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Getting projects on track

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The recent regional meeting of the Confederation of Indian Industry (CII) deliberated on the theme of 'Sustainable Competitive Growth: Are We On Track'. The panelists included Yogi Deveshwar, Surjit Bhalla, Dilip Kapuria, Suhel Seth, Laila Tyabji, Jose Salinas from Mexico and myself. On the substantive issue, the panelist and more so the participants seemed to broadly agree that we are ''on track'', but much needs to be done to consolidate current gains and shoot for a 10 per cent GDP growth.

The challenges were familiar: improving infrastructure, greater attention to education, particularly making the literate employable, better governance in weaker states and forging an understanding among political parties on some common issues. Remaining competitive entails adaptation to changing market requirements; societies which actively foster an ''innovative culture'' have obvious advantages. While global outsourcing is a profitable business, our competitive edge can be eroded if inadequate supply of skilled labour pushes up wage rates significantly.

Of course it would be naive to assume that 8 per cent growth rate is in our pocket and the struggle is to secure the goal of 10 per cent set by the Prime Minister. There are more conservative estimates of a 5.5—6 per cent growth outlined by Shankar Acharya in the concluding paragraph of his recent book entitled 'Essays on Marcoeconomic Policy and Growth in India', cautioning us with a quotation from George Eliot that ''Among all forms of mistake, prophecy is the most gratuitous.'' There is also a lengthy critique contained in T N Srinivasan's recent essay entitled 'Status of Indian Economic Reforms: A Hiatus or a Pause Before Acceleration?'. These sobering analyses caution against excessive exuberance, although it can be credibly argued that while we may well be on way to 7 per cent growth, getting to 10 per cent growth is a whole new ball game.

Let me however concentrate on a somewhat different aspect of growth strategy. Shekhar Gupta, who was the moderator of the panel discussion, asked me the pointed question of why things took so long in government. He, for instance, mentioned that a proposal for a Rs 100 crore grant to the Indian Science Institute announced in last year's Budget had only been recently submitted to the Cabinet. Besides, several road projects for which contracts were awarded last June had yet to see the commencement of physical activity.

The issues raised by him are significant. First and foremost is lack of accountability. Civil servants have rarely been penalised for delayed decisions and never rewarded for accelerated action. Cautious, even tardy, decisions which guarantee job security and career progression are the preferred option. Inability to protect any bona fide but flawed decision inhibits multiple timely decision. A complex web of accountability acts as a further dampener to accelerated public service. Transferring attitudes and procedures from the private sector to public delivery systems is not easy. The answer may lie in more aggressive outsourcing to the private sector and lateral induction of talent within the hierarchy. Hopefully, the new Authority currently being discussed as part of the Civil Service Reform package will address these concerns.

Second, new initiatives announced in the Budget are sometimes knee-jerk reactions. Finance ministers soften the blow of some unpopular decisions by announcing a whole slew of initiatives to present what they believe are ''more balanced proposals''. In practice, this means that the first time ministries hear of a proposal may be just before the Budget and at any rate giving them inadequate time to prepare detailed proposals, discuss with all stakeholders, and secure requisite approvals for work to commence soon after the passage of the Finance Bill. While surprise announcements lend some mystique to the Budget, in practice they can greatly delay implementation. Any public impression that months, if not years, after a budget announcement there is no visible progress, leads to cynicism.

Third, the procedures for project approvals or financial rules relating to disbursement, including the Treasury Code followed by state governments, remain anachronistic. In substance, these are designed to prevent misuse of public funds. Whenever an individual aberration has come to notice, a new set of riders has been added, covering the generality of cases. Public funds garnered through taxes must be spent with caution, care and prudential norms. However, if the underlining approach is resource conservation, discouragement of disbursements and fear of future objections from supervisory agencies, delayed implementation is inevitable.

The recently constituted Administrative Reforms Commission should suggest a model Treasury Code and Financial Rules, particularly for state governments, which combine the virtues of prudential norms with speedier implementation.

Fourth, while accountability is desirable, excessive supervision can be debilitating. The joke among field officers, including bank officials, is to avoid the three Cs—CAG, CVC and CBI—which is suggestive of an anxious mindset. Caution instead of development therefore becomes the central objective. The bleak prospect of a rapidly shrinking government necessitates a vastly improved efficiency in public delivery system. States which have lagged behind will be in continued need of public investments before private entrepreneurs find the climate favourable. Besides ‘‘reforms with a human face’’ will imply enhanced role of public agencies in education, health, rural development, employment to name a few.

Time and cost overruns in public projects have been debated for long. It has remained difficult to assign responsibility. Land acquisition, environmental clearance, recalcitrant contractors, pending litigation and delayed resource assignment deflect blame to faceless institutions, obviating individual liability. We must disentangle malfeasance from incompetence. Putting projects on track is central to our growth strategy.

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