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The road to faster growth

Rational exuberance about India is back. Everybody around the world who has a bet on India has caught the same mood as the investors who piled into the market the day after the election results were out. But they are all asking the same question, too: what happens if it turns out that the biggest disappointments of the past five years were not the fault of the UPA's fractious coalition partners after all?

To start with, the new government should have an easy run. Selling off the super-majority in PSUs, clearing up FDI norms that were fudged because they were so controversial, auctioning off spectrum, even freeing up education to private provision – these are all areas where the main task of a purposeful government is simply to get out of the way. By doing this, Manmohan Singh will consolidate his remarkable achievement of the early 1990s, when the supply-side effects of reducing the government's oppression of the economy were enough to power years of higher economic growth.

Liberalisation may have taken the best part of a generation to achieve, but it is a simple task beside the challenge of the efficient provision by the government of public goods, like infrastructure. The liberalisation agenda requires having a majority, or a consensus, to decide on a policy and enact it into law, and then leaving the businesses unleashed by the new policy to get on with it, with or without a regulator. The efficient provision of public goods, the fourth wheel that Indian businesses need to stay on the road, can only be done by government-run organisations that work in a reasonably quick, reliable and transparent way. Not a lot of candidates spring to mind. Why is a secure majority going to make any difference here?

An interesting test of the UPA's ability to make a priority of developing more effective organisations in the public sector is going to be the National Highways Authority of India (NHAI). Not surprisingly, the BJP was eloquent in its election manifesto on infrastructure, about the fact that the big gains in road building were already in place by 2004, followed by "five wasted years" of "criminal neglect of the highway system", a "disaster for infrastructure development", "abysmal" performance and so forth. The mud-slinging is irresistible, but the outcome may have been similar if the NDA had stayed in power. Finance for new public-private partnership contracts was scarcer from

2006. Contractors who had made poor returns on earlier contracts became wary. The Planning Commission understandably tried to fight the bias towards favouring smaller, less capable contractors, the ones who cause your car to lurch off the national highway, to navigate around a flyover that has been left an unfinished ruin for years. NHAI officials were out of their depth in responding quickly to changing market conditions that left a majority of their recent tenders without bidders. The then transport minister, T.R. Baalu, flailed at these problems by continually replacing the leadership of the NHAI. The UPA leadership balked at replacing him because DMK votes counted for the coalition.

It doesn't really matter who was to blame. Anybody who has worked in business knows how good people can be made helpless and frustrated in the face of a dysfunctional organisational structure and mission. Get the organisation sorted out and everything follows from that. Recent management changes at the NHAI, to bring in people with specialist knowledge of areas like finance, had been made before the election. The NHAI already has instructions from the PM's Committee on Infrastructure to simplify its projects, cut down the term of contracts and make do with less elaborate roads and bridges. And the UPA's victory delivered a huge dividend for the National Highway Development Programme within days of the election result, when Manmohan Singh had the numbers on his side to turn down the DMK's attempt to grab back the transport portfolio.

The UPA has rounded this off by appointing a strong minister, Kamal Nath, as road transport and highways minister. The cliché that India's democratic institutions are an obstacle, rather than an advantage, to the state delivering big projects, draws attention away from the particular difficulty Indian politicians seem to have in building and empowering state organisations that can work efficiently and unimpeded on long-term goals. Where they have managed to do this, like NTPC, they have turned out to be formidable competitors. That politicians often fail in organising effective delivery of their policies is hardly unique to India, but the urgency of addressing the problem is. The new UPA majority will be a test of whether this is an inevitable outcome of Indian political forces, or simply a work in progress. ♦