal way for urban people to participate in the process of planning or to raise their concern to exercise people's centric governance. And this is the situation when the two cities of Rajasthan have been selected under this central government's Smart City initiative.

The 74th Constitutional Amendment Act (1992) provides a significant devolution of functions and powers to the ULBs through decentralization and people's participation in local self-governance. The concept of ward committee as per act is an examples of people-centric governance. State government should seriously consider the strengthening of ULBs by devolution of power, implementation of 74th amendment, formation of ward committees, increasing their resources, allocating ward specific budget and creating awareness for enhancing citizen's engagement. Association of Rajasthan Mayors can be formed to improve the urban governance through enhanced sharing of experiences and learning from each other ULBs. There is also strong need to allocate fund for capacity building of ULBs for enhancing skills of officials as well as elected representatives according to the growing demand of urban services.

Action desired: Strengthen Urban Local Bodies and improve the quality of service delivery by allocating adequate funds, capacity building of ULBs and creating a space for citizen engagement by constitution of ward committees as per 74th CAA.

8. Enabling information flow between and among States on successful and unsuccessful practices

If India has to grow, then the parts of the sum, i.e. States will have to grow. Many policy issues decided by the Union Government have to be implemented by the States. States also *suo moto* implement certain policies to tackle similar problems, such as the labour law reforms proposed by Rajasthan. Such implementation is carried out by States in varying manner, and there is much scope of learning from each other. Such exchanges can be

facilitated by a States-led platform, which does not exist. Such a project has been advocated by Shri Atal Behari Vajpayee, when he was the Prime Minister of India.

Similar state forums exist in many federal countries such as USA, Nigeria, Canada, Australia, Germany, Switzerland etc. 29 States can be laboratories for policy making, as they provide 29 settings as opposed to just one, allowing a greater diversity of ideas to be tried out with least risks. Admittedly, there is great diversity among states' political leadership and thus the outcomes will vary from state to state. Most importantly, the locus of political accountability is shifting to States, which provides a competitive spirit to states to innovate and emulate good ideas.

This initiative becomes much more important with the push for competitive and cooperative federalism by central government and increase in allocation of untied funds to the states.

Action desired: The creation of an apolitical Indian Chief Ministers' Governance Forum⁵ with the initiative of Mrs Vasundhara Raje would lead to better coordination among States which can ultimately result in sharing, replication and up-scaling of innovative governance and developmental practices.

⁵ http://www.cuts-ccier.org/pdf/Indian_Chief_Ministers_Governance_Forum-Project_Brief.pdf