

CAUTIOUS OPTIMISM IS THE VERDICT ON PM NARENDRA MODI'S 100 DAYS

Indians elected Narendra Modi to create masses of jobs, give good governance, and control inflation. It is too soon to tell if he will keep his three promises. The first hundred days indicate how he intends to pursue these three objectives. The verdict so far leaves us cautiously optimistic.

Modi's defining contribution to date is to dramatically improve execution at all levels of the government. The Congress carps about the lack of new ideas. But anyone can have ideas - only a few can implement them. Those frustrated by the lack of big-bang reforms do not realize that India's great deficit is not ideas, policies, or laws but the poor execution of existing ones. Executional paralysis was one of the main reasons for India's growth rate plummeting in the past three years.

From day one, Modi set high expectations. He refused to accept a safer, more achievable fiscal deficit target for this year, arguing that people perform to expectations. Whether he will achieve the target is doubtful but there is a new sense of purpose and a visible change in attitude at many levels in the government. Tangible evidence has emerged from the Cabinet Secretariat's Project Monitoring Group, which is attempting to debottleneck hundreds of stalled projects. It is vigorously engaged with officials from central ministries, the states and businesses. It reports that the same officials who were obstructive or indifferent and blocked hundreds of projects in the last government are now upbeat, motivated and are clearing the massive backlog.



The challenge is daunting. When an infrastructure project has been stalled for years, the entrepreneur is generally bankrupt, having caused massive pain to the banks. Even if the environment ministry clears it now, the banks refuse to finance it. Add to this the impossible hurdle imposed by the new land acquisition law. Many states report that all land transactions have come to a halt since the new law was enacted. When you multiply this by hundreds of stalled projects, you can only sit down and cry over this appalling legacy of the UPA. It is a tribute to the new, positive energy released by Modi that instead of

throwing up their hands, officials are trying to find answers - even the chalta hai civil servant is doing some remarkable things.

The systemic solution to this mess is an ambitious project tasked by Modi which could transform the clearance process. The same Project Monitoring Group is digitizing on a common platform 60 clearances required for setting up an industry in India - 25 at the Centre and 35 in the states. When completed, entrepreneurs will be able to file applications online and track their progress transparently on the net. The world will also get to know who the offending official sitting on my file is, and entrepreneurs will come close to realizing their dream of a single window.

Superior execution will go some ways to lift growth and create jobs but only significant reforms will achieve Modi's first objective. Transparency in clearances will create accountability and slash India's notorious red tape. But Modi would have got higher marks for furthering governance if he had tasked the group to cut down the sixty clearances to ten, and India's dismal ranking would also have jumped on the Ease of Doing Business. When it comes to controlling food inflation, Modi's government has been selling grain from excess reserves and this has brought down grain prices. But India's food basket has changed and if he had cut import duties and removed non-tariff barriers on higher value foods, especially key vegetables, he would have scored higher on his third objective. Modi is lucky, however. The petroleum price has fallen and the monsoon is not disastrous, and if he is able to realize savings in government expenditure, it will help lower inflation.

In our obsession with accountability we have forgotten that the state was created to act. Modi's three months teach us how an effective leader is able to enhance state capacity through outstanding implementation. To achieve his three objectives, however, Modi will have to bite the bullet and execute the second generation reforms and begin the reform of governance institutions. Importantly, he must rein in the saffron brigade which is becoming an unnecessary distraction to keeping his three promises.