



Dear Member,

In the last issue of FAPCCI Review, dated 11.9.2007, I wrote about the challenges, the country is confronted with as reported in the World Bank “India Country Overview 2006”, promising to look at policy priorities and possible solutions to the challenges. Coming to priorities, the report says that Government policy and programs are looking beyond maintaining rapid growth to making growth more inclusive. The 11th Plan approach paper lays out the Government’s priorities in direction. A variety of Government initiatives have been launched: to build rural infrastructure (Bharat Nirman), address employment (National Rural Employment Guarantee Act), uplift rural health (National Rural Health Mission), address primary education (Sarva Shiksha Abhiyan), and renew urban infrastructure (National Urban Renewal Mission).

But for these and other programs to be effective, it is increasingly being recognized that deeper institutional reforms are needed to strengthen capacity and enforce accountabilities at all levels.

- Public sector services reform: India’s core public services such as healthcare, education, power, water supply and transportation need urgent improvement. This will require systemic reform of the public sector service providers, implementing effective systems of accountability to citizens, decentralizing responsibilities, and expanding the role of non-state service providers.
- Infrastructure: India needs to invest an additional 3-4% of GDP on infrastructure to sustain its current levels of growth and to spread the benefits of growth more widely. Although this will clearly require a government role, the relative roles of the government and private sector need to be defined.
- Agricultural and rural development: Raising agricultural productivity requires a return to investments in agricultural technology and infrastructure. Getting the rural economy moving will also require facilitating rural - non-farm - entrepreneurship. The bright spot on the horizon is that the private sector is now looking at the rural areas as a potentially important market and is increasing its investments accordingly, thereby opening up new opportunities for Indian farmers.
- Lagging states: Lagging states need to bring more jobs to their people by creating an attractive investment destination. Reforming cumbersome regulatory procedures, improving rural connectivity, establishing law and order, creating a stable platform for natural resource investment that balances business interests with social concerns, and providing rural finance are important.

There are still more strategic challenges on which long term vision and urgent action is required. They include:

- Adapting to increasing water scarcity
- Improving energy efficiency and ensuring adequate energy supplies
- Adapting to climate change which could impact India more than most countries
- Coping with accelerating urbanization through strengthened urban governance
- Protecting India’s fragile environment in the face of the rising pressures created by economic success
- Making India a driving force in technical innovation.

Thanking you for your cooperation

Atluri Subba Rao