Opinion

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OBSTRUCTING DEVELOPMENT

Narendra Modi, prime minister of India

In our country, we often see many infrastructure projects getting stalled after inauguration. A huge amount of public money goes to waste. Some projects get delayed for more than 20-30 years. It is a crime towards the common people

RationalExpectations

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Will Modi push farm reform through UBI?

The govt has wasted four years already, but can revolutionise both agriculture and fix subsidies if UBI is done well

IF THE NARENDRA Modi government comes out with a modified universal basic income (UBI) scheme for farmers along the lines of Telangana's Rhythu Bandhu or Odisha's Kalia, it will be ironic since the Shanta Kumar panel on restructuring the Food Corporation of India (FCI) had recommended this four years ago. Though setting up the panel was one of the first things Modi did when coming to power, he sat on the report and continued to tinker with farm sector reform in the period after that.

In the process, his party lost important state elections in Chhattisgarh and Madhya Pradesh. Indeed, in the run-up to the last set of assembly elections, it was clear farm distress would be a big factor against the BJP. Instead of a UBI that would have had an immediate impact, Modi allowed his bureaucrats and Cabinet colleagues to convince him that increasing procurement prices was good enough—sadly, he still mentions the increase in MSP as a big achievement of his government—despite there being enough evidence to show that it would do nothing of the sort. Right now, mainly rice and wheat are procured in just 4-5 states—as the Shanta Kumar panel put it, just 4-5% of all farmers benefit from such procurement. Yet, despite there being no evidence of a system of increased procurement being put in place across various states, the prime minister was led to believe that higher MSPs, and for more crops, would be the BJP's *brahmastra*.

It was similar bad advice that caused a slowdown in exploration and production of natural gas in the country a few years ago. After it became clear that the cap on prices at a level much below international levels—producers were paid $4.2 per mmBtu versus the $8-12 being paid for imports—was discouraging production, the UPA set up the Rangarajan panel to examine this; that recommended doubling prices for five years in addition to coming up with a roadmap to decontrol prices after that. Since a series of UPA scams like 2G convinced the BJP that every UPA action was a potential scam, the government didn't increase prices; as a result, potential investors put their plans on hold. The BJP raised prices two years later, but with oil prices having crashed by then, it took a year more for RIL-BP to announce a big investment.

> **Only 5-6% farmers benefit from MSP; UBI will reach all. FCI can also be abolished then, saving ₹30-40,000cr & fertiliser/water/power usage can also be rationalised**

While the lack of effective procurement has resulted in a situation where farm prices of most crops are 20-30% below the announced MSP, another big reform announcement—that of a pan-Indian electronic market, e-NAM—also came a cropper; indeed, anxious to show high sales, some BJP states even started showing FCI procurement as e-NAM sales! While the government got good press from states like Maharashtra—and Delhi when it was under the President's rule—abolishing the APMC control over *mandis* like Azadpur and Vashi, this had little impact on the prices farmers got since the government never provided free land around them to set up new *mandis* that were not controlled by cartels.

A series of ill-advised farm-loan waivers—Modi kicked off this race in the Uttar Pradesh campaign—also resulted in a reduction in the number of farmers covered by the ambitious insurance scheme since all farmers taking bank loans were covered by this automatically. Large delays in settling claims also turned off farmers despite the fact that they were paying a small fraction of the annual premium.

If Modi is to come to power again, hopefully he has learned the lessons of the past, that well functioning markets are the only way for farmers to get their dues and that, till the time it takes to get them to function, direct income support is a better bet than schemes like MSP that get cornered by just the top farmers. Indeed, in even the case of subsidies like those on fertiliser or electricity—the latter are given by the state governments, not the Centre—these are cornered by farmers with large landholdings.

While Telangana's Rhythu Bandhu had the advantage of treating farm distress directly, it was disproportionately directed towards larger farmers since it gave money on a per acre basis and, by virtue of that, had nothing for landless labourers. Odisha's Kalia takes care of that since the scheme is only meant for small and marginal farmers, sharecroppers and landless labourers; this has associated risks, of which more later.

If Modi is to move towards a UBI, as various media reports suggest he is planning, he will not only be able to start resolving farm stress—there is no long-term substitute for ensuring markets are freed up—he will also be able to trigger off a big agriculture reform since government-mandated MSPs will no longer drive production, this will be determined by market demand. But if such a scheme is to be viable, it needs to be accompanied by a phasing out of existing agriculture subsidies.

Instead of the current FCI-led system, for instance, it is better to give the 80 crore people covered by the Food Security Act ₹20-25 per kg—the difference between the ration-shop and free-market prices—for their 5-kg monthly entitlement. Even while an attempt should be made to get the better-off people to *#GiveItUp* (as in LPG), this alone will result in a ₹30,000-40,000 crore annual saving in subsidies as a result of not having to run the FCI-ration shop system. Once this is done, the government can also dispose off FCI's mountain of excess buffer stocks; this will, in turn, fetch over a lakh crore rupees. A related benefit is that, with limited FCI procurement, to just a small buffer stock, India's WTO problems will also get resolved since those are related to FCI's procurement and then selling at a discount to clear stocks; some exporters buy and sell this wheat/rice, giving rise to the charge that India is subsidising its exports. Needless to say, big farmers and states like Punjab and Haryana—that gain the most from the MSP system—will try to convince Modi, as in the past, that the system will never work.

In the case of fertilisers, once farmers get a fixed UBI, and fertilisers are then sold at market prices, this will also ensure lower consumption and less damage to the soil due to overuse; only then will fertiliser firms be exposed to competition. UBI, only if accompanied by a removal of other subsidies—as finance minister Arun Jaitley has been recommending—is in many ways the silver bullet to the farm sector's problems.

RemoteAccess

An appropriate wage structure for those based in remote areas will improve rural healthcare delivery by govt

THREE BOAT AMBULANCES launched to serve 33 tribal villages inaccessible by road in Nandurbar district of Maharashtra lying unused for two months—because the doctors who were hired to man them have quit for better opportunities under the Ayushman Bharat programme—paint an accurate picture of the continued myopia over personnel and labour policy in the government sector. To serve vulnerable communities at such a remote location, the doctors were being paid, as per *The Indian Express*, a measly ₹24,000. So, when the jobs at the Ayushman Bharat Health and Wellness Centre elsewhere in the same district were paying ₹40,000 a month, the doctors hired for the boat ambulance programme had no qualms taking those up.

The state of rural healthcare delivery in the country is poor, a system blighted by lack of access to health-care facilities, chronic shortage of doctors and paramedic staff. This is why innovative solutions, like the boat ambulance, telemedicine and mobile health-care delivery are required to bridge the health-care gap. But if the personnel to propel these services are paid far below what their peers earn in private sector jobs in the cities, these services are unlikely to attract top talent, and whatever talent they do net, is unlikely to stay on. Therefore, getting boat ambulances, rural healthcare and, in fact, all government jobs to work requires the government to adopt private sector principles on hiring, retaining talent and firing. Else, it should vacate the space for private sector efficiency to serve the target population better.

THE REAL MAINSTREAM

WE MUST ENSURE THAT THE GOVERNANCE BLUEPRINTS UNVEILED IN 2018 TO TACKLE SOME OF THE MAJOR ENVIRONMENTAL PROBLEMS ARE INSTITUTIONALISED FOR IMPLEMENTATION

Environmental agenda for 2019

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THE YEAR 2018 was full of declarations. In the country, some major policies and programmes were launched to tackle issues ranging from air pollution to plastic pollution. At the international level, too, two major agreements got underway—the rulebook to implement the Paris Agreement was adopted and the Kigali Amendment to the Montreal Protocol came into effect from January 1, 2019.

The agenda for 2019, therefore, is clear-cut: we should setup the institutional and regulatory framework to implement the major programmes announced in 2018 and fulfil our international obligations. Here is my list of the top 10 environmental priorities for 2019.

■ Implement the National Clear Air Programme: The National Clean Air Programme (NCAP), announced last week, is the first ever national framework for air quality management with a target of 20-30% reduction of PM2.5 and PM10 concentration by 2024. But, NCAP has weak legal mandate and is not supported with adequate financial and institutional resources. Without these, NCAP will remain one of the many top-down programmes destined for failure. We must not allow this to happen. So, we must work to strengthen NCAP and institutionalise it for effective enforcement. Without strict enforcement, all other measures will fail.

■ Ban single-use plastics: The pledge to ban all single-use plastics by 2022 is the single-most important environmental agenda put forth by the government in 2018. In 2019, this agenda must be put into action. At present, different states have differently interpreted the term "single-use plastics". A national definition along with a comprehensive action plan, including the promotion of alternatives, should be put in place in 2019.

■ Strengthen Swachh Bharat Mission: Governments come and governments go, but certain successful programmes must continue. Swachh Bharat Mission (SBM) is one such programme. SBM is at a crucial juncture. Any laxity would jeopardise the gains made in the last four years. This year, therefore, SBM should be further strengthened so that cities are capacitated to move beyond cleanliness to sustainable waste management.

> **A national definition of 'single-use plastics', along with a comprehensive action plan, should be put in place in 2019**

■ National and State Action Plan on Climate Change: Under the Paris Agreement, countries have to develop their national action plans to mitigate and adapt to climate change. It has been a decade since India adopted its National Action Plan on Climate Change (NAPCC) and State Action Plan on Climate Change (SAPCC). The outcome has been mixed. While the National Solar Mission and the National Mission for Enhanced Energy Efficiency have done very well, other missions under NAPCC have not progressed as expected. The SAPCC has not progressed beyond documentation. It is time we revisit NAPCC and SAPCC and develop a comprehensive framework to decarbonise our economy and build resilience to adapt to the changing climate.

■ Implement National Action Plan on AMR: Antibiotic resistance is emerging as a major health threat. India adopted a National Action Plan on Antimicrobial Resistance (NAP-AMR) in April 2017 to reduce the misuse and overuse of antimicrobials. NAP-AMR calls for all ministries, departments and stakeholders concerned to come together and implement the activities outlined in the plan. But the implementation has been very slow so far. Most states have not yet developed their action plans. Implementation of NAP-AMR must be a priority in 2019 as delays would mean jeopardising the lives of millions in the future.

■ Get the Forest Policy and Act right: The draft National Forest Policy, 2018 (NFP-2018) needs a serious relook as it has failed to address the core problems with the forestry sector. In addition, the environment ministry has also started the process of amending the Indian Forest Act, 1927 (IFA), the bedrock of forestry-related regulations in the country. It is imperative we get both of them right. India needs a new forest policy and law that recognises the role and the potential of people to grow, manage, protect and use forests sustainably. This will create millions of jobs as well as protect forests better.

■ National River Revitalisation Plan: It is not only Ganga that is polluted. All major and minor rivers are in the grip of pollution because of unsustainable withdrawal of water and untreated disposal of wastes. From Cauvery to Godavari, and from Sutlej to Yamuna, most rivers in the country need a revitalisation plan. Let 2019 be the year in which we unveil the 'National River Revitalisation Plan'.

■ Ban all Class I pesticides: Every year, thousands of people die due to accidental intake of pesticides. In fact, in 2014 and 2015, one person died every 90 minutes due to accidental intake of pesticides. Yet, we learn of these deaths only when a major incident takes place—for instance, the death of devotees after consuming pesticide-laced *prasad* in Karnataka in December 2018. Highly-toxic Class I pesticides are the biggest culprit. Sri Lanka banned all Class I pesticides in the 1990s, which has prevented thousands of deaths, and has not led to any negative effect on agriculture productivity. We should learn from our neighbours.

■ Control desertification: In 2018, more than 50 dust storms affected as many as 16 states in northern and western India and killed more than 500 people. They chocked cities like Delhi for days. These dust storms are a symptom of increasing desertification in large parts of western and northern India. It is time we recognise this ecological disaster. We must initiate an ecological restoration programme focusing on land management, soil conservation and afforestation to halt and reverse desertification.

■ Strengthen Pollution Control Boards: Pollution Control Boards (PCBs) are ineffective, incapacitated and getting archaic with every passing year. They are not designed to manage the pollution challenges of the 21st century. We cannot do without a front line environment regulatory authority. It is time we reinvent PCBs and build their capacity for effective monitoring and enforcement. Let 2019 be a year of implementation.

A new agri-export policy needed

With disaggregated farm holdings, there exists a great deal of heterogeneity in a single product produced by different farmers. This indicates the need for developing effective pre-harvest linkages to boost exports

RANVEER NAGAICH

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SIGNIFICANT PROGRESS CAN be made towards the goal of doubling farmers' income by 2022 with a mission-mode focus on agricultural and food processing exports. Boosting exports from the agriculture and food processing sector will provide a much needed fillip to jobs as well. The recently released Agriculture Export Policy 2018 is a huge step in this direction. It will bring much needed stability to the agriculture export market.

There is a need for agricultural reforms that many experts have spoken of in the past. Briefly, recommendations have been submitted in regard to land leasing, contract farming, the APMC Act and the Essential Commodities Act. Apart from the export policy, several other enablers are needed to make the goal of doubling agriculture exports a reality.

As NITI Aayog's Strategy for New India @ 75 Document (Strategy Document) points out, countries across the world have stringent guidelines when it comes to the import of agricultural and food processing produce. Rejections of consignments owing to non-compliance with sanitary and phytosanitary (SPS) issues are a significant bottleneck.

A working paper published by ICRIER highlighted that Indian consignments were issued more notifications and more rejections by the European Union (EU) when compared to other countries such as Turkey, Brazil, China and Vietnam. In the past, the EU banned the import of mangoes from India, with the ban being lifted after investments were made in the mango export system. Similarly, there have been reports of EU banning Indian shrimp due to presence of antibiotics. The Agriculture Export Policy 2018 provides for establishing a strong quality regimen.

Interventions at the farm or producer level are needed to meet such standards. However, with disaggregated farm holdings, there exists a great deal of heterogeneity in a single product produced by different farmers. This indicates the need for developing effective pre-harvest linkages to boost exports. Therefore, extension services will be critical to realising our agriculture export targets.

NITI Aayog's Strategy Document contains several recommendations to strengthening extension systems. Public private partnerships (PPP) in extension delivery through Krishi Vigyan Kendras (KVKs) need to be promoted. KVKs may incubate initiatives in extension delivery by the private sector. These private sector initiatives in extension delivery should prioritise market-led extension and value-added extension. The focus should be on providing farmers with information regarding demand and supply conditions, expected prices and infrastructure availability. Likewise, value-added extension services should focus on reducing post-harvest losses and food processing activities. The National Institute of Agriculture Extension Management's (MANAGE) dealer training programme needs to be scaled up and replicated across state agriculture universities, enabling diploma holders to conduct extension activities.

The Ashok Dalwai committee on doubling farmers' income championed the concept of 'farming as a service' (FaaS) as well. At its core, FaaS would allow farmers to convert their fixed costs into variable costs, according to a report released by Bain & Company. For example, consider tractors. Many of our small and marginal farmers may not find it economically feasible to purchase a tractor. FaaS would enable 'on-demand' availability of agriculture machineries on rent. FaaS provides a great avenue for PPP in extension delivery as mentioned above.

Whilst providing a single service may not be economically feasible, a bouquet of services should be promoted, including, for example, soil testing, extension, grading and assaying, amongst others. This is the idea behind NITI Aayog's block level resource centre recommendation.

Post production, it is essential that perishable produce be properly packed, stored and transported. This is where pack houses, ripening chambers, cold storage and refrigerated (reefer) vehicles come in. As NITI Aayog's Strategy Document shows, there exists a large gap in India's cold-chain infrastructure. A majority of cold storages in India are single commodity storages, which leads to them remaining idle for up to 6 months. Cold-chain infrastructure is also unevenly distributed amongst states as well. However, significant progress has been made under schemes such as SAMPADA, for example.

According infrastructure status to agriculture value chains will provide a much needed fillip to this sector, enabling cheaper access to finance. Similarly, the government, working with the private sector, should endeavour to set up village level procurement centres, reducing the cost of transporting produce for farmers. Private market yards should be encouraged. Processing units that wish to establish backward linkages should partner with the government in organising sourcing through rural periodic markets.

Agriculture reforms have to be supported with interventions in cold chain infrastructure and extension services. Without efficient logistics, India will still grapple with the problems of high wastage and low export potential. Significant investment is needed in this sector over the next five years. The private sector needs to be made an active partner to bridge this gap. We now have a conducive policy environment for private investment in agriculture. The Agriculture Export Policy is a major step in this direction.

LETTERS TO THE EDITOR

Question of timing and credibility

The Delhi police special cell charging former JNU student leaders Kanhaiya Kumar, Syed Umar Khalid and Anirban Bhattacharya with sedition, criminal conspiracy and other crimes, nearly three years after "anti-India" slogans were allegedly raised on the Jawaharlal Nehru University (JNU) campus has raised questions on its timing and credibility. The former JNU students had, in a February 9, 2016 event, protested the hanging of Parliament attack mastermind Afzal Guru. Kanhaiya Kumar has gone on record to say that the charge sheet is politically motivated and, considering that seven other Kashmiri students got away with their act, this sounds plausible

— Ravi Chander, Bengaluru

Coining for good

Economic viability demands that minting of smaller coins in the future be re-evaluated, keeping in view the hitherto diminishing production on account of paucity of raw materials. Although coins are difficult to counterfeit vis-a-vis notes and have a relatively longer time span, in addition to being conducive for smaller transactions, there are impediments of handling and high metal cost which deter bulk production. While the launch of a commemorative coin does symbolise national sentiment, a true memorial is the implementation of state affairs, in accordance with the preached ideology/philosophy. It is important to develop leadership skills driven by optimism, wisdom/understanding, experience, ability to win hearts, political transparency and impeccable character in order to generate a sustainable sovereign impact

— Girish Lalwani, Delhi

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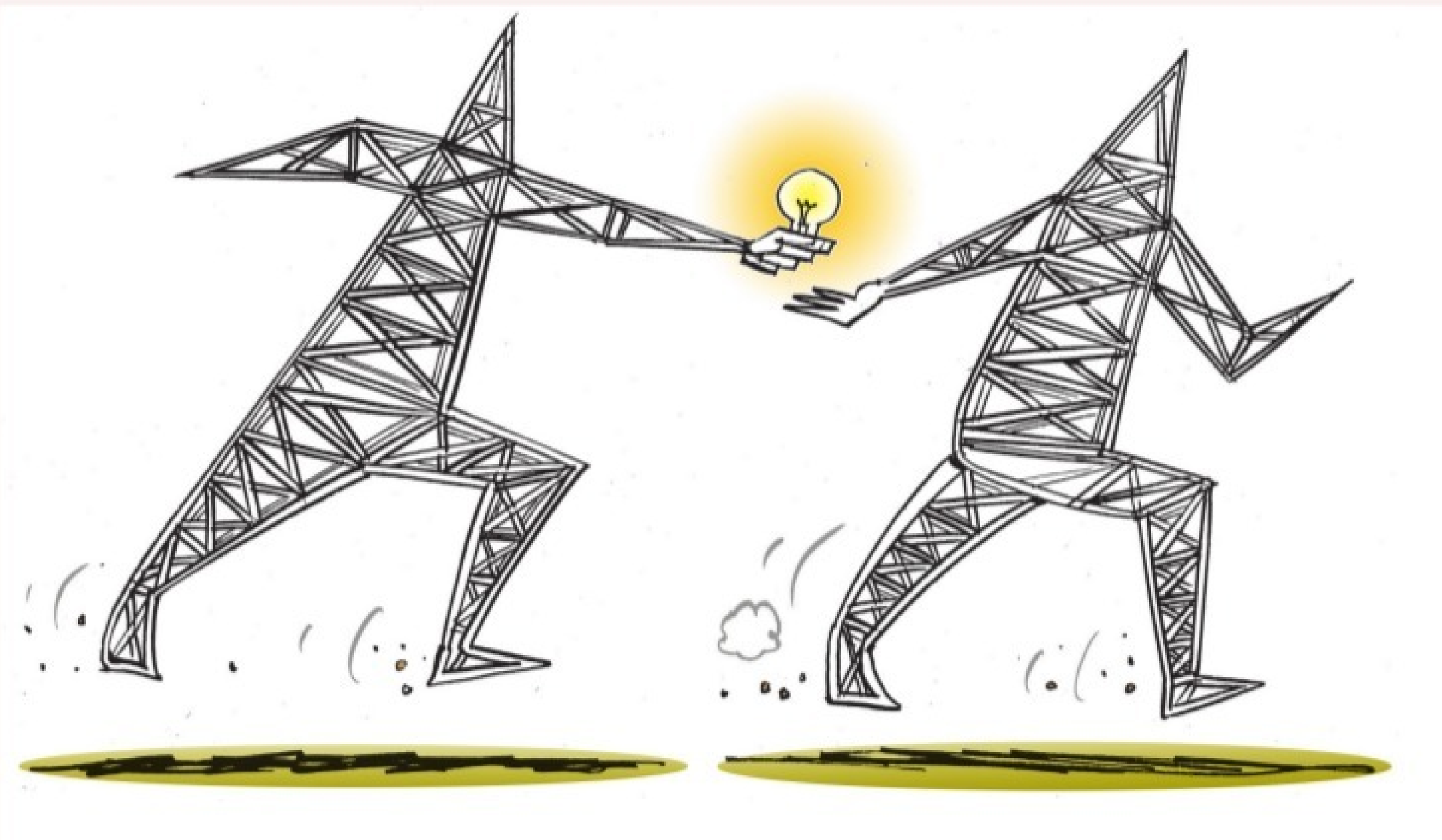

ILLUSTRATION: ROHNIT PHORE

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Achieving universal electricity access

On the eve of 2019, the dashboard of Saubhagya scheme reflected 95% achievement of the target, indicating remarkable progress in a relatively short period of time

ACHIEVING 100% ELECTRIFICATION in India has always been a prime focus area of the government, considering the development objectives such a step can secure and support. The last few decades have seen both the central and state governments put in the effort and resources to augment electricity access, especially in rural India, by initiating a number of schemes and programmes, such as the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) and the Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY).

In April 2018, the country achieved 100% village electrification—its first major milestone in this regard. This effectively means that now every village in the country has the requisite infrastructure and the network connectivity required to achieve the next major milestone, which is universal household electrification.

Reflecting a well-planned and phased approach towards electrification, the Pradhan Mantri Sahaj Bijli Har Ghar Yojana, known as the Saubhagya scheme, was announced in October 2017, with the express aim of enabling 100% household electrification in the country by March 2019. Additional incentives were available to those states who would achieve their electrification targets by the end of December 2018, and, in fact, many states have successfully managed to do so. At the time of its announcement, the scheme aimed to electrify over 30 million non-electrified households in India.

The world's largest rural electrification programme of its kind, what sets the Saubhagya scheme apart is that its scope of interventions expand beyond the village-level infrastructure development and electrifying the below poverty line (BPL) households, to include all the non-electrified households in the country, taking a granular and targeted approach towards achieving universal electrification. In essence, the philosophy behind this scheme is to "leave no one behind."

The commitment of both states and distribution companies (discoms) in supporting and executing this initiative and pushing the beneficiaries to electrify each and every household is commendable. States such as Madhya Pradesh, Bihar, West Bengal, Uttar Pradesh and Odisha have already achieved the 100% mark, while some other states, including Chhattisgarh, Assam and Rajasthan, are soon approaching their targets as well.

On the eve of 2019, the official dashboard of the Saubhagya scheme reflected a 95% achievement of the target, indicating remarkable progress made in a relatively short period of time. It is not just the number of connections that needed to be covered, but also the geographically widespread and challenging areas that these numbers were distributed across, and all of that made this an especially demanding task in the given time frame.

Being the primary implementation agencies for Saubhagya, the pressure on the discoms to make things happen has been immense, especially in states with a large number of households to cover. A study by TERI in late 2018 revealed that the discoms dealt with many real-time issues on the ground—from human resource availability and management, to delays in material supply and the overall coordination of activities within existing capacities. The study highlighted the various process improvements and technology enablers that the discoms had adopted to enhance their efficiency and resilience. Some of these include development of advanced IT-based energy and revenue management systems to improve consumer interface and revenue collections; creating a customer-centric approach to services through the use of mobile applications; expediting distribution transformer replacements; capacity building of newly outsourced manpower; and intensifying monitoring and governance for better transparency and accountability. States, on their part, have invested in strengthening their network infrastructure and making sure that all the connections are metered.

At the same time, some challenges are anticipated post the implementation of the Saubhagya scheme. The discoms are already beginning to grapple with managing their enlarged network and consumer base. Revenue sustainability is a concern, given that the majority of new connections lie in the rural areas and recoveries will be highly dependent on metering, billing and collection efficiencies. Equally, considering the socio-economic status of the beneficiaries under the scheme and the prevailing misconception that the electricity service would also be free, the discoms are anxious about recovering payments timely. In addition, the lack of adequate skilled resource to keep theft in check and ensure minimal network breakdowns is an expressed concern. All these factors will impact the discoms' efforts to keep the aggregate technical and commercial (AT&C) losses within the desirable range (of 15%), which is a necessary condition to avail benefits under the Ujwal DISCOM Assurance Yojana (UDAY). Together with the pressure of ensuring 24x7 power to all, they will be under immense pressure to contain the losses.

At this juncture, the Centre and states should be applauded and commended, along with the discoms, whose commitment to work together has led them to achieve a vital and challenging objective in a very short time. Moving ahead with this momentum, it would be valuable for the discoms to share and learn from each other's experiences and innovations, to strengthen their processes and systems and set the path towards providing sustainable electricity services for all.

Tech function needs to become 'digital'

FEROZ KHAN & VINEET MEHTA

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TECHNOLOGY HAS taken the seat at the table in boardrooms, where it is expected to play the role of a business strategy partner, rather than a back office caretaker. With the growing impact of technology on business functions in enterprises globally, the criticality of the IT function is growing by the day, and its effectiveness is gaining visibility as a potent competitive tool.

Today, AI is making human-machine communication more mature and cognitive. Technologies based on AI have started shaping most business engagements, making them hyper-customised and meaningful. The recent headway in neuro-linguistic programming, machine learning and AI has made innovation increasingly instinctive to utilise. It is expected that, by 2019, 40% of digital transformation initiatives will be based on AI, which will continue to be a driving force for all consumer interactions.

To succeed in this digital age, companies across industries need to transform, and in particular the IT/tech function. The tech function itself needs to become 'digital' (digital architecture, DevOps, digital roles and skills). In addition, the IT/tech function has to operate as a digital business enabler (for digital marketing and personalisation, Manufacturing 4.0). Companies need to start preparing their IT/tech functions for the digital age.

Today, CIOs have the unique opportunity to transform the IT function into a digital-ready business, enabling organisations with capabilities across digital products and service technologies, and building world-class technology and engineering centres of excellence. But before setting the house in order, a few things have to be well thought through.

◗ Evolving and sustaining tech capabilities to more nimbly deliver digital products and services;

◗ Information and cybersecurity capability with risk management plans;

◗ A cohesive culture across 'digital' and 'traditional' parts of tech organisations;

◗ Operating models around digital talent and skills gap.

In today's world, it is not the big fish that eats the small fish, it's the fast fish that eats the small fish. It's time to reduce development complexity to be agile as per market needs. Over-engineering creates unnecessary clutter in the ecosystem. It's natural to create systems and get emotionally attached to them, but if this process is left unchecked, it grows like a cancer, leading to a detrimental impact on performance and agility.

While specific areas of IT will emphasise the development of particular competencies, the underlying theme of raising the business relevance of all members of a technology team is critical. It's true despite the fact companies differ in their approach to IT organisational structure.

Overnight change of culture (operating as well as technology) is not possible, so it is important to gradually, though diligently, evolve an ecosystem to keep mother ship afloat while investing in building next-gen capabilities.

To conclude, organisations need not only be willing and able, but also nimble in pivoting quickly in this fast technology revolution. It is the ability and agility of the technology team that will set the rules of the game.

Crowdfunding gets a tech fillip

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Blockchain, AI are providing traction to India's crowdfunding platforms

ALTHOUGH CROWDFUNDING IN India is at a nascent stage, with only 15 notable crowdfunding platforms (CFPs), the concept holds immense potential for the country's startup ecosystem. People can utilise these platforms to raise money for projects and also to gauge public response, viability and popularity of the product. However, the notion of a regulated online CFP, especially with all the computer jargon accompanying it, is often unfamiliar to potential investors. This makes it imperative for them to understand the benefits of blockchain and AI within a CFP and how CFPs will change P2P (Peer-to-Peer) lending and investing, and also guarantee the security of their investments.

India's history with fundraising has witnessed unfortunate incidents such as NSEL and CIS scams, which have made it evident that a regulatory vacuum in financial matters is a bad idea, and can lead to money laundering, terror financing and other perilous racketeering. Hence, India must bring these online platforms under a stringent framework to legitimise the activity as well as aid capital formation. Both NITI Aayog and DEA can work towards this as an alternate markets division within the SEBI, and that would be the easiest, strongest and least disruptive way of creating a regulatory framework, and can address problems of high interest rates, misuse of funds, exaggerated return figures and high default rates that are typically found in a P2P lending market.

It is also imperative to consider ways to reduce the risk of low-income households getting sucked into Ponzi schemes. Since the government does not possess the right to tell people what to do with their money, it would not be practical to set a lower limit on income people are allowed to invest. If people want to invest in a certain project through CFP because they believe the returns they receive are worth it, the government must take measures to inform them of all the potential risks. Often, people invest in risky ventures through CFPs, because marketing material is misleading.

A World Bank report states that crowdfunding has emerged as a multi-billion dollar global industry, and is expected have a volume of $300 billion by 2030

These potential risks can be mitigated through measures such as partnering with private companies, and employing technologies like blockchain. Private partnership can allow new project issuers to ensure viability of the project, enough collection of funds and technical assistance. This strategy has been adopted by CFPs such as Kickstarter and Indiegogo. CFPs can also employ AI or blockchain to create an inbuilt mechanism where people's investments are protected.

There exist a number of blockchain applications as proof of concepts of real world, and a rising future of its vast applications is almost a given. Blockchain's method of storing data provides a huge advantage for its usage in a CFP, as it provides a non-destructive way of tracking data over time. Besides, it is decentralised and distributed over a large network of computer systems, and hence reduces the possibility of data tampering. Before a block can be added to the chain, there is a cryptographic puzzle that is solved, and then shared with the network called "proof of work." Because of these verification processes, each record is trustworthy.

Blockchain allows one to one trade, but at scale. Instead of a company or intermediaries supervising transactions, it creates a software code. Each computer will have a node that runs the same software, and ensures that each transaction is secure. This will provide a greater level of security to people who invest in new ventures or projects on the regulated CFP. This system of financial transactions has been adopted in many financial organisations that trade cryptocurrency and other assets online. Using blockchain, it can be verified if a person is legitimate seller or producer of the item, since there are identity structures that can be cryptographically signed.

Since blockchain's mechanism creates a consensus between distributed parties, there is almost zero chance of a breach of security to corrupt existing data. This application of blockchain in CFP will ensure that all transactions are encrypted, and there is no chance of fraud.

A World Bank report states crowdfunding has emerged as a multi-billion dollar global industry, and is expected have a volume of $300 billion by 2030. Given India's enormous penetration in mobile telephony, increasing internet penetration in rural areas and the enormous spread of social media, the crowdfunding scenario looks highly promising.

COSTLY POLICY?

India's MSP hike is WTO-*kosher*

India has a huge policy space in terms of further hikes in MSP

SATPAL

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THERE IS A POPULAR saying: "The best defense is a good offense." And this adage sounds apt for the US, which, of late, has raised so many issues against India's domestic support in its notification submitted to the World Trade Organisation (WTO) to use the Agreement on Agriculture's article 18.7. This notification prepared by the US in May 2018 shows that India is breaking the WTO negotiations rule. Indeed, the US has not followed the multilateral rules. President Donald Trump continuously makes such policies that distort the world's free flow of trade, including the hikes in import duty of 25% for steel and aluminium against China, and the imposed trade restrictions on Iraq.

The underlying issue is that the Indian government provided minimum support price (MSP) to its farmers-MSP is the price offered by the government to farmers for their harvest during a season. However, farmers are free to sell their crop to either government agencies or in the open market. As of now, MSP is recommended for 25 crops under three groups-kharif crops, rabi crops and other crops. As per the rules of the WTO, domestic support is categorised under two broad headings: trade distortion and non-trade distortion. Trade distorting support, which falls under the Amber Box subsidy, has a reduction commitment and has limited policy space. Non-trade distorting supports are Green Box and Blue Box subsidies, and these are free from any reduction commitments. The US, the EU, Canada and most of the developed world are investing huge amounts in their agriculture sector under this category.

MSP comes under trade distorting support, as per WTO provisions. Trade distorting domestic support is computed upon the current Aggregate Measurement of Support (AMS) and it has limitations of up to 10% for developing countries (except China; 8.5%) and 5% for developed countries. The AMS is further bifurcated under two headings. First, subsidies that have been provided to agriculture in general or non-product-specific subsidies, often called input subsidies. These may be provided up to 10% and 5% of the total value of production (in a specific year) to developing and developed countries, respectively. The second is product-specific support (PSS)-it may also be provided for up to 10% of the total value of specific product for developing and 5% for developed countries. If the PSS does not exceed specific limit-10% and 5%-then it is not required of any member countries to compute their current AMS or reduction commitment; it's called de minimis limit (Agreement on Agriculture article 4b).

It is a big fraud under the WTO that Green Box subsidies are considered as non-reduction commitment because developed countries give a huge amount under this provision, while Amber Box subsidies are considered as trade distorting and have reduction commitment. Subsidies given by developing countries are counted under Amber Box. For example, most developing countries have set MSP for their crucial agriculture crops-most developing countries struggle with food security issues and self-sufficiency in food products, so they announce MSP. But some developed areas-the US, the EU and Canada-do not want to cooperate with developing countries for helping them achieve their goal of self-sufficiency in foodgrains. Developed countries, it appears, want to capture the food market of developing countries and it's the reason they pressurise continuously to remove MSP from agricultural policies of developing countries.

The Indian government, in its Union Budget 2018-19, had announced the predetermined principle of offering to farmers a threshold MSP of at least one and a half times the cost of production (CoP) for kharif, rabi and other crops. The US has claimed that India under-reported domestic support for its agriculture sector and further claimed that it has also crossed the negotiated limit and given 65% and 76% domestic support during 2013-14 to wheat and rice, respectively. But the reality is that India did not cross the negotiable limit; we have negative percentage since 1995 in case of wheat and positive for rice (but under the permissible limit). The current aggregate measurements of support computation methodology are provided in annex 3, paragraph 8, for market price support, which is calculated using the gap between a fixed external reference price and the applied administered price (AAP) multiplied by the quantity of production eligible to receive the AAP.

The AAP is considered as India's MSP and fixed external reference price (FERP) is defined in annex 3, paragraph 9, which states that this price is based on years 1986-88 Free On Board (FOB) and Cost Insurance and Freight (CIF) prices. The FOB price is used for net exporting countries, while CIF price is used for net importing countries.

The government-fixed MSP during 2017-18 was $246.7 per tonne for rice and $252.13 per tonne for wheat. On the basis of this MSP, the government can procure 36.44 million tonnes of rice and 30.82 million tonnes of wheat for the same period. As per WTO rules, India gives only $576.15 million (2.15%) subsidies for rice, while India is entitled for $2,676.69 million (10%). The Indian government has been given $365.83 million (1.49 %) subsidies for wheat during 2017-18, while it can increase up to $2,458.27 million (10%) for product-specific support. Clearly, India has a huge policy space in terms of further hikes in MSP, and it can increase procurement quantity of rice and wheat. The issues that were raised by developed countries don't appear to be genuine.