

BusinessLine

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Policy mess in sugar

Subsidies and market support have turned sugar into an anachronism in post-reform India

India's sugar sector is in the eye of a global storm for its subsidies in the form of price support and for exports. India has been producing far more sugar than its domestic market can absorb. This glut, triggered by price support, is believed to be holding down world sugar prices, as a result of which Australia, Brazil and Guatemala have dragged India to the WTO (*BusinessLine*, November 11). Sugar output has risen from 20.3 million tonnes in 2016-17 to 32.5 million tonnes in 2017-18 and 32.9 million tonnes in 2018-19, while consumption remains constant at about 27 million tonnes. The problem of excess is likely to persist in the 2019-20 marketing season, despite a lower sugar output. India's capacity to export (at three million tonnes in 2018-19, it is 5-6 per cent of world sugar export) remains constrained because of its higher cost of production. To deal with this excess, the industry has received a buffer stock subsidy of ₹1,674 crore for holding four million tonnes, and an additional ₹6,268-crore export subsidy for exporting six million tonnes. The latter works out to a subsidy of ₹10.44 a kg, which is roughly estimated to be the difference between the Indian cost of production of ₹30 a kg and the globally competitive price of ₹20 a kg. It would appear that the case made out by Brazil et al is flawed; India's sugar price support (or 'fair and remunerative price') does not seem to exceed the WTO limit of 10 per cent of the value of the produce in question, if the reference price is adjusted for inflation. But there can be no case for an export or buffer stock subsidy, besides interest subvention, which discourages the industry from improving efficiency. Sugar remains an enclave of protection and political patronage. It is a striking anachronism in post-reform India.

While it is true that India's FRP has increased from ₹170 a quintal in 2012-13 to ₹275 a quintal today, raising costs of sugar mills, the industry's inefficiencies are well known. Sugar mills do not reinvest their surplus in modern technology. They are assured of State support at every adverse turn. Managements of sugar mills use the proceeds for pursuing commercial and political ambitions, while running up debts that remain unpaid.

A sugar export subsidy should be replaced by incentives for ethanol production. The Centre has done well to push ethanol production by encouraging both the producers and the oil marketing companies in this regard. Ethanol can be produced from sugarcane juice, besides molasses, without its requiring a separate environmental clearance. India's ethanol output of three billion litres in 2018 falls short of its consumption of 3.8 billion litres. With blending slated to rise, this output gap would need to be closed.

Addressing the issues of India Invisible

Our policymakers tend to focus only on problems which they can see



R SRINIVASAN

ON THE OTHER HAND

Many years ago — decades ago, in fact, when India was a very different place — I was once invited to address a women's group in Mumbai on "contemporary problems". This group comprised mostly wives of businessmen and industrial leaders from very rich and powerful business families. The times were different then and many of these women, particularly from some of the more conservative families, took little active part in business, despite nominally owning or having substantial shareholdings in many enterprises.

Nevertheless, they were keen to develop a better understanding of what the men in their families were doing and hence had hit upon the practice of inviting various "experts" to address them over lunch (usually in the home of one of the members) on current affairs.

But when I started talking about economic reforms — India had just set off down that path around then — I was quickly asked to talk about something more interesting. When I asked them to define "interesting", the consensus was that an interesting issue was something which they could either understand or experience themselves. Since I had absolutely no idea about the lives and troubles of the very rich, I asked my audience to pick the one issue which they thought was the biggest

problem they — or the country — faced.

Guess what their pick was? Traffic. Mumbai's insanely bad traffic, to be precise. To these people, whose wealth and privilege insulated them from virtually every problem faced by the average Mumbaier of the early 1990s, traffic was the one thing that all their special privileges couldn't insulate them from. They may be sitting in a Mercedes, but the commute from Breach Candy to Bandra took the same time for them as it did for the average Joe in a Route 83 bus.

We ended up having a pretty enjoyable discussion on issues ranging from urban development to population to even why the city of Mumbai didn't get to see much of the huge taxes it paid; but the point I wish to make is that this inability to see issues beyond what is immediately or personally felt often extends to policymaking as well, often with unintended or disastrous consequences.

Unseen issues

Take the current hullabaloo over the smog in Delhi. India's rulers live there. The Supreme Court is there. The television and 'national' media is largely headquartered there. So we get nothing but Delhi smog day in and day out. In between the usual politics, everyone is actually trying to do something, whether it helps or not — from hosing down trees to odd-even rationing and what have you. Plus, of course, the SC-ordered 'incentive' to Punjab farmers to not burn their stubble.

But what about elsewhere? Seven of the world's 10 most polluted cities are in India, but we don't hear any noise about Lucknow or Jind or Gaya. In Chennai, there was dense smog all of last week, because weather conditions



Perceived position The country does not seem bothered about its appalling rankings in human development indicators

changed and a super cyclone in the Bay killed the sea breeze which was actually dispersing the city's vehicular, construction- and garbage-generated smog. For a couple of days, the air quality was worse than Delhi!

But do we hear of anyone calling for a pollution control plan for Chennai? No. Last week was just a warning shot of what warming waters of the Bay could lead to, but nobody's worried. It's not a problem which is in your face, you see. What you don't see, doesn't exist.

Or take the relentless and largely silent increase in the price of education in government-run institutions like universities — particularly engineering, medical and management education. Yes, there are enough people in India who can fork out ₹1.5 crore for an MBBS from a private college, but that doesn't mean that there aren't vast numbers of others whose one shot at a reasonable quality education is denied by a hike in fees. The JNU fee hike protest is really about access, but our policymakers don't see this

and handily dismiss it as yet another Lib-Left storm in a teacup.

Quality of living

As a nation, we are obsessed about our perceived position and rank among the global comity of nations, but only in areas like the Ease of Doing Business Index. We are not bothered about our appalling rankings — relative to the size of our economy — in human development indicators, or education.

Why can't we focus more on an Ease of Living Index instead? Yes, the Ministry of Housing and Urban Affairs (the poverty alleviation bit was quietly dropped a while ago) came up with an "Ease of Living" Index for our cities last year. The Index sounds grand — 79 parameters across four "pillars" of institutional, social, economic, and physical infrastructure and services. But the devil lies in the details — many of the parameters have no or poor or subjective data, while the weightage is heavily tilted towards physical infrastructure (45 per cent) which civic bodies are good at measuring.

But a mere 5 per cent weightage to economic opportunities fails to recognise the basic driver of urbanisation in India — the quest for better economic opportunities and the ceaseless attempt to break the cycle of poverty back home.

Every foreign diplomat or overseas investor or corporate I have spoken to considers India a "hardship" posting, because the quality of life in our cities is so poor. Pollution is the biggest factor. High cost of liveable housing, nightmarish traffic, issues with education and cultural integration (try talking to an African student or diplomat about that) are the key reasons cited.

Our policymakers don't address these issues, because it is not an issue they see or experience. Bureaucrats and politicians live in privileged enclaves in our cities, they beat the traffic by using their flashers and sirens, their children more often than not educated abroad, and as for the smog, air purifiers are always there. Where is the problem?

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Infra projects need a unified management

To deal with delays, globally accepted project and programme management practices must be adopted

ALKESH KUMAR SHARMA

Over the years, the infrastructure sector has emerged as a key driver of India's economic growth, making it one of the favoured investment destinations of the world. Accordingly, the government has introduced favourable policy initiatives like the Make in India and flexible FDI norms to ensure time-bound creation of world-class infrastructure.

While India has been significantly investing in its infrastructure, the challenge is to mobilise big investments and address the gaps through innovative approaches.

The Centre has committed a massive investment of ₹5.97 lakh crore in the infrastructure sector for the current fiscal. An estimated ₹304 lakh crore is required in the sector till 2040 to sustain the country's development. Various programmes like Power for All, Bharatmala (₹5.35 lakh crore for Phase 1), Sagarmala (₹8 lakh crore), Smart Cities Mission (₹2.03 lakh crore), Industrial Corridors (₹6 lakh crore), Housing for All and the Swachh Bharat Mission have been launched to build world-class infrastructure. However, the track record of timely completion of projects is

abysmal, due to multiple challenges like regulatory clearances, land acquisition, and resettlement and rehabilitation.

A December 2018 report of the Ministry of Statistics and Programme Implementation, based on its review of 1,424 Central infrastructure sector projects worth over ₹150 crore, observed that more than 25 per cent of these projects were delayed with a cost overrun of over ₹3.17 lakh crore.

Issues in implementation

Common issues facing most projects, particularly government-sponsored projects, are time delays and cost overruns. Any industrial activity in India requires multiple clearances right from concept to commission. Implementation status of most of the projects reveals gaps in the application of project management practices. Therefore, utilising globally accepted project and programme management (PPM) practices in large-scale infrastructure initiatives is crucial to sustain India's high-growth trajectory. Such practices will bring in synergies and a common language to all complex programmes.

Alongside, an enabling policy framework would be required to con-



Project completion Delays are common

sider global standards on PPM for effective execution of government/public sector/PPP projects. Further, a project management course should be introduced in senior school-level curriculum to develop an industry-ready workforce. India will need 70 lakh skilled project managers in the next 10 years to avoid delays and escalation of budgets for projects in key sectors like roads, railways, IT and manufacturing. Also, effective initial research, including site investigation, risk analysis, land acquisition and regulatory clearances, should be done before implementation.

A quality project management team is essential. Project managers must be approved by the implementing agency based on the skills necessary to deliver the project. Commu-

nication between the implementing agency and the contractor must increase in frequency. Timely completion of projects must be incentivised to encourage a culture of early project delivery.

For instance, in the UK, the state-owned Infrastructure & Projects Authority (IPA) prioritises the effective delivery of projects through establishment of five core teams (Finance and International, Operations, Project Profession and Standards, Strategy & Policy, and Infrastructure Delivery). The introduction of a regulatory body to monitor project progress encourages efficiency.

Coordinated management

Effective project management techniques include values such as transparency, accountability, proper use of resources and maintenance of public confidence. For this, the private sector has launched the International Project Management Association (IPMA). With members from over 60 countries, it promotes the project management profession by preparing standard guidelines known as the IPMA Competence Baseline (ICB). It has significantly impacted the project delivery systems in many developed and developing countries.

Programme management is a systematic orchestration of human resources, time, money and information to plan, design, construct, and deliver projects. Focus on adoption of PPM is more critical in mega projects, which require a higher level of skill and competence. One such mega complex project involving multiple infrastructure projects and various stakeholders is the Shendra Industrial Area, the first greenfield industrial smart city project under the Delhi Mumbai Industrial Corridor project. It was completed ahead of schedule and recently dedicated to the nation by the Prime Minister.

The NITI Aayog has constituted a task force to bring a result-oriented approach and effective delivery of projects within time and budget for Central/State governments and PSUs. In its first recommendation report, it has called for adoption of project management approaches in managing complex infrastructure projects in India. It will also develop a national project management policy framework in the country.

The writer is a senior IAS officer and the former CEO-MD of the Delhi-Mumbai Industrial Corridor Development Corporation. Views are personal

OTHER VOICES

The Japan Times

Get India back into the RCEP negotiations

India's potential exit from negotiations for the Regional Comprehensive Economic Partnership (RCEP) would deal a heavy blow to the bids by 16 Asian and Oceanian countries to create a giant free trade pact covering half the world's population and a third of global trade and gross domestic product. While China appears ready to proceed with the talks without India, Japan needs to take the lead to bring the South Asian country back into the fold to reach a successful conclusion of the RCEP negotiations and maintain the momentum for expanding free trade. TOKYO, NOVEMBER 13

South China Morning Post

As violence escalates, put public safety first

Many commuters were still stranded in citywide traffic mayhem when Chief Executive Carrie Lam Cheng Yuet-ngor hit out at protesters for their selfish actions and praised people for being committed to their duties and not bowing to violence. She said protesters wanted the city to come to a standstill and the government would fall into such a trap if it made a rash decision to stop all activities. Regrettably, the public is being put at risk as neither side appears ready for a compromise. HONG KONG, NOVEMBER 13

THE STRAITS TIMES

Distinguishing fact from fiction

Singapore's free trade agreements (FTAs) have come under the spotlight, particularly online, because of accusations that one such agreement, with India, has given Indian professionals unfettered access to jobs and citizenship here. Of Singapore's 24 FTAs, the Singapore-India Comprehensive Economic Cooperation Agreement (Ceca) has often provided fodder for critics who argue that it has opened the floodgates for Indian nationals to enter Singapore. SINGAPORE, NOVEMBER 13

LETTERS TO THE EDITOR

Send your letters by email to bleditor@thehindu.co.in or by post to 'Letters to the Editor', The Hindu Business Line, Kasturi Buildings, 859-860, Anna Salai, Chennai 600002.

Pay for performance

This refers to the editorial 'Banking on pay' (November 13). Whether the debate opened through the editorial will be taken forward is doubtful, as inefficiency and instability at the top are consciously built into government and public sector organisations in India.

The need for professionalism and continuity, from the board-level down to the middle management, is part of quality management practices recognised across the world.

In India, insecurity of incumbency at the top became a tool to make strong-willed executives, who respected rules more than the rulers, 'amenable' since mid-1970s. This resulted in government, statutory bodies and PSUs (including PSBs) becoming the whipping boys for policy failures.

There is urgency in consider-

ing longer tenures for top level appointments in regulatory bodies. The appointments should be after suitable screening, and once appointed they should not be under perennial threat of removal for political reasons. It is also desirable to provide job security to the incumbents by way of a decent remuneration package.

MG Warriar
Mumbai

Sensex and investments

This refers to 'Is the Sensex obsession justified?' (November 13). The write-up makes interesting observations. However, is falling investment in rupee terms necessarily a cause for concern? Must we not factor in the increasing efficiency of capital? The investment required to achieve a particular level of output today could be lower than yesterday. Additionally, economies may be

sitting on large capacities, and the focus is on better utilisation of capacity. Further, improving processes could help squeeze out more from existing assets. Therefore lower investments may not necessarily mean lower output.

In any case, the Sensex is not a great indicator of prosperity since the broader market has lost value and investors are sitting on big losses.

V Vijaykumar
Pune

Maharashtra impasse

Apropos 'It's President rule in Maharashtra' (November 13). Imposing President's rule in the State is the right decision. The hectic parley among political parties and their thirst for power blocked the consonance for striking an alliance to form the government.

Further, the Shiv Sena's move to file petition in the apex court

stating that the Governor did not give enough time to get support was self-centred. If patriotism and welfare of the people are the vital principles of the parties, even a day is enough to decide the alliance and form the government.

But sharing the power and getting the top post are the key objectives of the parties. If such an attitude is centre-staged then the scope for the formation of government will be thin.

NR Nagarajan
Sivakasi

Passport application

It is given to understand that an applicant can apply for a normal passport at all Post Office Passport Sewa Kendras (POPSKs) and Passport Sewa Kendras (PSKs) spread across the State and at respective PSKs in a capital city. As also it is further assumed that Tatkal passport applications can

only be submitted at select PSKs located within the State. Thus, under present circumstances, there is no possibility of applying for a Tatkal passport at any of the POPSKs in various district headquarters of a State.

The current non-availability of Tatkal appointments at POPSKs is inconveniencing many applicants, given logistical factors and costs of approaching the select PSK venues.

Hence, the Ministry of External Affairs should accept Tatkal-based passport applications and allot appointments under Tatkal quota even for the applicants applying at POPSKs. The suggested move will further enable quick processing of Tatkal applications at POPSK centres and also reduce the burden currently prevailing in the PSKs that are accepting Tatkal appointments.

Varun Dambal
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