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Redefining the reform agenda

The post-mortem of the trust vote has seen a rush of commentaries that economic reform — issues pending — can and must be addressed. Sadly, only a very limited agenda has been listed: FDI liberalisation in banking, insurance and retail — plus financial sector reforms. These are, of course, important but there is much else pending to be completed.

There are 10 reform issues which are pending and which could raise growth as well as help contain inflation. These are the public sector, urban development, highways, power, water, sanitation, housing, transport, rural infrastructure and food/agriculture. This list deliberately excludes manufacturing and services sectors, trade and tax reforms where much has been done and action is ongoing.

The public sector needs priority attention. It is rich in assets, physical and human resources but is hamstrung by procedures. Autonomy non-existent: CEO travel needs to be cleared by government and the boards of directors are subservient to government. Emoluments are controlled by government. Investment decisions and pricing policies are subject to government approval. If government were to free the public sector, it could add 1% to GDP growth.

One way is certainly to continue the stalled disinvestment process. It will automatically help free PSUs, especially if government shareholding is below 50%. The only issue at this point of time is the decline in share prices in the stock market. But freedom for PSUs will help government coffers in the medium and long term.

Second, urban development. Today's congested and crowded cities need to be redeveloped, redesigned, reconstructed. And new cities need to be built with simple, good quality infrastructure. Urban development reform, which extends from legal changes to procedures becoming transparent, could also add 1% to GDP, concurrently addressing major concerns regarding corruption, a cancer in the system.

Third, highways. They have a transformational role both for development and growth. But construction of highways is moving at a slow speed. Far, far slower than the country can afford. Allocation of resources exists. Plan exists. There are no real policy issues. Only implementation is lacking. A push for faster highway construction could do great benefit to India. A part of this is land acquisition reform.

Fourth, power — the last frontier of infrastructure reform. We are slowly, painfully, moving from a national culture and belief that 'power' is 'free' to a new paradigm where people have to pay for power. NTPC excels as a PSU of quality and, gradually, private sector power projects are happening, but, all too slowly. The use of renewables needs to be speeded up as well as the use of local resources to generate power in a decentralised manner.

India's power needs a mix of policies and practices — large plants, small units, traditional technologies, newer technologies. Power shortages can be resolved even in the short term. And conservation and saving can also be a powerful vehicle.

Today, power is a huge cost pusher and its shortage is surely reducing GDP growth Fifth, water. Real reform is yet to happen. Water supply, generally, is a huge problem. Drinking water supply is a bigger challenge. Water conservation methods are only slowly gaining attention. If the problem of water management and conservation is addressed, it could make a huge difference to the people of this country. A nation-wide creative initiative is needed. Water reform is critical to quality of life.

Sixth, sanitation. It is a major issue in India, urban, semi-urban and rural. It is imperative to build basic sanitation infrastructure across the nation. Perhaps, a PSU corporation or Authority with funds to work in a PPP mode and implement one million sanitation facilities — 650,000 in the villages and 350,000 in urban centres — is the need of the hour. It is simple to do. It can be done. There is no great innovation needed. Only simple, clean construction and maintenance arrangements.

Seventh, housing. The country needs economic housing in the millions to provide shelter, to enhance quality of life, to provide security and stability, to raise productivity and for so many other reasons. It is a national need. It is a national priority. It can be done in a variety of ways. Through a combination of central initiative and decentralised implementation. Technology exists to get things done very quickly.

Eighth, transport. Public transport. More and better buses. Also, small aircraft for short distances to carry food grains, fruit, vegetables, speedily, from small rural airports to urban market centres. It will cut down the huge waste of food, fruits and vegetables, and add productivity and efficiency. A simple system of road and air transportation can transform the food and agriculture economy.

Ninth, rural infrastructure. All-weather roads need to be completed; small, kuccha airports to be built; IT connectivity to be completed; and TV and telecom connections to be provided. Even if some of these are taken care of quickly, the 600 million people living in the rural areas will experience dramatic improvement in their living standards.

Finally, the food and agri sector, which is still beset with controls and restrictions. What is needed is specific strategies for specific products and different approaches for different geographical areas. A grand vision combined with a deeply autonomous, decentralised approach and action plan is a must to achieve another Green Revolution.

India's reform agenda has to be broad, wide and deep. It's mostly about management, organisation and implementation. It's not the "what". It's the "how". The next nine months should and can take the reform agenda ahead. A critical element will be a strong, clear, communication plan, which sets out the steps being taken, the rationale and reasons, the benefits, the risks (if any) so that the public understands what the reform agenda aims to do and achieve. Without this, actions can be seen as ad hoc. This will be a real challenge because governments are best known for poor communication!

Too often 'economic reforms' are related to 'opening the economy' in terms of trade and investment or tax cuts. This limited coverage may well suit some other countries, but not India. 'Economic reform' in India has to extend to many other areas, some of which have been covered here. There is a need for new thought leadership to redefine 'economic reforms' as it is applicable to India. And the sooner action is taken, the faster will India be able to sustain 10% GDP growth per annum.