

PERSPECTIVES

UPA gets a free hand to govern



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THE decisive mandate given to the United Progressive Alliance, led by the Congress, is a bit like hitting a highway after negotiating heavy traffic for hours. For almost its entire tenure, the UPA was fettered on most issues by the Left, and hence was unable to chart out its own agenda independently. By most accounts, Mandate 2009 seems to be the clearest signal given by the people in recent times that the electorate is fatigued by the constant jockeying for positions and governance by baby steps. It is clear from the 262-seat tally which the coalition has garnered that the country now wants to hit the freeway, move quickly and hit the high road to sustained growth. No more half-measures, no more rollbacks and opponents masquerading as allies. It's time to govern, and do so decisively.

So, what does this significant — and, in many ways historic — victory mean for the reform agenda and the road ahead for the economy? First and foremost, it gives the UPA a great opportunity to concentrate on good governance, transparency, and focus on bringing in greater accountability and better delivery of policy initiatives to the grassroots. With fewer agenda-driven allies to placate, the UPA can now make the most of this mandate by pushing through serious policy initiatives, steps which can make India stand up and be counted in the international economic order.

Undoubtedly, one of the biggest opportunities which exists for the new government to kick-start the growth agenda is in pushing infrastructure projects forward. Infrastructure is one of the biggest gaps which continue to bog the economy down, despite progress on several other fronts, notably the capital markets and the financial sector. This also has the much-needed multiplier effect, so essential at a time when the global economy is also in the throes of a serious recession. If the government merely gets moving on pending infrastructure projects, that alone can

lead to employment generation and other multiplier effects which will galvanise economic activity in a major way. Estimates show that despite roads being awarded, construction is yet to begin in several of these road projects, and these present new construction opportunities to the tune of several thousand crores if the government merely awards these bids. Major opportunities exist in Railways as well. For instance, building new freight corridors presents another massive opportunity which the new government must seize.

The Congress manifesto has also rightly focused on the power sector as an area which needs attention, and the aim is to add up to 15,000 MW of capacity each year. If all goes well and the government is able to pursue this agenda, it can catalyse economic activity further. Oil and gas exploration and getting rural India connected to the Internet are other areas where the government can play a major proactive role. Im-

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portantly, the three stimulus packages announced by the previous UPA government must be followed through, so that the benefits which they carry are taken to the grass roots. More such efforts will doubtless be necessary, to get the economy out of the effects of the current slowdown. The banking sector, in particular the Reserve Bank of India (RBI), will have to play the support function to catalyse such infrastructure focus, by lowering interest rates further and ensure that projects are not hamstrung owing to shortage of reasonably priced credit.

One of the biggest opportunities for the new government will present itself now in the form of possibilities of stake sales in various state-owned enterprises. There are several public sector undertakings

(PSUs) where the government owns well over 80% stake, and hence ceding control in them presents no threat to its ownership structure at all. With the opponents of disinvestment no longer a threat to the stability of the new government, UPA has its best chance yet of making a success of its disinvestment agenda by offloading stakes in select PSUs and raising valuable funds to reduce the fiscal deficit, or even invest in social infrastructure, health and education aggressively. Such disinvestments will also have the collateral benefit of boosting interest in the primary capital market, since good quality stock will then come into the equity markets, boosting investor interest. Having been forced to put its disinvestment plans on cold storage for the past several years, UPA must now aggressively push its disinvestment plans through. Remember, further stimuli will be required, which will burden the fiscal deficit even more. Hence, this is a safe and time-tested option which the new government must exercise, now that it has the opportunity.

A strong financial sector is the backbone of a sound economic structure. For years, the government has been making polite noises about the need for consolidation in the banking sector in order to make Indian banks stronger and their balance sheets more sound. India, it has often been said, needs a few large banks rather than several small or mid-sized banks which are of little or no consequence in the global economic landscape, more so in these challenging times. Now, the government must move to arm the nationalised banks with more powers and autonomy to push through consolidation in the banking space so that their balance sheets become stronger. Efficiencies in the banking sector will then drive banks to become leaner and price their risk better. All this can, in fact, have major benefits for the corporate sector as well, leading to smoother availability of credit.

It is, perhaps, not a mere coincidence that this year's election results are similar to that of 1991, a year when the Congress-led government and its then finance minister, a gentleman by the name of Dr Manmohan Singh, ushered in far-reaching economic reform, the benefits of which have paved the way for India to rightly stake its claim as an economic superpower. 2009 presents a similar opportunity for the new government to govern transparently, freely and effectively. A rejuvenated UPA must grab it with both hands.

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