

# A path to tangible outcomes

**T**HE UNION BUDGET for 2024-25 proposed an Economic Policy Framework to drive India's economic agenda. For this framework to deliver tangible outcomes within India's unique context, it must rest on six foundational pillars.

**Care for time value of money:** The framework gets life through economic laws. Most of them assign distinct roles to both authorities and private parties. Typically, they impose mandatory timelines on private parties, often with severe consequences for delays. However, the same rigour is rarely applied to authorities. Timelines, where prescribed for authorities, are generally directory, with no consequences for non-compliance. Delays in approving transactions, issuing licences, enforcing contracts, resolving disputes, or concluding enforcement actions, undermine the economic value at stake.

To address this, decisions such as approvals, licences, and appointments must adhere to strict timelines, with provisions for deemed approvals if the authority fails to comply. A noteworthy example is the recent amendment to the Competition Act, 2002, where combinations are deemed approved if the authority does not decide within 21 days of receiving a notice. Economic laws must mandate timelines for every activity of an authority: investigations concluded within X days; charge sheets filed within Y days of completion of investigation; trials completed within Z days of charge-sheet filing; appeals disposed of within Q days of filing, with consequences for the failure.

Just as the law penalises individuals for obstructing public servants in discharging their duties, a failure by authorities to deliver services within prescribed timelines should be viewed as an obstruction to business and subject to penalties. A shift from open-ended, discretionary timelines to mandatory, enforceable deadlines, backed by provisions for deemed approvals, will instill a sense of the time value of money among the authorities.

**Win hearts and minds:** People often

grow accustomed to a way of life, no matter how flawed, and instinctively resist change. Every change inevitably creates both winners and losers. Those benefitting from the old order may resist change, often with ideological support. This has led to rollback, stalling, or indefinite postponement of several economic laws. A notable recent example was the withdrawal of three farm laws. While announcing the withdrawal, the Prime Minister Narendra Modi said: "Our government brought in the new laws with good intentions... But we have not been able to explain (their benefits) to some farmers."

This highlights a crucial insight: marketing reforms is just as vital as reforms themselves. For any deep reform to succeed, it must be carefully designed, effectively packaged, and persuasively marketed. The process should begin by generating demand for reforms among stakeholders. The next step is to design the legal instrument to translate the reforms into actionable measures. In 2014, the government advised all ministries to conduct public consultations before making any legislation. The Competition Act now mandates public consultation before the regulator makes any regulations. It should be mandatory for every economic law to undergo public consultation. This process should include an impact assessment, outlining the likely impact of the proposed legislation, and the associated costs of compliance and enforcement. Once the law is enacted, advocacy should position it as a reform for, by, and of the stakeholders, ensuring a sense of ownership and align-

ment with their interests.

**Evidence-based policy:** The strength of EPF lies in its capacity to measure, analyse, and adjust to the evolving needs of the economy. This evidence-based approach enables policymakers to understand the trade-offs of their decisions, build stakeholder confidence, and identify inefficiencies or areas requiring adjustment. Ex-ante and ex-post assessments are crucial, as they allow policy-

makers to anticipate impacts and make necessary corrections after the law is enacted.

Evidence-based policy-making requires: (a) availability of relevant, accurate, comprehensive, and timely data for informed decision-making; (b) availability of robust indices and metrics to measure and monitor the efficiency of resource use, the effectiveness of policies, and longitudinal

and cross-sectional impacts; (c) technical expertise with state agencies to use advanced tools and frameworks such as regulatory impact assessments and public consultation indices; and (d) a culture of transparency and accountability to ensure that policies serve the public interest and are responsive to feedback.

**Sole objective:** An economic law should focus on a single, clear objective. The Tinbergen Rule, named after the first Nobel laureate in economic sciences, emphasises that each policy instrument should correspond to a distinct objective. Attempting to address multiple objectives with a single instrument often results in ineffective or conflicting outcomes. It is akin to "killing more than one bird with

one stone" when the birds are flying in opposite directions.

**Institutions matter:** The 2024 Nobel laureates in economic sciences (Daron Acemoglu, Simon Johnson, and James Robinson) argue that the differences in prosperity among nations stem from differences in institutions. The effectiveness of economic policies is directly tied to the strength of the institutions that host them. Without robust, well-functioning institutions, even well-crafted policies may fail to deliver their intended outcomes.

Consider, for instance, a law that aims to prevent the abuse of a dominant position. This presupposes the existence of high-quality rule-of-law institutions capable of detecting market dominance and abuse. However, if these institutions are weak or absent, the objective will be undermined. It is therefore essential to address institutional gaps, fortify existing ones, and adapt them to meet the evolving needs of the economy. A strategic approach could prioritise the development and fortification of key institutions, using scientific metrics to monitor their health, and initiate corrective actions at the earliest signs of deterioration.

**Bridging execution gaps:** While the legislature enacts laws to address economic challenges, the responsibility for implementing them rests largely with the executive and the judiciary (including regulators and tribunals). These entities may not always align with the legislature's urgency or intent, resulting in execution gaps. Take the Insolvency and Bankruptcy Code, 2016. As of 2025, it is available only for corporate entities, leaving a vast majority of potential beneficiaries excluded. The resolution process often takes four times longer than prescribed, primarily due to capacity constraints within the state.

Bridging this gap requires a seamless alignment of vision and action across the legislature, executive, and judiciary. Structured programmes could be introduced to bring the uninitiated up to speed on each new economic law. Regular dialogues, such as biennial reviews of every economic law, could foster collaboration, address concerns, and improve execution.

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