



“The Budget will only encourage regional imbalance. He kept in mind the interest of poll-bound states, ignoring Bihar... I am thoroughly disappointed with the Budget”

NITISH KUMAR
Bihar Chief Minister



“The Budget is farmer-friendly... the approach is to remove disparity between urban & rural areas and to see commodities reach the urban needy”

SHARAD PAWAR
Union Minister for Agriculture

Goodbye Confrontation?

If the Manmohan Singh government is serious about passing the seven financial sector reform bills, it will have to first build a cordial relationship with the main Opposition, the Bharatiya Janata Party

Budget Bets on Growth, But Bets Off on Delivery

By Invite



PATRICK FRENCH
POLITICAL COMMENTATOR

through the Public Distribution System. This may not prove a perfect solution, but it is likely to be much better than the present, incompetent arrangement. If India's UID project takes off in the way that is intended, it could transform the way in which such services are delivered. Overall, the Budget offered a significant increase in social sector spending.

On a macro level, the best piece of news was that government borrowing this year is going to be lower than expected. It would be impossible to keep running such a large fiscal deficit and for it not to have an impact on the way the country operates. Because the Indian economy is more globally integrated than ever before, this has international importance. The admittedly tentative promises to tackle corruption are equally vital: at present, systemic corruption impinges at every level; its effects hit the poor hardest, and attract only the worst kind of foreign investors. Mukherjee's references to black money being 'a serious concern' — while sincere — was another reference to the symptoms of corruption rather than a structured effort to address and eliminate the disease.

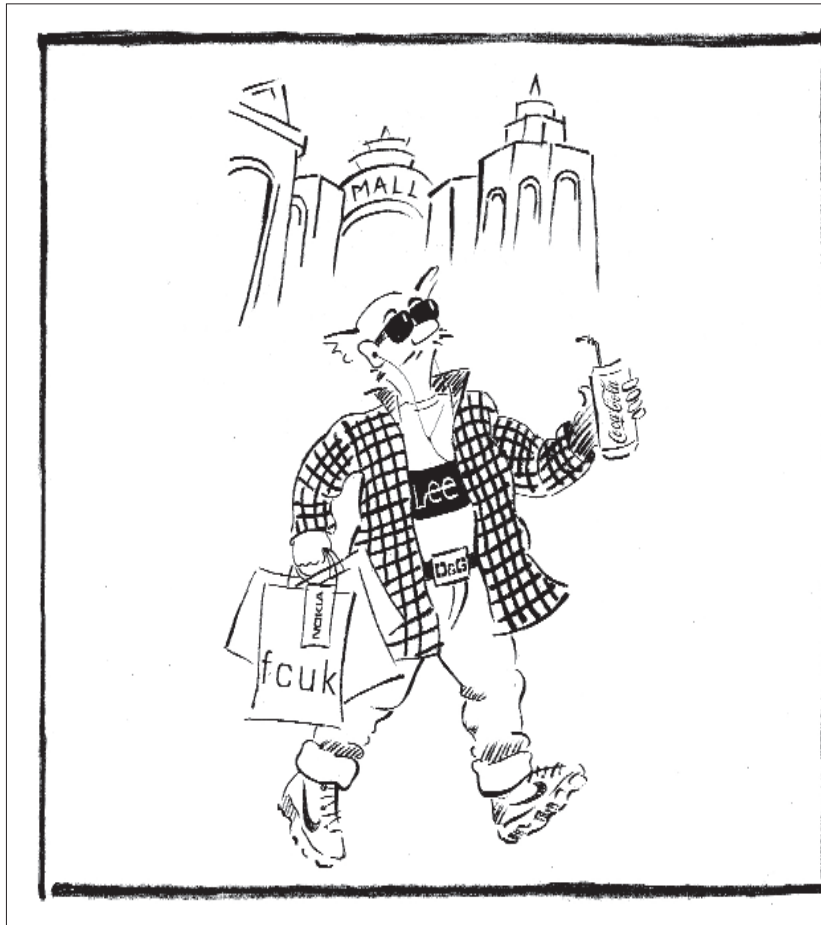
Threaded through the budget were some useful initiatives — if they are all delivered. An introduction of greater rural broadband connectivity, a doubling of the pay of Anganwadi or community health and malnutrition workers (as the Left had demanded), investment in infrastructure and education, amendments to Customs Duty and help for senior citizens are all sensible. In essence, though, this was a cautious rather than a reformist budget. The heralded opening of foreign investment in retail was absent.

After the budget, Manmohan Singh appeared on television and said, "The Finance Minister has done as good a job as was possible." It was a reasonable assessment, at a time when the government is looking lacklustre after such a long stretch in power. Yet despite this, Pranab Mukherjee seems confident growth will continue, and even move into double digits. Rapid change in India is unlikely to stall. At one point during his speech, he even said, "I pray to Goddess Lakshmi." We can presume that he cleared this line first with an economist — such as the prime minister.

Watching Pranab Mukherjee read his speech was a reminder of just how long he has been in politics. He entered Parliament more than forty years ago, served as finance minister under Indira Gandhi, and was considered as a possible replacement as prime minister after her assassination, before Congress decided to choose Rajiv Gandhi.

Trussed up in a black bandhgala, Mukherjee presented a solid, cautious budget. Around him sat an array of parliamentarians. Chidambaram was beatific. Lalu Yadav chatted to a neighbour. Sonia Gandhi had a face like granite. LK Advani was very serious. Speaker Meira Kumar was poised, ready to break into either a smile or a command of, "Let's have order in the House please." A young hereditary MP looked as if he was recovering from the night before, while Mamata Banerjee wore her headphones like a DJ, one pad covering an ear while the other was stuck to the side of her head.

Like a constitution, a Budget is a mechanism rather than a solution. The most stirring announcement — though the details are some way off — was that the government will introduce direct cash transfer to individuals below the poverty line, as an alternative to distributing subsidised kerosene and fertiliser



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NAC to Pranab: Where is Rehabilitation Policy?

In Focus

Saxena Speaks

Budget does not recognise value of governance and institutions in promoting development

Chidambaram had promised an Outcome budget. Where is that?

There is so much leakage in PDS, NREGS, ICDS and other schemes. How are we going to measure that?

THE BUDGET FAILED to go beyond the non-monetary aspects of development and does not recognise the importance of sound policy, governance and institutions in promoting development, National Advisory Council member (NAC) NC Saxena has said.

His comments come in the backdrop of growing unease within NAC over the government's rejection of many of its proposals and failure to act on others.

"Programmes are not sufficient for development. Sound policy, governance and institutions are also critical. Last year there was so much uproar in tribal areas with respect to large industrial projects. Where is the rehabilitation policy? Chidambaram had promised an Outcome budget in 2006. Where is that? There is so much leakage in PDS, NREGS, ICDS and other schemes. How are we going to measure that and plug that? The Budget is silent on all of these issues," Saxena said.

The Union Budget touched various areas the Sonia Gandhi-headed NAC has been working on, including wages under the Mahatma Gandhi Rural Employment Guarantee Scheme, reforming the Integrated Child Development Services (Anganwadis come under this programme) and the National Food Security Bill.

Pranab Mukherjee gave all Anganwadi workers (all women) a 100% hike in wages. He reiterated the government's earlier decision to index wages under the Mahatma Gandhi National Rural Employment Guarantee Scheme to inflation. NAC's demand was that wages under the scheme be linked to a national minimum wage.

NAC member and economist AK Shivakumar said while there were many positives in the budget for the weaker sections of the society, its big weakness was the ignorance of the health sector.

"Doubling the remuneration of Anganwadi workers and helpers, strengthening operations of self-help groups, enhancing the reach of old-age pensions, indexing MGNREGA wages to inflation, encouraging production and consumption of millets and other nutritious cereals, increasing

allocations to primary education, backward and extremist-affected areas, and committing to tackle hunger and malnutrition through a National Food Security Bill are significant steps that signal the intent of the central government to make growth inclusive. On the other hand, rather disappointing is the low priority given to health. The negligible increase in allocations to health is unlikely to move India towards much-needed long-due access to comprehensive quality primary health care for all," Shivakumar said.

The Budget came in for criticism from the major opposition parties too. The Bharatiya Janata Party, the main opposition party, termed the budget "unimaginative" and said it lacked a vision and suffered from the lack of any big ideas. The party said the government wasn't surfeited in its approach towards inflation, failed to provide impetus to job creation and infrastructure development and was cruel in that the Budget has raised cost of healthcare.

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TEAM ET

Finance Minister's Head is in Right Place, so is His Heart

By Invite



MUKESH AMBANI
CHAIRMAN & MD, RELIANCE INDUSTRIES

HAVING TO SUSTAIN HIGH growth in the context of high inflation and crying need for social sector and infrastructure investments, the finance minister has done well to channel much higher plan expenditure into social development, infrastructure, education and health without attendant increases in tax receipts, probably playing on the buoyancy of the economy. This eloquently reflects the government's stated objective of high economic growth with socio-economic inclusion and remedy of infirmities.

Pranab Mukherjee has preferred to address systemic issues around high food inflation by focusing on farm productivity, reforms in agricultural produce markets, investments in cold-chain storage and warehousing, credit flows to farms and interest subventions. This reflects maturity of response and interest in a longer-term solution, apart from being true to the resolve of creating a new India in her hinterlands.

Mr Mukherjee has articulated his intent of increasing the share of manufacturing from one-sixth to a quarter of GDP in 10 years. This sector needs to be strengthened for its potential to spur India's economic growth even higher and for its ability

to create new jobs. I am sure the FM will come up with specific initiatives for realising the intent of increasing the share of manufacturing in our GDP mix.

Facilitating greater role for private players in banking to rewriting rules for creating a contemporary and new financial sector architecture is laudable. Opening up investments in mutual funds to foreign institutional investors would surely give a fillip to foreign investments and a much-needed stimulus to the capital markets.

The commitment to prevent leakages from public programmes and correcting the drift in governance and public accountability through a strong IT infrastructure, direct electronic transfers of subsidy payments, self-assessment in customs, service tax audit exemptions for smaller units, strengthening enforcement and legislative reforms are good measures.

I was touched by FM's gesture of doubling salaries of Anganwadi workers, who form a formidable, but inconspicuous, edifice of India's social development organisation.

Reform Bills Bring Back Cong-BJP Reform Talks

THE REFORMIST BILLS ARE BACK, so is parliamentary politics over reforms. Will BJP help Congress, and what will BJP demand of Congress for its help?

The Budget lists seven bills under 'Financial Sector Legislative Initiatives'. Three of the seven are important reformist bills: The Insurance Laws (Amendment) Bill, which proposes raising FDI limit from 26% to 49% and allows entry of foreign re-insurers; the Pension Fund Regulatory and Development Authority Bill, which gives legal backing to the body running the New Pension Scheme; and the Banking Laws Amendment Bill, which proposes increasing capital raising capacity of banks (whether the new version of the bill — the old version lapsed with the dissolution of the 14th Lok Sabha — will also address the issue of caps on foreign shareholders' voting rights in Indian banks is not clear).

UPA-II has a majority in the Lok Sabha, but not in the Rajya Sabha. Even assuming support of BSP, SP and RJD, it will still be short of a majority. The arithmetic can change in UPA's favour if a bunch of very small parties and Independents can be persuaded to vote with the alliance on a bill. But the best option for Congress is BJP support (the Left will never vote for these bills). BJP is no stranger to these bills. The

The Politics of Change

Budget prioritises pension, banking bills

To pass bills, UPA-II needs help in the Rajya Sabha

Smooth passage with BJP support

BJP says support depends on Congress approach

NDA government tried to work on these reforms as well. Sources in UPA and NDA say 'Track-II' talks on parliamentary co-operation for passing reformist bills are on, but that they are at very early stages.

Ravi Shankar Prasad, BJP Rajya Sabha MP and general secretary, said his party wasn't opposed to reforms but that much would depend on the 'fine print' of the bills and on "how the government approaches the Opposition".

Whether these bills would pass may also depend on the atmospherics between Congress and BJP leaders, say politicians from both sides of the parliamentary aisle.

TEAM ET



PR RAMESH

Way Forward: Courtship & Concessions

PRANAB MUKHERJEE MAY have promised an end to policy drift and decisive reforms in his budget, but progress on critical legislation will require quite a bit of courtship with the Opposition and substantive concessions on policy issues. In his address, Mukherjee sought bipartisan support for tax reforms as financial sector legislative initiatives. But the problems lie in working out a non-partisan consensus. The recent finger pointing between Congress and BJP over the prime minister's statement that the Centre's reluctance to go slow on former Gujarat home minister was holding up GST, for one, is not conducive for productive deal making on the economy. Nor is the prime minister's statement, putting all the blame for the winter session deadlock on the Opposition.

On both occasions, Mukherjee reached out to BJP leaders for damage control. The finance minister, who has been negotiating with chief ministers on GST, knows it's not a partisan stalemate. That several chief ministers, including those controlled by allies, have problems with the GST draft makes it imperative that the issue be sorted out through some concessions to states. All governments face problems with policy movement. For a government like UPA-II, with a high credibility deficit, the task is even more arduous. Mukherjee admitted the problem. "Certain events in the past few months may have created an impression of drift in governance and gap in public accountability." The impression that has gained ground of the government being stone deaf cannot be washed away by candid confessions. Proactive steps are needed to stem the rot. And route to breaking legislative impasse lies in some outreach, back channel communications and even social backslapping with the Opposition.

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