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from the RINGSIDE

The quest for 'Pahale India'

The 21st India Economic Summit of the World Economic Forum has just concluded. For Klaus Schwab, the founder-chairman, India has always remained a priority partner. Old India hands at the Forum like Colette Mathur painstakingly kept faith in India for over two decades believing that one day we will do the right things to make us a global power. That day could be round the corner. Not only has the Indian economy changed dramatically, becoming the current global flavour, but the openness with which we are willing to discuss the opportunities and constraints does constitute a mindset change.

An innovative feature this year was the town hall meeting in which participants voted and identified the factors which could collectively improve India's ranking in the Global Competitiveness Index. The voting outcome in the town hall meeting was compared with a fairly representative opinion poll conducted by NDTV. Currently, India ranks 50 out of the total of 117 economies evaluated in 2005-06. Earlier to the town hall meeting, there were interactive sessions on "India and the World Scenarios to 2025". Three types of scenarios were considered namely, the Bolly World, which has glitter "with an illusion of success", Atakta Bharat — getting stuck without direction, and Pahale Bharat — meaning 'India First', a virtuous circle when all things go right.

Broadly speaking, the outcome of both the scenario exercise and the global competitiveness exercise were quite similar. A very high percentage, namely 45% in the town hall and 72% in the NDTV poll, considered it very important for India to become one of the 10 best performing economies in the world. On the factors which would help India achieve this was high quality infrastructure, namely roads, ports, airports, water and power, followed by effective government spending. On the sort of problems most likely to affect the future prosperity of individuals and families, the town hall audience gave high importance to infrastructure followed by minimising corruption; whereas in the NDTV survey, it was enhanced access to internet, telephone and increased tele-density. On the issues on which India's top companies should play a bigger role, it was infrastructure again followed by reducing corruption. And finally, on the question of which problem the participants felt most confident government could solve within the next 10 years, it was access to Information Technology followed by infrastructure. Surprisingly, a high percentage of 25% felt that government could solve none of these.

On action points, a majority of the participants felt that the most efficient way on infrastructure would be to leverage private resources and capabilities through vastly improved regulatory mechanism and create more credible models for public-private partnership. Even on improving tele-density in rural areas, the model of public-private partnership was the preferred course of action. On reducing corruption, the way forward was to streamline processes, reduce discretionary decision-making and for corporates "to remain united" in making political contribution only in a transparent manner.

What surprises me is not the overwhelming consensus for improving infrastructure but inadequate concern for priority to governance reforms in general and electoral reform in particular which has eluded successive governments. While electoral outcomes have increasingly become development-centric even in a state like Bihar and the symmetry between economic and social development being increasingly recognised broad-based economic strategy needs underpinning of governance reforms. Regrettably, the dominance of coalition politics limits flexibility and the absence of consensus between two mainstream parties remains a serious impediment. For India to become a top 10 competitive economy, there is need for simultaneous action on multiple concerns. The new mantra of public-private partnership is not a substitute either for credible regulatory framework on which current appetit is somewhat low.

Why has public-private partnership not taken off to a more credible start? In the case of power, multiple issues relating to tariff policy, open access, phasing out distortionary subsidies, completing distribution reforms, and accepting the culture for user charges remain debatable. Large private investments in power has yet to gather momentum. On improving rural tele-density, prevarication on the preferred model, minimising service charges and subsidy through competitive bidding as well as the implementing mechanism along with inadequacy of resources remain a challenge. The Rural Roads Programme remains under-funded and depends on widely differing implementation quality between and across states. While the newly-created Special Purpose Vehicle on Infrastructure and the Viability Gap fund would help in unbundling risks to achieve financial closure, it's credible implementation is yet to begin. Improving efficiency of public expenditure remains a complex issue and improving the quality of public services goes beyond the arithmetic of the outlay-outcome statement to include incentivising and improving the efficiency of the field officials with greater financial delegation coupled with accountability.

Surprisingly, the exogenous variable namely continued global prosperity and peace in the sub-continent was taken for granted. So was continued energy security and availability of fossil fuel energy at tolerable costs. The latter by no means can be assumed.

The recent summits notwithstanding, its overall optimism helps us prioritise our key concerns and more so the convergence in key areas necessitating simultaneous action on multiple fronts. This is easier said than done. So is the challenge to become a leading economic powerhouse to realise the “Quest of Pahale India”.

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