

Principles of Public Policy

MCR HRD Institute, Hyderabad
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- Define a Measurable Goal

- Allocate Resources

- Alter Incentives

- Alter Behaviour

- Improved Outcomes

Principles of Public Policy

Must be designed in
the following way

Design of Welfare Policy

Must be designed in
the following way

- Fiscally Sustainable

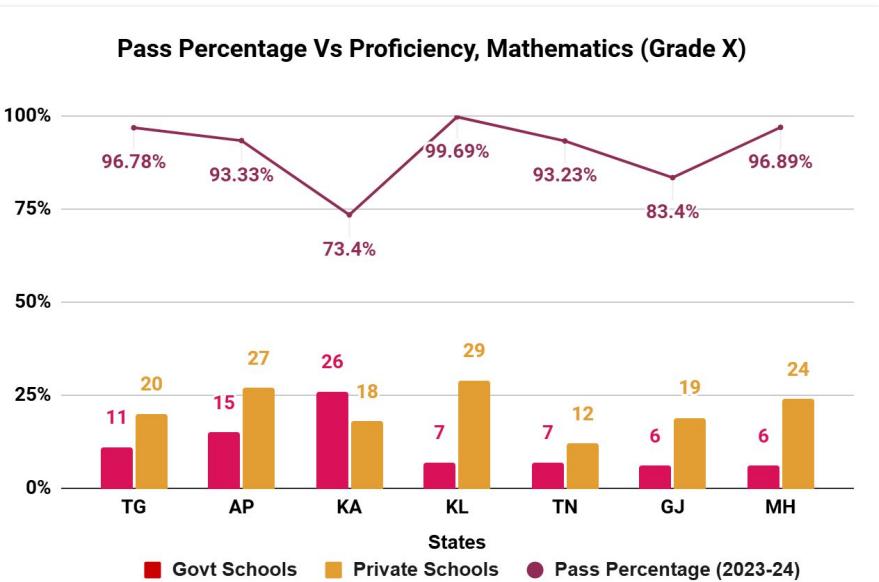
- Enhancing Capacity

- Non-distortionary to Markets



Let us evaluate how policy-making in crucial sectors adheres to these principles, and discuss the way forward

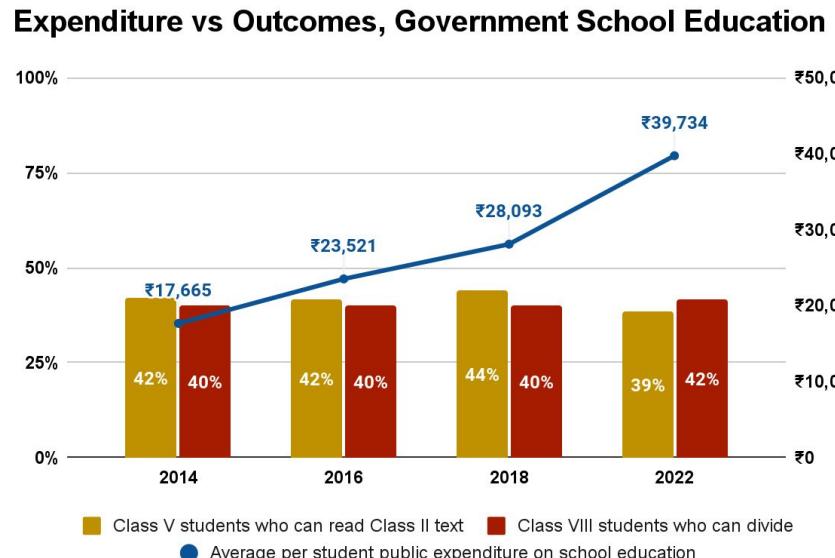
Poor learning outcomes across States and management types



Note: TG - Telangana, AP - Andhra Pradesh, KA - Karnataka, KL - Kerala, TN - Tamil Nadu, GJ - Gujarat, MH - Maharashtra.

Source: Proficiency levels: National Achievement Survey 2021; Pass Percentage, 2023-24: Newspaper Reports

More expenditure by itself is not leading to better outcomes



Sources: ASER Reports, U-DISE, Analysis of Budgeted Expenditure on Education Reports

Education

AN OVERVIEW



Sufficient Resource Allocation



Misaligned Incentives



**Behaviour -
Definition of 'Success'**



Abysmal Outcomes

Components of an effective assessment framework

Stress-free continuous assessments from Grade 6, not one high-stakes test.

Local inspection & monitoring supported by 2-3% current government teachers

Detention policy from Grade 6 supported by regular assessments and remedial support.

- Current grade-level assessment focus on **rote memorisation** over conceptual understanding and application of concepts.
- The emphasis should shift to **application of knowledge, critical thinking, and problem-solving abilities**.
- An assessment framework that **tests and rewards real learning** will dramatically **alter the incentives** for all stakeholders.

This single intervention would then drive the **STUDENTS, TEACHERS, PARENTS, SCHOOL ADMINISTRATION**, and the market in general to **strive for 'success'** on these redefined terms, leading to better outcomes in the existing milieu **without causing much disruption or friction**.

The lack of accessible and effective public health care is debilitating, often having catastrophic consequences for the poorest households.

Besides the immense potential for growth and jobs in the healthcare sector, ensuring universal access to quality health care will ensure that avoidable suffering is minimised and productivity of the poorest is not unduly diminished.

Major challenge today

Accessible, affordable, effective and accountable curative primary care

Approaches to reform

Incorporate elements of choice and competition

Public-funded but privately delivered care

Focus on small towns

Healthcare

AN OVERVIEW



Aligned Incentives -
Immediate, visible benefit to reform



Insufficient Resources



Behaviour -
Flawed Systemic Design



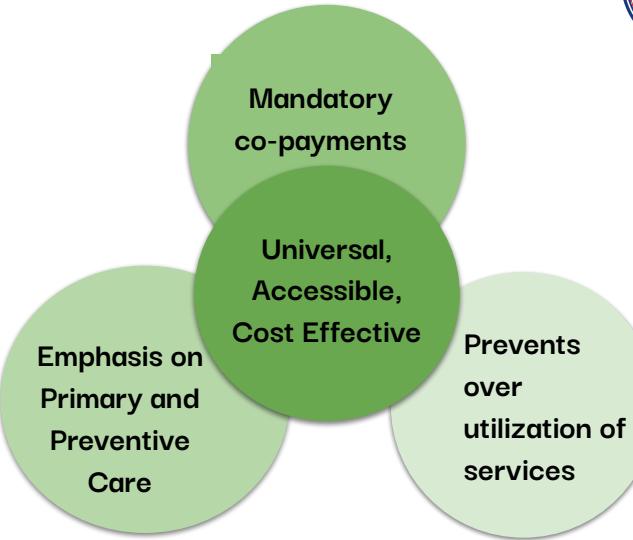
Abysmal Outcomes

Primary Care

- 80% care- Private
- Family Doctor System
- Accessible

Tertiary Care

- 80% care- Public
- Strong Referral System
- Heavily Subsidized



Medisave

Mandatory Savings Account for medical expenses

Medishield Life

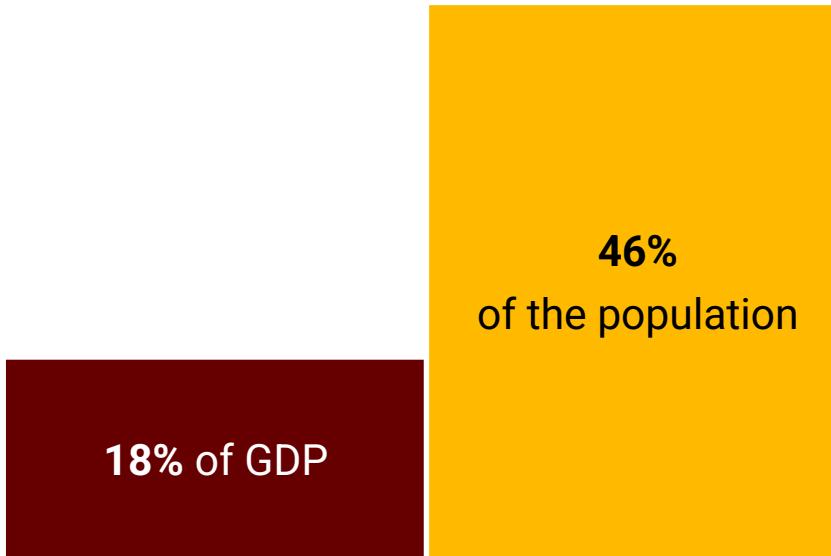
Govt. Subsidized Insurance Scheme

Medifund

Contingency Fund for the needy

The State of Rural Economy

Agriculture Sector in India



Urban Migration

53% of male migrants move to urban areas seeking employment opportunities

Inevitability of Urbanization

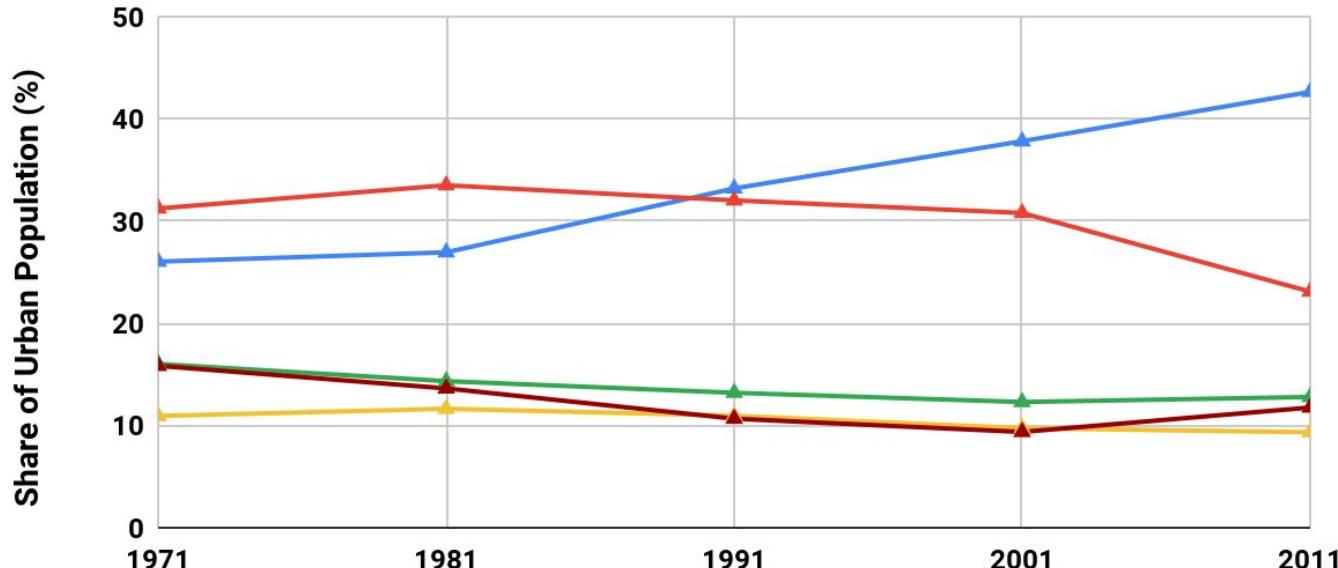
By 2036, 45% of India's population is projected to live in urban areas

From villages, almost every able bodied young person is migrating to big cities in search of better livelihood opportunities.

Big City - The Primary Destination

Share of Urban Population by City Size class

▲ Million Cities ▲ Cities (100 thousand to 1 million) ▲ Large Towns (50 to 100 thousand)
▲ Medium Towns (20 to 50 thousand) ▲ Small Towns (less than 20 thousand)





Misaligned Incentives



Behaviour -
High migration to big cities



Insufficient Resources -
Lack of town planning and basic infrastructure



Identification

Town Planning and Infrastructure Development

Private Investment

Vibrant Small Town

Village/Census Town/ Municipality:

- **At least one in every Assembly constituency**
- Natural economic hub
- Centrally located with adequate connectivity

- Quality drinking water
- Stormwater drainage
- Transport networks
- Sanitation facilities

Rs.100 crores over 5 years per small town

- Construction
- Housing sites
- Services such as education and healthcare, and recreation

- Quality of life comparable to a big city
- Organic migration from villages

India has all the required resources

11% of the world's total land

55% of the country's land is fertile

Plentiful sunshine

Ample water available for cultivation

**42% of the population depends on agriculture,
but the sector contributes only 18% to GDP**

Low Productivity

Excessive production of cereals

Shortage of other essential crops

Poor value addition

Long market chains

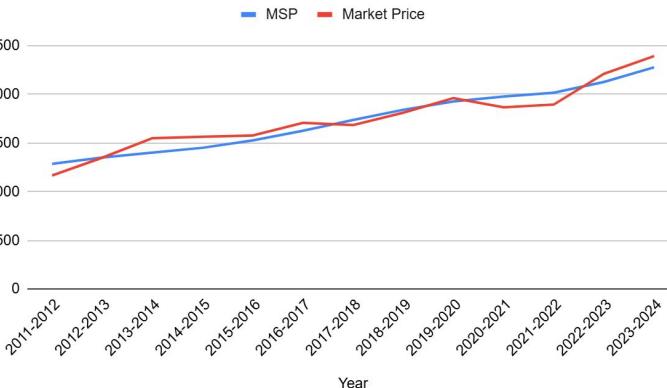
Low Income

MSP and Market Price

MSP vs Market Price: Paddy (2011-2023)



MSP vs Market Price: Wheat (2011-2023)



Overproduction of Cereals

2004-05

Item	Availability		Consumption	
	(kg per capita per month)			
		Rural	Urban	
Rice	5.9	6.4	4.7	
Wheat	4.9	4.2	4.4	



2023-24

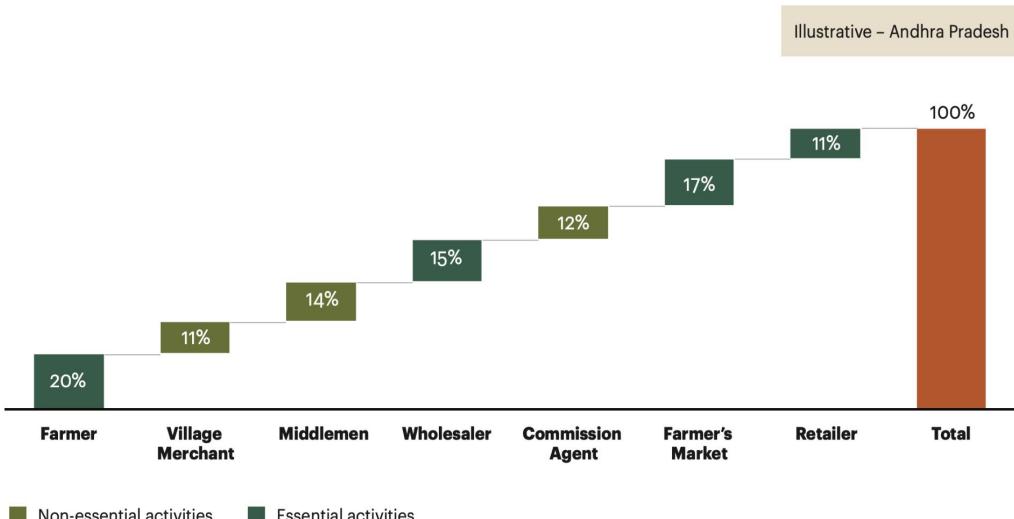
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With MSP ranging at par with market prices, the procurement drive has **influenced patterns of production towards cereals**.

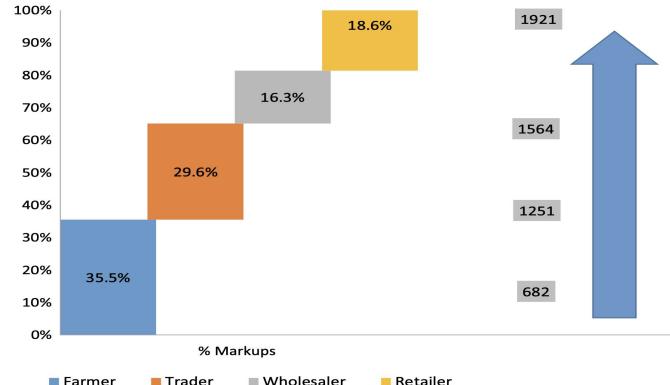
Crops with high demand such as **oilseeds and pulses** continue to be import dependent as farmers are not willing to diversify production.

Long market chains with at least 6-7 intermediaries depresses farmer's price realisation.

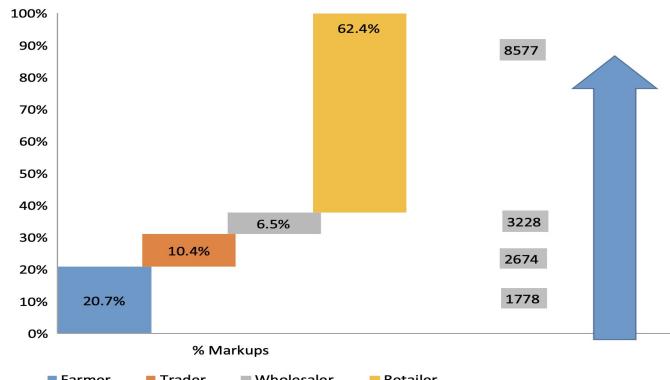
Price build-up of 5 major vegetables:
Tomato, Cabbage, Brinjal, Okra, and Beans
(% of final consumer price)



Price build-up for Banana (in Rs/QtL)



Price build-up for Mango (in Rs/QtL)





Sufficient Resource Allocation



Misaligned Incentives



Behaviour



Suboptimal Outcomes

Integrated Retail Chains



- Multi-brand retail chains **significantly compress market chains**, enhancing farmers incomes to 60-70% of the end price.
- Enabling holistic reform of the value chain, integrated retail chains bring **deep investment** that allows for **proper storage, processing, branding, and exports**.
- Only when farmers are assured with **profitable alternatives** will they be willing to diversify production of crops and **shift dependence away from the perverse system of the MSP**.

Agricultural Residue & Energy Plantation



Material Transition

*Biochar, Bio Bitumen,
Bioethylene, etc.*



Bio-based Products

*Bioethanol, Biodiesel,
Biogas*



Green Hydrogen

A Renewable Alternative
Key Lever for Industrial Growth

✓ Technologically Feasible

✓ Commercially Viable

**Additional Income for
Farmers**

**More Fiscal Space
Lower Need for Procurement of
Paddy**

**Reduced Dependence
on Crude Oil**

“Wishful thinking is not sound policy”

- *Bjorn Lomborg*