

“Bridging the gap between promises and results

India is a minefield of vested interests, power centres, and caste and communal groupings. PM Narendra Modi is taking time navigating these.”

By: SL Rao | September 14, 2015 12:23 AM

In the August 29 2015 issue the “Economist” suggests that Prime Minister Modi in office has so far been more talk than actions. It misjudges the rhetoric of a fledgling Prime Minister unused to the labyrinthine politics of Indian national governance, the irrelevance of a large majority in the Lower House when it is a minority in the Upper House, and the ways in which a small Opposition can hold up work in Parliament. He did not expect the Congress to faithfully follow the BJP’s tactics of stalling Parliament. Nor did he, despite his effective use of television in the Elections, comprehend that it could do the same for his opposition.

He made many promises. Some were: eradicating corruption; speedy development; bring back black money from abroad and giving it to the people; providing skills training for the new jobs to come in

“smart” cities to be created; and so reducing poverty by moving population dependent on agriculture; building world-class infrastructure; substantial foreign investment; less government and more governance; so to improve ease of doing business.

He was going to have less Ministers and Ministries while bringing in holistic decision making by combining Ministries. Subsidies would be reduced sharply, by direct transfer of benefits to bank accounts of the identified needy.

Without saying so Modi’s economic philosophy was against socialism and state control, towards private enterprise and freemarkets (but regulated so that they remained free). This would be a revolution. Media and public understood him to say that the promises would be delivered quickly. The “Economist” like the Opposition has taken the non-achievement of Mr Modi’s exaggerated time lines as signs of his inaction. But many actions are in hand.

Already there is a new and vigorous foreign policy. A strong presence in relation to countries in the Indian Ocean and the Pacific is initiated. (Vajpayee’s Indian Ocean initiative was not pursued subsequently). The Indian Diaspora, Japan, China, South Korea, and the

UAE, have committed to large investments. A more muscular policy to Pakistan is evolving which looks for deeds and not just talks. India is getting into regional groupings like ASEAN and the SCO.

Economic growth will be affected by the failure of the monsoon (50%), though ample foodgrain stocks and generally low inflation will cushion the effect. China's current economic problems make India and the USA the two strong large economies. The China slowdown and crude oil collapse which might last for some years, have lowered commodity prices, cheapened our major imports, moderated inflation, improved the balance of pay.

Most promises on the domestic economy are on the way to being delivered. OROP (one rank one pension) to the armed forces is announced. The bringing back of unaccounted money salted overseas by Indian nationals is now legislated and international cooperation has begun. The huge black money in the domestic economy is not yet touched. Faster government clearances, simplifying land acquisition, introducing the goods and services tax, are delayed by political Opposition. Mr Modi's government must be blamed for not anticipating this.

More courtesy than contempt to the opposition might have got cooperation. Coordinated and holistic government decision-making has been brought partially to Energy by combining Power and Renewable Energy with Coal. Others like Transport and Health are in the same old uncoordinated state.

Bureaucratic reform to improve accountability and decision-making have not happened. Crores of bank accounts were opened in a few weeks. AADHAR identification and individual bank accounts leave only beneficiary identification to low level administrators. Direct transfer of subsidy benefits to the poor, reducing theft and waste, are now closer. The auctioning of allotted coal mines was implemented speedily. Coal production has risen. The accepted XIV Finance Commission recommendation to give more autonomy to states is another fulfilled promise. Abolition of the Planning Commission and the creation of Niti Ayog gives the states greater freedom in economic decisions. The 2015 Budget transferred many social schemes to states along with over 10% increased share in central tax revenues.

Black money legislation is in hand as are emerging commitments by tax havens to disclose holdings by Indians. A Rs 1000 billion plan for interstate electricity transmission is attracting private investors. Domestic coal supplies have improved. A fuel supply policy has been evolved for large users. Actions are afoot to revive stranded power capacities. Electricity distribution is a state subject. They need disciplining to defreeze over Rs 200000 crores in 'sticky' loans. Power supplies have been hurt as are nationalized banks and the economy. Massive private investment in ambitious road development is on course. Railways restructuring and massive investment is in progress. The national sanitation programme is making much headway with public and private participation. Female school toilets is 100% achieved. Land reform will now be left to competing state governments. Government is accepting Opposition demands for tweaking the g.s.t to get Parliamentary support.

Management of state-owned enterprises remains unreformed and inefficient. RBI has moved to improve lending and collection practices in

nationalized banks. Their CEO selection and remuneration are being improved.

Narendra Modi was the all powerful Chief Minister of Gujarat. Gujarat is a cohesive state. India is a minefield of vested interests, power centres, unscrupulous political and commercial interests, multitudes of caste and communal groupings. Modi is taking time in navigating these. His overbearing personality and contempt for the Congress dynasty have delayed implementation. The Congress has used a “scorched earth” policy to prevent legislation that would benefit the country. Mr Modi’s penchant for extempore speeches lead him to unprepared for promises. He has also not attracted much new talent. His Cabinet has few Ministers of real competence in Parliament or as Ministers. There is excessive dependence on the bureaucracy. The statutory regulatory framework demands reform in personnel and functioning.

The Modi government in just over one year has initiated but not completed many actions.

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