

Competition and Public Policy

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Picking Winners

How do index-based allocations for development programmes spur competitive federalism among states, districts, and local governments in India?

Background: Cooperative and Competitive Federalism

- **Article 1 of the Indian Constitution** states that India, that is, Bharat is a union of states.
- **Part XI of the Indian Constitution:** Relationship between Centre and the State in matters of legislation, administration and finance
 - Schedule 7 of the Constitution
- **Competitive Federalism**
 - NPM
 - Economic Reforms – Competition
 - Role of Finance Commission
 - Vertical Relationship

Policy Instruments to Implement Competitive Federalism

- **Background**
 - Earlier Competition limited to Procurement
 - Creation of Niti Aayog

- **Collective Approach to Competitive Federalism**
 - Competition
 - Transparent rankings
 - School Education Quality Index, State Health Index, Composite Water Management Index, Sustainable Development Goals Index, India Innovation Index, Export Competitiveness Index, Aspirational Districts Champions of Change Dashboard (ranks Aspirational Districts in India monthly)

 - Handholding

Case Study – Smart City Mission

“The purpose of the Smart Cities Mission is to drive economic growth and improve the quality of life of people by enabling local area development and harnessing technology, especially technology that leads to Smart outcomes”

What is Distinct about Smart City Mission?

- Economic growth”, “improve quality of life” of people through **harnessing technology**
- No top-down Development Plans and Urban Master Plans
- The cities were asked to choose “What kind of Smart City do they want?” which the urban government agencies had to answer with the development of a Smart City Proposal (SCP) containing the vision, plan for mobilisation of resources, and intended outcomes in terms of upgrading smart city applications.

Two-Step Process of Selection

- Within State
- At the National level-

Serial Number	Criteria	Points Allotted	
1	Increase over Census 2011 or Swachh Bharat baseline on the number of household sanitary latrines (whichever is less)	10	Delivery efficiency
2	Making operable Online Grievance Redressal System with response being sent back to the complainant	5	Accountability
3	At-least first monthly e-newsletter published	5	Accountability
4	Electronically place project-wise municipal budget expenditure information for the last two financial years on the website	5	Accountability
5	Levy of compensatory penalty for delays in service delivery	5	Accountability
6	Collection of internally generated revenue (e.g. taxes, fees, charges) during the last three FYs (2012-15)	10	Revenue efficiency
7	Payment of salaries by ULB up-to last month	5	Accountability
8	Audit of accounts for FY 12-13	5	Accountability
9	Percentage contribution of tax revenue, fees and user charges, rents, and other internal revenue sources	10	Revenue efficiency
10	Percentage of establishment and maintenance cost of water supply	10	Revenue efficiency
11	Percentage contribution of internal revenue sources (self-generated) used for capital works during FY 2014-15	10	Revenue efficiency
12	Percentage of City-level JnNURM Reforms achieved	10	Accountability
13	Percentage of completion of Projects sanctioned upto March 2012 under JnNURM	10	Accountability
14	Total Score	100	

Serial Number	Criteria	Points
CITY LEVEL EVALUATION CRITERIA		30
1	Credibility of implementation	
2	City Vision and strategy	
PROPOSAL LEVEL EVALUATION CRITERIA		70
3	Impact of proposal	
4	Cost Effectiveness	
5	Innovation and Scalability	
6	Process Followed	

Challenges of Index-based allocation

- **The risk of over-promising:**
- **Incentivizes relative performance:**
- **Hinders allocation to the most-marginalized players:**
- **Questions surrounding data quality**

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Information Monopoly and Competition in Markets

Case Study : IRCTC

Information Monopoly and Competition in Markets

Case Study : IRCTC



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- Government's focus on Communication, Energy and Transportation as prerequisites for rapid economic growth in 1980s.
- Telecom policy influenced and induced a telecom revolution by adopting a liberal approach to private capital, technology and opportunities.
- Telecom revolution enabled newer services and institutions which were unthinkable before.
- IRCTC was a runaway success not just for railway ticketing but also in convincing Indian customers to adopt e-commerce.

- **Humble beginnings**

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- Indian Railways was one of the first institutions in the country to introduce mainframe computers for accounting and “computerized railway ticketing” systems.
- These systems were efficient and stable that worked seamlessly and were later integrated into IRCTC.
- A team of 5 Indian Railways employees, who were ‘interested’ in computers along with a couple of retired reservation system experts built IRCTC in 7 months.

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Launch and Acceptance

- Integration with IR was easy while integration with banks for payment gateways was very difficult.
- Training were organized at all levels for ticket checking to recognize a new type of ticketing.
- Most important: To convince Indian customers to buy online and pay online. IRCTC took a policy decision to not accept Cash on Delivery as a payment option. Online payment was the only option.
- To win consumer trust, IRCTC implemented two-step verifications with help of card issuing companies, the first one to do so in India.
- Despite the minuscule penetration of the Internet in India in the early 2000s, IRCTC was a huge hit.
- **IRCTC has one thing that all successful start-ups have. It solved a major pain point for its customers. In this case: seamless ticketing and catering on-board and in the stations.**

Information Monopoly

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- IRCTC has a monopoly of information over its customers.
- IRCTC turned into a marketplace from a retailer.

IRCTC achieved Mini Ratna status in May 2008, hence got more autonomy to utilize its resources and take decisions faster.

IRCTC launched new categories such as

Airline ticketing

Hotel booking

Cab booking

Bus booking

e-catering (allowing 3rd party restaurants to deliver onboard)

Holiday packages

Charter Trains

Thank you!