

# 'Macro picture isn't comfortable at all'

**F**ROM a top bureaucrat involved in economic liberalisation to a parliamentarian who emphasises the need to strengthen social sector reforms, **N K Singh** has gone through an interesting journey. As the deputy chairman of Bihar's planning board he confronted bottom up development issues which forced him to take a relook at the very notion of reforms. Currently a member of the Parliamentary Standing Committee on HRD, the Rajya Sabha MP spoke to **G Ganapathy Subramaniam** & **M K Venu** on the need to focus on social sector objectives. Excerpts:

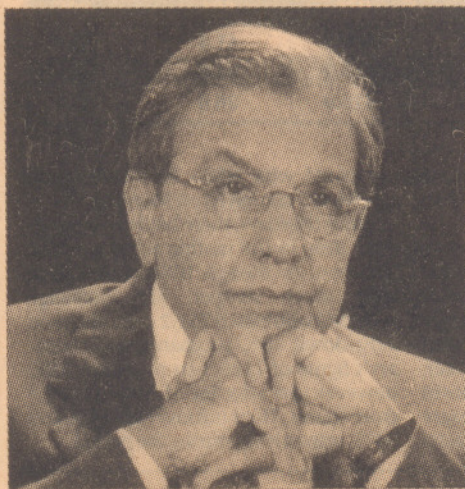
## How can we make reforms more effective?

The new challenges relate to improving the cost and reliability of our infrastructure, addressing serious deficiencies in the social sector and enhancing agricultural productivity. While a lot has been achieved in telecom, a daunting agenda still needs to be addressed in the electricity sector. Similar is the case with improving roads, ports and civil aviation infrastructure. In the social sector, the challenges in reforming the education system to reap the advantages of our demographic differential remains mostly unaddressed. In the health sector, we need to focus on basic issues like restructuring primary healthcare, building public-private partnership, and training of paramedics. Action on agriculture has scarcely begun. Urbanisation, an inevitable consequence of high growth, creates both opportunities as well as challenges and we need to meet them.

Initially, reforms were designed to improve the environment for private investment, particularly foreign investment, with a view to managing the balance of payments and servicing external debt. Between 1991-96, the focus was on delicensing, removing quantitative restrictions on imports and moderating tariff to global levels to improve competitiveness of our exports. These objectives have largely been achieved. Earlier reforms were about growth rates and improving macro management of the economy. Contemporary reform issue relates to improving the life quality of the average Indian by correcting infrastructure deficiencies, addressing the social services needs and mainstreaming agriculture.

## What is your view of the macro-economic situation?

I see latent inflation as a major cause of concern. Below-the-line items like oil bonds and fertiliser bonds are pushing up fiscal deficit. While MSP has been increased, issue price of food has not been adjusted. Since domestic inflation is higher than global inflation, expectations are that the rupee will depreciate.



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Inflationary expectations are making this more difficult. Current account deficit is around 4% and external flows are not vibrant. The macro picture is not comfortable at all. I am not surprised at rating agencies expressing concern. Very little correction is expected in the next six months and it will be an exceedingly challenging task for the new government that will take over next year after general elections. Growth rates are faltering and assumption of revenue buoyancy may have to be moderated. While revenue expectations are predicated on economic buoyancy, government expenditure is inelastic. The buoyancy in

revenue collection due to administrative reforms will diminish with time. In addition, impact of the Pay Commission's recommendations will only add to the government's burden. While interest rates are high, demand for funds to build infrastructure is growing. The combined fiscal deficit of the Centre and the states is far higher than what is being projected new.

## Does the failure of Doha round negotiations at World Trade Organisation (WTO) have a major impact on India?

The WTO mini-ministerial was very ill-timed. My view is that it was the most inappropriate time for WTO director general Pascal Lamy to push for an agreement. There is a revival in protectionist sentiment across the globe due to fears of a slowdown and food scarcity in several regions. Australia, for example, is suffering drought year after year due to climate change. Political leaderships in various countries are facing challenges other than trade liberalisation. Consolidation of developing countries who are acting in unison has made it difficult to force the point of view of the rich nations. In India, we should be more transparent about the way we negotiate at WTO. If we can have a debate in Parliament about the nuclear deal with the US, what prevents us from discussing our negotiating options. We have already given a lot in the previous round and it will be disastrous to rush into a deal which is not in favour of developing countries.

## You were the deputy chairman of Bihar's planning commission. How are reforms progressing in Bihar?

There is a lot of improvement in various aspects like healthcare and education. More people are able to get medical services from primary health centres and the Bihar government has appointed a large number of additional teachers to improve basic education. Bihar produces 30% of the country's potatoes, 85% lichees and 50% of mangoes. Unfortunately, they do not have cold storages and transportation facilities to prevent wastage of their produce. Adequate cold chain facilities will cut wastage and bring better returns for farmers. Flooding due to rivers flowing from Nepal is another major concerns. Rains bring down gravel and silt from the mountains and this affects riverbeds. By building a dam in the higher reaches (located in Nepal), we can prevent flooding. An additional benefit will be generation of hydel power which could supply electricity to various parts of north India. It will be a win-win situation for both Nepal and Bihar.